

GLACIER BANCORP INC
 Form 10-Q
 August 08, 2013

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

FORM 10-Q

ý Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
 For the quarterly period ended June 30, 2013

¨ 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. ý 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). ý 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	ý	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 ý No

The number of shares of Registrant's common stock outstanding on July 23, 2013 was 73,590,155. No preferred shares are issued or outstanding.

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Unaudited Condensed Consolidated Statements of Financial Condition

(Dollars in thousands, except per share data)	June 30, 2013	December 31, 2012
Assets		
Cash on hand and in banks	\$ 105,272	123,270
Interest bearing cash deposits and federal funds sold	27,184	63,770
Cash and cash equivalents	132,456	187,040
Investment securities, available-for-sale	3,721,377	3,683,005
Loans held for sale	95,495	145,501
Loans receivable	3,673,456	3,397,425
Allowance for loan and lease losses	(130,883)	(130,854)
Loans receivable, net	3,542,573	3,266,571
Premises and equipment, net	161,918	158,989
Other real estate owned	40,713	45,115
Accrued interest receivable	43,593	37,770
Deferred tax asset	35,115	20,394
Core deposit intangible, net	7,262	6,174
Goodwill	119,509	106,100
Non-marketable equity securities	49,752	48,812
Other assets	47,053	41,969
Total assets	\$ 7,996,816	7,747,440
Liabilities		
Non-interest bearing deposits	\$ 1,236,104	1,191,933
Interest bearing deposits	4,122,093	4,172,528
Securities sold under agreements to repurchase	300,024	289,508
Federal Home Loan Bank advances	1,217,445	997,013
Other borrowed funds	8,489	10,032
Subordinated debentures	125,490	125,418
Accrued interest payable	3,824	4,675
Other liabilities	54,345	55,384
Total liabilities	7,067,814	6,846,491
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	736	719
Paid-in capital	672,035	641,737
Retained earnings - substantially restricted	232,849	210,531
Accumulated other comprehensive income	23,382	47,962
Total stockholders' equity	929,002	900,949
Total liabilities and stockholders' equity	\$ 7,996,816	7,747,440
Number of common stock shares issued and outstanding	73,564,900	71,937,222

See accompanying notes to unaudited condensed consolidated financial statements.

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Unaudited Condensed Consolidated Statements of Operations

(Dollars in thousands, except per share data)	Three Months ended		Six Months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Interest Income				
Residential real estate loans	\$7,026	7,495	14,286	15,279
Commercial loans	29,865	30,430	58,497	61,471
Consumer and other loans	7,909	8,813	15,773	17,983
Investment securities	17,351	17,454	31,550	37,343
Total interest income	62,151	64,192	120,106	132,076
Interest Expense				
Deposits	3,474	4,609	7,186	9,563
Securities sold under agreements to repurchase	210	303	437	602
Federal Home Loan Bank advances	2,648	3,218	5,299	6,599
Federal funds purchased and other borrowed funds	54	61	106	123
Subordinated debentures	799	853	1,615	1,755
Total interest expense	7,185	9,044	14,643	18,642
Net Interest Income	54,966	55,148	105,463	113,434
Provision for loan losses	1,078	7,925	3,178	16,550
Net interest income after provision for loan losses	53,888	47,223	102,285	96,884
Non-Interest Income				
Service charges and other fees	11,818	11,291	22,404	21,783
Miscellaneous loan fees and charges	1,153	1,113	2,242	2,059
Gain on sale of loans	7,472	7,522	16,561	14,335
Gain on sale of investments	241	—	104	—
Other income	2,538	1,865	4,861	3,952
Total non-interest income	23,222	21,791	46,172	42,129
Non-Interest Expense				
Compensation and employee benefits	24,917	23,684	49,494	47,244
Occupancy and equipment	5,906	5,825	11,731	11,793
Advertising and promotions	1,621	1,713	3,169	3,115
Outsourced data processing	813	788	1,638	1,634
Other real estate owned	2,968	2,199	3,852	9,021
Federal Deposit Insurance Corporation premiums	1,154	1,300	2,458	3,012
Core deposit intangibles amortization	505	535	991	1,087
Other expense	10,597	10,146	18,582	18,329
Total non-interest expense	48,481	46,190	91,915	95,235
Income Before Income Taxes	28,629	22,824	56,542	43,778
Federal and state income tax expense	5,927	3,843	13,072	8,464
Net Income	\$22,702	18,981	43,470	35,314
Basic earnings per share	\$0.31	0.26	0.60	0.49
Diluted earnings per share	\$0.31	0.26	0.60	0.49
Dividends declared per share	\$0.15	0.13	0.29	0.26
Average outstanding shares - basic	72,480,019	71,928,697	72,224,263	71,921,885
Average outstanding shares - diluted	72,548,172	71,928,853	72,282,104	71,921,990
See accompanying notes to unaudited condensed consolidated financial statements.				

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Glacier Bancorp, Inc.

Unaudited Condensed Consolidated Statements of Comprehensive Income

(Dollars in thousands)	Three Months ended		Six Months ended		
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	
Net Income	\$ 22,702	18,981	43,470	35,314	
Other Comprehensive (Loss) Income, Net of Tax					
Unrealized (losses) gains on available-for-sale securities	(56,256	) 13,214	(55,685	) 23,232
Reclassification adjustment for gains included in net income	(241	) —	(104) —	
Net unrealized (losses) gains on securities	(56,497	) 13,214	(55,789	) 23,232
Tax effect	21,977	(5,140) 21,702	(9,037)
Net of tax amount	(34,520	) 8,074	(34,087	) 14,195
Unrealized gains (losses) on derivatives used for cash flow hedges	12,810	(9,051) 15,562	(5,939)
Tax effect	(4,983	) 3,521	(6,055	) 2,310
Net of tax amount	7,827	(5,530) 9,507	(3,629)
Total other comprehensive (loss) income, net of tax	(26,693	) 2,544	(24,580	) 10,566
Total Comprehensive (Loss) Income	\$ (3,991	) 21,525	18,890	45,880

See accompanying notes to unaudited condensed consolidated financial statements.

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Glacier Bancorp, Inc.

Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity
Six Months ended June 30, 2013 and 2012

(Dollars in thousands, except per share data)	Common Stock		Paid-in Capital	Retained Earnings Substantially Restricted	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
Balance at December 31, 2011	71,915,073	\$ 719	642,882	173,139	33,487	850,227
Comprehensive income	—	—	—	35,314	10,566	45,880
Cash dividends declared (\$0.26 per share)	—	—	—	(18,700	) —	(18,700)
Stock issuances under stock incentive plans	16,313	—	233	—	—	233
Stock-based compensation and related taxes	—	—	(1,459	) —	—	(1,459)
Balance at June 30, 2012	71,931,386	\$ 719	641,656	189,753	44,053	876,181
Balance at December 31, 2012	71,937,222	\$ 719	641,737	210,531	47,962	900,949
Comprehensive income (loss)	—	—	—	43,470	(24,580	) 18,890
Cash dividends declared (\$0.29 per share)	—	—	—	(21,152	) —	(21,152)
Stock issuances under stock incentive plans	172,422	2	2,653	—	—	2,655
Stock issued in connection with acquisition	1,455,256	15	28,275	—	—	28,290
Stock-based compensation and related taxes	—	—	(630	) —	—	(630)
Balance at June 30, 2013	73,564,900	\$ 736	672,035	232,849	23,382	929,002

See accompanying notes to unaudited condensed consolidated financial statements.

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Unaudited Condensed Consolidated Statements of Cash Flows

(Dollars in thousands)	Six Months ended	
	June 30, 2013	June 30, 2012
Operating Activities		
Net income	\$43,470	35,314
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	3,178	16,550
Net amortization of investment securities premiums and discounts	39,846	29,212
Federal Home Loan Bank stock dividends	—	(5
Mortgage loans held for sale originated or acquired	(527,853	) (500,694
Proceeds from sales of mortgage loans held for sale	616,180	547,893
Gain on sale of loans	(16,561	) (14,335
Gain on sale of investments	(104) —
Stock-based compensation expense, net of tax benefits	607	236
Excess tax deficiencies from stock-based compensation	188	—
Depreciation of premises and equipment	4,742	4,943
Loss on sale of other real estate owned and writedown	987	6,814
Amortization of core deposit intangibles	991	1,087
Net increase in accrued interest receivable	(3,673	) (2,147
Net decrease in other assets	1,584	1,001
Net decrease in accrued interest payable	(1,007	) (749
Net increase in other liabilities	3,406	8,577
Net cash provided by operating activities	165,981	133,697
Investing Activities		
Proceeds from sales, maturities and prepayments of investment securities, available-for-sale	1,165,981	871,472
Purchases of investment securities, available-for-sale	(1,224,241	) (1,154,990
Principal collected on loans	513,255	441,318
Loans originated or acquired	(650,378	) (478,541
Net addition of premises and equipment and other real estate owned	(3,167	) (5,501
Proceeds from sale of other real estate owned	11,066	18,073
Net sale (purchase) of non-marketable equity securities	60	(671
Net cash received from acquisitions	12,123	—
Net cash used in investment activities	(175,301	) (308,840
Financing Activities		
Net (decrease) increase in deposits	(261,461	) 161,056
Net increase in securities sold under agreements to repurchase	10,516	208,141
Net increase (decrease) in Federal Home Loan Bank advances	214,965	(163,017
Net (decrease) increase in federal funds purchased and other borrowed funds	(1,471	) 50
Cash dividends paid	(10,099	) (18,700
Excess tax deficiencies from stock-based compensation	(188) —
Proceeds from stock options exercised	2,474	—
Net cash (used in) provided by financing activities	(45,264	) 187,530
Net (decrease) increase in cash and cash equivalents	(54,584) 12,387
Cash and cash equivalents at beginning of period	187,040	128,032

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Cash and cash equivalents at end of period	\$ 132,456	140,419
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See accompanying notes to unaudited condensed consolidated financial statements.

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Glacier Bancorp, Inc.

Unaudited Condensed Consolidated Statements of Cash Flows (Continued)

(Dollars in thousands)	Six Months ended	
	June 30, 2013	June 30, 2012
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	\$ 15,648	19,391
Cash paid during the period for income taxes	13,660	8,221
Sale and refinancing of other real estate owned	2,507	668
Transfer of loans to other real estate owned	9,889	16,372
Supplemental Disclosure of Non-Cash Investing Activities		
Acquisitions		
Fair value of common stock shares issued	\$ 28,290	—
Cash consideration for outstanding shares	11,025	—
Fair value of assets acquired	300,541	—
Liabilities assumed	261,226	—

See accompanying notes to unaudited condensed consolidated financial statements.

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Glacier Bancorp, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

Note 1. Nature of Operations and Summary of Significant Accounting Policies

General

Glacier Bancorp, Inc. (“Company”) is a Montana corporation headquartered in Kalispell, Montana. The Company provides a full range of banking services to individual and corporate customers in Montana, Idaho, Wyoming, Colorado, Utah and Washington through twelve divisions of its wholly-owned bank subsidiary, Glacier Bank (“Bank”). The Company offers a wide range of banking products and services, including transaction and savings deposits, real estate, commercial, agriculture and consumer loans, mortgage origination services, and retail brokerage services. The Company serves individuals, small to medium-sized businesses, community organizations and public entities.

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 June 30, 2013, the results of operations and comprehensive income for the three and six month periods ended June 30, 2013 and 2012, and changes in stockholders’ equity and cash flows for the six month periods ended June 30, 2013 and 2012. The condensed consolidated statement of financial condition of the Company as of December 31, 2012 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, 2012. Operating results for the six months ended June 30, 2013 are not necessarily indicative of the results anticipated for the year ending December 31, 2013.

The Company is a defendant in legal proceedings arising in the normal course of business. In the opinion of management, the disposition of pending litigation will not have a material affect on the Company’s consolidated financial position, results of operations or liquidity.

Material estimates that are particularly susceptible to significant change include the determination of the allowance for loan and lease losses (“ALLL” or “allowance”) and the valuations related to investments and real estate acquired in connection with foreclosures or in satisfaction of loans. For the determination of the ALLL and real estate valuation estimates, management obtains independent appraisals (new or updated) for significant items. Estimates relating to investment valuations are obtained from independent third parties.

Principles of Consolidation

The consolidated financial statements of the Company include the parent holding company and the Bank. The Bank consists of twelve bank divisions, a treasury division and an information technology division. Each of the bank divisions operate under separate names, management teams and directors. The Company considers the Bank to be its sole operating segment as the Bank 1) engages in similar bank business activity from which it earns revenues and incurs expenses, 2) the operating results of the Bank are regularly reviewed by the Chief Executive Officer (i.e., the chief operating decision maker) who makes decisions about resources to be allocated to the Bank, and 3) financial information is available for the Bank. All significant inter-company transactions have been eliminated in consolidation.

On May 31, 2013, the Company completed its acquisition of Wheatland Bankshares, Inc. (“Wheatland”) and its wholly-owned subsidiary, First State Bank, a community bank based in Wheatland, Wyoming. The transaction was accounted for using the acquisition method, and the results of operations of First State Bank have been included in the Company’s consolidated financial statements as of the acquisition date.

The Company formed GBCI Other Real Estate (“GORE”) to isolate certain bank foreclosed properties for legal protection and administrative purposes and the remaining properties are currently held for sale. GORE is included in the Bank operating segment due to its insignificant activity.

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The Company owns the following trust subsidiaries, each of which issued trust preferred securities as Tier 1 capital instruments: 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 and First Company Statutory Trust 2003. The trust subsidiaries are not included in the Company's consolidated financial statements.

Variable Interest Entities

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").

The following table summarizes the carrying amounts of the VIE's assets and liabilities included in the Company's consolidated financial statements at June 30, 2013 and December 31, 2012:

(Dollars in thousands)	June 30, 2013		December 31, 2012	
	CDE (NMTC)	LIHTC	CDE (NMTC)	LIHTC
Assets				
Loans receivable	\$ 35,840	—	35,480	—
Premises and equipment, net	—	13,745	—	16,066
Accrued interest receivable	113	—	117	—
Other assets	969	153	1,114	143
Total assets	\$ 36,922	13,898	36,711	16,209
Liabilities				
Other borrowed funds	\$ 4,555	1,722	4,555	3,639
Accrued interest payable	4	5	4	6
Other liabilities	92	177	182	136
Total liabilities	\$ 4,651	1,904	4,741	3,781

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.

Loans Receivable

Loans that are intended to be held-to-maturity are reported at the unpaid principal balance less net charge-offs and adjusted for deferred fees and costs on originated loans and unamortized premiums or discounts on acquired loans. Interest income is recognized using the interest method and includes discount accretion and premium amortization on acquired loans and net loan fees on originated loans which are amortized over the expected life of the loans using a method that approximates the level-yield interest method. The Company's loan segments, which are based on the purpose of the loan, include residential real estate, commercial, and consumer loans. The Company's loan classes, a further disaggregation of segments, include residential real estate loans (residential real estate segment), commercial real estate and other commercial loans (commercial segment), and home equity and other consumer loans (consumer segment).

Loans that are thirty days or more past due based on payments received and applied to the loan are considered delinquent. Loans are designated non-accrual and the accrual of interest is discontinued when the collection of the contractual principal or interest is unlikely. A loan is typically placed on non-accrual when principal or interest is due and has remained unpaid for ninety days or more. When a loan is placed on non-accrual status, interest previously accrued but not collected is reversed against current period interest income. Subsequent payments are applied to the outstanding principal balance if doubt remains as to the ultimate collectability of the loan. Interest accruals are not

resumed on partially charged-off impaired loans. For other loans on nonaccrual, interest accruals are resumed on such loans only when they are brought fully current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to both principal and interest.

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The Company recognizes that while borrowers may experience deterioration in their financial condition, many continue to be creditworthy customers who have the willingness and capacity for debt repayment. In determining whether non-restructured or unimpaired loans issued to a single or related party group of borrowers should continue to accrue interest when the borrower has other loans that are impaired or troubled debt restructurings (“TDR”), the Company on a quarterly or more frequent basis performs an updated and comprehensive assessment of the willingness and capacity of the borrowers to timely and ultimately repay their total debt obligations, including contingent obligations. Such analysis takes into account current financial information about the borrowers and financially responsible guarantors, if any, including for example:

- analysis of global, i.e., aggregate debt service for total debt obligations;
- assessment of the value and security protection of collateral pledged using current market conditions and alternative market assumptions across a variety of potential future situations; and
- loan structures and related covenants.

The Company considers impaired loans to be the primary credit quality indicator for monitoring the credit quality of the loan portfolio. Loans are designated impaired when, based upon current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement and therefore, the Company has serious doubts as to the ability of such borrowers to fulfill the contractual obligation. Impaired loans include non-performing loans (i.e., non-accrual loans and accruing loans ninety days or more past due) and accruing loans under ninety days past due where it is probable payments will not be received according to the loan agreement (e.g., TDR). Interest income on accruing impaired loans is recognized using the interest method. The Company measures impairment on a loan-by-loan basis in the same manner for each class within the loan portfolio. An insignificant delay or shortfall in the amounts of payments would not cause a loan or lease to be considered impaired. The Company determines the significance of payment delays and shortfalls on a case-by-case basis, taking into consideration all of the facts and circumstances surrounding the loan and the borrower, including the length and reasons for the delay, the borrower’s prior payment record, and the amount of the shortfall in relation to the principal and interest due.

A restructured loan is considered a TDR if the creditor, for economic or legal reasons related to the debtor’s financial difficulties, grants a concession to the debtor that it would not otherwise consider. A TDR loan is considered an impaired loan and a specific valuation allowance is established when the fair value of the collateral-dependent loan or present value of the loan’s expected future cash flows (discounted at the loan’s effective interest rate based on the original contractual rate) is lower than the carrying value of the impaired loan. The Company made the following types of loan modifications, some of which were considered a TDR:

- Reduction of the stated interest rate for the remaining term of the debt;
- Extension of the maturity date(s) at a stated rate of interest lower than the current market rate for newly originated debt having similar risk characteristics; and
- Reduction of the face amount of the debt as stated in the debt agreements.

For additional information relating to loans, see Note 3.

Allowance for Loan and Lease Losses

Based upon management’s analysis of the Company’s loan portfolio, the balance of the ALLL is an estimate of probable credit losses known and inherent within the Bank’s loan portfolio as of the date of the consolidated financial statements. The ALLL is analyzed at the loan class level and is maintained within a range of estimated losses. Determining the adequacy of the ALLL involves a high degree of judgment and is inevitably imprecise as the risk of loss is difficult to quantify. The determination of the ALLL and the related provision for loan losses is a critical accounting estimate that involves management’s judgments about all known relevant internal and external environmental factors that affect loan losses. The balance of the ALLL is highly dependent upon management’s

evaluations of borrowers' current and prospective performance, appraisals and other variables affecting the quality of the loan portfolio. Individually significant loans and major lending areas are reviewed periodically to determine potential problems at an early date. Changes in management's estimates and assumptions are reasonably possible and may have a material impact upon the Company's consolidated financial statements, results of operations or capital.

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The ALLL consists of a specific valuation allowance component and a general valuation allowance component. The specific component relates to loans that are determined to be impaired and individually evaluated for impairment. The Company measures impairment on a loan-by-loan basis based on the present value of expected future cash flows discounted at the loan's effective interest rate, except when it is determined that repayment of the loan is expected to be provided solely by the underlying collateral. For impairment based on expected future cash flows, the Company considers all information available as of a measurement date, including past events, current conditions, potential prepayments, and estimated cost to sell when such costs are expected to reduce the cash flows available to repay or otherwise satisfy the loan. For alternative ranges of cash flows, the likelihood of the possible outcomes is considered in determining the best estimate of expected future cash flows. The effective interest rate for a loan restructured in a TDR is based on the original contractual rate. For collateral-dependent loans and real estate loans for which foreclosure or a deed-in-lieu of foreclosure is probable, impairment is measured by the fair value of the collateral, less estimated cost to sell. The fair value of the collateral is determined primarily based upon appraisal or evaluation of the underlying real property value.

The general valuation allowance component relates to probable credit losses inherent in the balance of the loan portfolio based on historical loss experience, adjusted for changes in trends and conditions of qualitative or environmental factors. The historical loss experience is based on the previous twelve quarters loss experience by loan class adjusted for risk characteristics in the existing loan portfolio. The same trends and conditions are evaluated for each class within the loan portfolio; however, the risk characteristics are weighted separately at the individual class level based on the Company's judgment and experience.

The changes in trends and conditions of certain items include the following:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;
- Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments;
- Changes in the nature and volume of the portfolio and in the terms of loans;
- Changes in experience, ability, and depth of lending management and other relevant staff;
- Changes in the volume and severity of past due and nonaccrual loans;
- Changes in the quality of the Company's loan review system;
- Changes in the value of underlying collateral for collateral-dependent loans;
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations; and
- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the Company's existing portfolio.

The ALLL is increased by provisions for loan losses which are charged to expense. The portions of loan balances determined by management to be uncollectible are charged-off as a reduction of the ALLL and recoveries of amounts previously charged-off are credited as an increase to the ALLL. The Company's charge-off policy is consistent with bank regulatory standards. Consumer loans generally are charged off when the loan becomes over 120 days delinquent. Real estate acquired as a result of foreclosure or by deed-in-lieu of foreclosure is classified as real estate owned until such time as it is sold.

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 non-authoritative.

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 (“ASU”) No. 2011-12, Comprehensive Income (Topic 220) deferred 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 were effective retrospectively during interim and annual periods beginning after December 15, 2011. ASU No. 2013-2, Comprehensive Income (Topic 220) reversed the deferment of ASU 2011-12 and will be effective prospectively for reporting periods beginning after December 15, 2012 and early adoption is permitted. The Company early adopted ASU No. 2013-2 as of December 31, 2012. The Company has evaluated the impact of the adoption of these amendments and determined there was not a material effect on the Company’s financial position or results of operations.

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Note 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.

(Dollars in thousands)	June 30, 2013		Gross Unrealized Gains	Unrealized Losses	Fair Value
	Weighted Yield	Amortized Cost			
U.S. government sponsored enterprises					
Maturing after one year through five years	2.27	% \$ 12,840	270	—	13,110
Maturing after five years through ten years	1.71	% 40	1	—	41
	2.27	% 12,880	271	—	13,151
State and local governments					
Maturing within one year	2.02	% 5,066	41	—	5,107
Maturing after one year through five years	2.07	% 158,331	3,063	(265	) 161,129
Maturing after five years through ten years	3.11	% 55,026	904	(656	) 55,274
Maturing after ten years	4.53	% 1,089,519	44,313	(15,466	) 1,118,366
	4.17	% 1,307,942	48,321	(16,387	) 1,339,876
Corporate bonds					
Maturing within one year	2.06	% 64,391	630	—	65,021
Maturing after one year through five years	2.10	% 357,036	2,571	(3,173	) 356,434
Maturing after five years through ten years	2.27	% 21,635	53	(346	) 21,342
	2.10	% 443,062	3,254	(3,519	) 442,797
Residential mortgage-backed securities	2.18	% 1,917,954	13,728	(6,129) 1,925,553
Total investment securities	2.88	% \$ 3,681,838	65,574	(26,035) 3,721,377

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(Dollars in thousands)	December 31, 2012		Gross Unrealized		Fair Value
	Weighted Yield	Amortized Cost	Gains	Losses	
U.S. government and federal agency					
Maturing within one year	1.62	% \$ 201	1	—	202
U.S. government sponsored enterprises					
Maturing after one year through five years	2.30	% 17,064	371	—	17,435
Maturing after five years through ten years	2.03	% 44	1	—	45
	2.29	% 17,108	372	—	17,480
State and local governments					
Maturing within one year	2.01	% 4,288	28	(2	) 4,314
Maturing after one year through five years	2.11	% 149,497	4,142	(142	) 153,497
Maturing after five years through ten years	2.95	% 38,346	1,102	(99	) 39,349
Maturing after ten years	4.70	% 935,897	82,823	(1,362	) 1,017,358
	4.29	% 1,128,028	88,095	(1,605	) 1,214,518
Corporate bonds					
Maturing within one year	1.73	% 18,412	51	—	18,463
Maturing after one year through five years	2.22	% 250,027	4,018	(238	) 253,807
Maturing after five years through ten years	2.23	% 16,144	381	—	16,525
	2.19	% 284,583	4,450	(238	) 288,795
Collateralized debt obligations					
Maturing after ten years	8.03	% 1,708	—	—	1,708
Residential mortgage-backed securities	1.95	% 2,156,049	8,860	(4,607	) 2,160,302
Total investment securities	2.71	% \$ 3,587,677	101,778	(6,450	) 3,683,005

Included in the residential mortgage-backed securities are \$39,375,000 and \$46,733,000 as of June 30, 2013 and December 31, 2012, 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 average yields are based on the level-yield method taking into account premium amortization, discount accretion and mortgage-backed securities’ prepayment provisions. Weighted average yields on tax-exempt investment securities exclude the federal income 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		Six Months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Gross proceeds	\$ 75,649	—	\$ 79,488	—
Less amortized cost	(75,408	) —	(79,384) —
Net gain on sale of investments	\$ 241	—	\$ 104	—
Gross gain on sale of investments	\$ 256	—	\$ 256	—
Gross loss on sale of investments	(15) —	(152) —
Net gain on sale of investments	\$ 241	—	\$ 104	—

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Investments with an unrealized loss position are summarized as follows:

(Dollars in thousands)	June 30, 2013					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
State and local governments	\$ 312,576	(15,987)	10,434	(400)	323,010	(16,387)
Corporate bonds	211,592	(3,519)	—	—	211,592	(3,519)
Residential mortgage-backed securities	511,542	(6,086)	15,991	(43)	527,533	(6,129)
Total temporarily impaired securities	\$ 1,035,710	(25,592)	26,425	(443)	1,062,135	(26,035)
	December 31, 2012					
(Dollars in thousands)	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	State and local governments	\$ 102,896	(1,531)	4,533	(74)	107,429	(1,605 )
Corporate bonds	41,856	(238)	—	—	41,856	(238)
Residential mortgage-backed securities	955,235	(4,041)	62,905	(566)	1,018,140	(4,607)
Total temporarily impaired securities	\$ 1,099,987	(5,810)	67,438	(640)	1,167,425	(6,450)

With respect to the Company's review of its securities in an unrealized loss position at June 30, 2013, management determined that it did not intend to sell and there was no expected requirement to sell any of its temporarily impaired securities. Based on an analysis of its impaired securities as of June 30, 2013 and December 31, 2012, the Company determined that none of such securities had other-than-temporary impairment.

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Note 3. Loans Receivable, Net

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

(Dollars in thousands)	Three Months ended June 30, 2013					
	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Allowance for loan and lease losses						
Balance at beginning of period	\$ 130,835	15,411	73,335	22,481	10,833	8,775
Provision for loan losses	1,078	(509)	) 520	1,880	(1,016)	) 203
Charge-offs	(2,271)	) (172)	) (538)	) (594)	) (291)	) (676)
Recoveries	1,241	67	568	349	100	157
Balance at end of period	\$ 130,883	14,797	73,885	24,116	9,626	8,459
Three Months ended June 30, 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	\$ 136,586	19,003	73,240	22,444	13,364	8,535
Provision for loan losses	7,925	22	10,374	(1,255)	) (1,471)	) 255
Charge-offs	(8,679)	) (953)	) (5,549)	) (887)	) (1,077)	) (213)
Recoveries	1,627	67	1,033	268	88	171
Balance at end of period	\$ 137,459	18,139	79,098	20,570	10,904	8,748
Six Months ended June 30, 2013						
(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	\$ 130,854	15,482	74,398	21,567	10,659	8,748
Provision for loan losses	3,178	(486)	) (432)	) 3,579	441	76
Charge-offs	(5,885)	) (349)	) (1,303)	) (1,752)	) (1,629)	) (852)
Recoveries	2,736	150	1,222	722	155	487
Balance at end of period	\$ 130,883	14,797	73,885	24,116	9,626	8,459
Six Months ended June 30, 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	16,550	2,085	13,010	1,304	(470)	) 621
Charge-offs	(19,737)	) (1,320)	) (12,534)	) (2,356)	) (2,358)	) (1,169)
Recoveries	3,130	147	1,702	789	116	376
Balance at end of period	\$ 137,459	18,139	79,098	20,570	10,904	8,748

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The following schedules disclose the ALLL and loans receivable on a portfolio class basis:

(Dollars in thousands)	June 30, 2013					
	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Allowance for loan and lease losses						
Individually evaluated for impairment	\$ 11,382	1,026	6,100	3,553	24	679
Collectively evaluated for impairment	119,501	13,771	67,785	20,563	9,602	7,780
Total allowance for loan and lease losses	\$ 130,883	14,797	73,885	24,116	9,626	8,459
Loans receivable						
Individually evaluated for impairment	\$ 192,573	24,719	117,836	36,705	8,432	4,881
Collectively evaluated for impairment	3,480,883	507,115	1,703,764	686,482	376,256	207,266
Total loans receivable	\$ 3,673,456	531,834	1,821,600	723,187	384,688	212,147
(Dollars in thousands)	December 31, 2012					
	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Allowance for loan and lease losses						
Individually evaluated for impairment	\$ 15,534	1,680	7,716	3,859	870	1,409
Collectively evaluated for impairment	115,320	13,802	66,682	17,708	9,789	7,339
Total allowance for loan and lease losses	\$ 130,854	15,482	74,398	21,567	10,659	8,748
Loans receivable						
Individually evaluated for impairment	\$ 201,735	25,862	125,282	33,593	11,074	5,924
Collectively evaluated for impairment	3,195,690	490,605	1,530,226	589,804	392,851	192,204
Total loans receivable	\$ 3,397,425	516,467	1,655,508	623,397	403,925	198,128

Substantially all of the Company's loan receivables are with customers in the Company's geographic 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 \$4,722,000 and \$1,379,000 were included in the loans receivable balance at June 30, 2013 and December 31, 2012, respectively.

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

(Dollars in thousands)	At or for the Three or Six Months ended June 30, 2013					
	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Loans with a specific valuation allowance						
Recorded balance	\$ 57,021	6,975	24,857	21,191	318	3,680
Unpaid principal balance	58,739	7,199	25,954	21,298	321	3,967
Specific valuation allowance	11,382	1,026	6,100	3,553	24	679
Average balance - three months	56,118	6,865	24,411	20,856	460	3,526
Average balance - six months	58,331	7,021	26,139	20,972	758	3,441
Loans without a specific valuation allowance						
Recorded balance	\$ 135,552	17,744	92,979	15,514	8,114	1,201
Unpaid principal balance	154,815	18,846	107,676	17,731	9,318	1,244
Average balance - three months	137,096	17,967	95,185	13,816	8,466	1,662
Average balance - six months	137,722	18,154	95,352	13,340	8,883	1,993
Totals						
Recorded balance	\$ 192,573	24,719	117,836	36,705	8,432	4,881
Unpaid principal balance	213,554	26,045	133,630	39,029	9,639	5,211
Specific valuation allowance	11,382	1,026	6,100	3,553	24	679
Average balance - three months	193,214	24,832	119,596	34,672	8,926	5,188
Average balance - six months	196,053	25,175	121,491	34,312	9,641	5,434
At or for the Year ended December 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	\$ 62,759	7,334	29,595	21,205	1,354	3,271
Unpaid principal balance	70,261	7,459	36,887	21,278	1,362	3,275
Specific valuation allowance	15,534	1,680	7,716	3,859	870	1,409
Average balance	76,656	12,797	36,164	22,665	1,390	3,640
Loans without a specific valuation allowance						
Recorded balance	\$ 138,976	18,528	95,687	12,388	9,720	2,653
Unpaid principal balance	149,412	19,613	102,798	14,318	9,965	2,718
Average balance	162,505	16,034	111,554	19,733	11,993	3,191
Totals						
Recorded balance	\$ 201,735	25,862	125,282	33,593	11,074	5,924
Unpaid principal balance	219,673	27,072	139,685	35,596	11,327	5,993
Specific valuation allowance	15,534	1,680	7,716	3,859	870	1,409
Average balance	239,161	28,831	147,718	42,398	13,383	6,831

Interest income recognized on impaired loans for the periods ended June 30, 2013 and December 31, 2012 was not significant.

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The following is a loans receivable aging analysis on a portfolio class basis:

	June 30, 2013					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Accruing loans 30-59 days past due	\$ 18,772	1,318	8,904	4,007	3,774	769
Accruing loans 60-89 days past due	3,290	965	1,382	297	385	261
Accruing loans 90 days or more past due	456	240	—	22	146	48
Non-accrual loans	89,355	12,149	53,400	12,568	9,303	1,935
Total past due and non-accrual loans	111,873	14,672	63,686	16,894	13,608	3,013
Current loans receivable	3,561,583	517,162	1,757,914	706,293	371,080	209,134
Total loans receivable	\$ 3,673,456	531,834	1,821,600	723,187	384,688	212,147
	December 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	\$ 17,454	3,897	7,424	2,020	2,872	1,241
Accruing loans 60-89 days past due	9,643	1,870	3,745	645	2,980	403
Accruing loans 90 days or more past due	1,479	451	594	197	188	49
Non-accrual loans	96,933	14,237	55,687	13,200	11,241	2,568
Total past due and non-accrual loans	125,509	20,455	67,450	16,062	17,281	4,261
Current loans receivable	3,271,916	496,012	1,588,058	607,335	386,644	193,867
Total loans receivable	\$ 3,397,425	516,467	1,655,508	623,397	403,925	198,128

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The following is a summary of the TDRs that occurred during the periods presented and the TDRs that occurred within the previous twelve months that subsequently defaulted during the periods presented on a portfolio class basis:

(Dollars in thousands)	Three Months ended June 30, 2013					
	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Troubled debt restructurings						
Number of loans	18	—	4	10	2	2
Pre-modification recorded balance	\$2,645	—	1,340	1,067	160	78
Post-modification recorded balance	\$2,693	—	1,340	1,084	191	78
Troubled debt restructurings that subsequently defaulted						
Number of loans	5	1	2	2	—	—
Recorded balance	\$1,982	265	1,555	162	—	—
(Dollars in thousands)	Three Months ended June 30, 2012					
	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Troubled debt restructurings						
Number of loans	47	5	15	22	1	4
Pre-modification recorded balance	\$11,929	1,342	5,736	4,309	310	232
Post-modification recorded balance	\$10,650	1,342	4,444	4,322	310	232
Troubled debt restructurings that subsequently defaulted						
Number of loans	9	—	4	2	1	2
Recorded balance	\$3,127	—	2,077	531	442	77
(Dollars in thousands)	Six Months ended June 30, 2013					
	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Troubled debt restructurings						
Number of loans	42	7	13	17	2	3
Pre-modification recorded balance	\$9,160	1,623	4,656	2,572	160	149
Post-modification recorded balance	\$9,378	1,794	4,656	2,588	191	149
Troubled debt restructurings that subsequently defaulted						
Number of loans	10	1	5	3	—	1
Recorded balance	\$3,145	265	2,607	228	—	45

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(Dollars in thousands)	Six Months ended June 30, 2012					
	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Troubled debt restructurings						
Number of loans	103	8	40	41	7	7
Pre-modification recorded balance	\$28,455	1,701	16,846	8,432	1,095	381
Post-modification recorded balance	\$26,469	1,701	14,838	8,454	1,095	381
Troubled debt restructurings that subsequently defaulted						
Number of loans	20	—	11	5	2	2
Recorded balance	\$6,207	—	4,735	798	597	77

For the six months ended June 30, 2013 and 2012, the majority of TDRs occurring in most loan classes was a result of an extension of the maturity date which aggregated 48 percent and 31 percent, respectively, of total TDRs. For commercial real estate, the class with the largest dollar amount of TDRs, approximately 44 percent and 16 percent, respectively, was a result of an extension of the maturity date and 33 percent and 24 percent, respectively, was due to a combination of an interest rate reduction, extension of the maturity date, or reduction in the face amount.

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 \$12,505,000 and \$24,390,000 for the six months ended June 30, 2013 and 2012, respectively, for which other real estate owned (“OREO”) was received in full or partial satisfaction of the loans. The majority of such TDRs for both periods was in commercial real estate.

Note 4. Goodwill

The Company performed its annual goodwill impairment test during the third quarter of 2012 and determined the fair value of the aggregated reporting units exceeded the carrying value, such that the Company’s goodwill was not considered impaired. Given there were no events or circumstances that occurred since the third quarter 2012 that would more-likely-than-not reduce the fair value of the aggregated reporting units below the carrying value, the Company did not perform interim testing at June 30, 2013. However, further adverse changes in the economic environment, operations of the aggregated reporting units, or other factors could result in the decline in the fair value of the aggregated reporting units which could result in a goodwill impairment in the future. For additional information on goodwill related to acquisitions, see Note 9.

The following schedule discloses the changes in the carrying value of goodwill:

(Dollars in thousands)	Three Months ended		Six Months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net carrying value at beginning of period	\$ 106,100	106,100	106,100	106,100
Acquisitions	13,409	—	13,409	—
Net carrying value at end of period	\$ 119,509	106,100	119,509	106,100

The gross carrying value of goodwill and the accumulated impairment charge consists of the following:

(Dollars in thousands)	June 30, 2013	December 31, 2012
Gross carrying value	\$ 159,668	146,259
Accumulated impairment charge	(40,159)	(40,159)
Net carrying value	\$ 119,509	106,100

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Note 5. Derivatives and Hedging Activities

As of June 30, 2013, the Company's interest rate swap derivative financial instruments were designated as cash flow hedges and are summarized as follows:

(Dollars in thousands)	Forecasted Notional Amount	Variable Interest Rate ¹	Fixed Interest Rate ¹	Term ²
Interest rate swap	\$ 160,000	3 month LIBOR	3.378	% Oct. 21, 2014 - Oct. 21, 2021
Interest rate swap	100,000	3 month LIBOR	2.498	% Nov 30, 2015 - Nov. 30, 2022

¹ The Company pays the fixed interest rate and the counterparties pay the Company the variable interest rate.

² No cash will be exchanged prior to the term.

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 fair value of the Company's interest rate swap derivative financial instruments:

(Dollars in thousands)	Balance Sheet Location	Fair Value	
		June 30, 2013	December 31, 2012
Interest rate swaps	Other liabilities	\$ 1,270	16,832

Pursuant to the interest rate swap agreements, the Company pledged collateral to the counterparties in the form of investment securities totaling \$34,419,000 at June 30, 2013. There was \$0 collateral pledged from the counterparties to the Company as of June 30, 2013. There is the possibility that the Company may need to pledge additional collateral in the future if there were further declines in the fair value of the interest rate swap derivative financial instruments versus the collateral pledged.

Note 6. Accumulated Other Comprehensive Income

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

(Dollars in thousands)	June 30, 2013	December 31, 2012
Unrealized gains on available-for-sale securities	\$ 39,539	95,328
Tax effect	(15,381)	(37,083)
Net of tax amount	24,158	58,245
Unrealized losses on derivatives used for cash flow hedges	(1,270)	(16,832)
Tax effect	494	6,549
Net of tax amount	(776)	(10,283)
Total accumulated other comprehensive income	\$ 23,382	47,962

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Note 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		Six Months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net income available to common stockholders, basic and diluted	\$ 22,702	18,981	\$ 43,470	35,314
Average outstanding shares - basic	72,480,019	71,928,697	72,224,263	71,921,885
Add: dilutive stock options and awards	68,153	156	57,841	105
Average outstanding shares - diluted	72,548,172	71,928,853	72,282,104	71,921,990
Basic earnings per share	\$ 0.31	0.26	\$ 0.60	0.49
Diluted earnings per share	\$ 0.31	0.26	\$ 0.60	0.49

There were 74,159 and 945,063 options excluded from the diluted average outstanding share calculation for the six months ended June 30, 2013 and 2012, respectively, due to the option exercise price exceeding the market price of the Company's common stock.

Note 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

Transfers in and out of Level 1 (quoted prices in active markets), Level 2 (significant other observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date. There were no transfers between fair value hierarchy levels during the six month periods ended June 30, 2013 and 2012.

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 June 30, 2013.

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.

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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.

Interest rate swap derivative financial instruments: fair values for interest rate swap derivative financial instruments 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 an independent party.

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

(Dollars in thousands)	Fair Value June 30, 2013	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 sponsored enterprises	\$ 13,151	—	13,151	—
State and local governments	1,339,876	—	1,339,876	—
Corporate bonds	442,797	—	442,797	—
Residential mortgage-backed securities	1,925,553	—	1,925,553	—
Total assets measured at fair value on a recurring basis	\$ 3,721,377	—	3,721,377	—
Interest rate swaps	\$ 1,270	—	1,270	—
Total liabilities measured at fair value on a recurring basis	\$ 1,270	—	1,270	—

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(Dollars in thousands)	Fair Value December 31, 2012	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	\$ 202	—	202	—
U.S. government sponsored enterprises	17,480	—	17,480	—
State and local governments	1,214,518	—	1,214,518	—
Corporate bonds	288,795	—	288,795	—
Collateralized debt obligations	1,708	—	1,708	—
Residential mortgage-backed securities	2,160,302	—	2,160,302	—
Total assets measured at fair value on a recurring basis	\$ 3,683,005	—	3,683,005	—
Interest rate swaps	\$ 16,832	—	16,832	—
Total liabilities measured at fair value on a recurring basis	\$ 16,832	—	16,832	—

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 June 30, 2013.

Other real estate owned: 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 OREO is based on appraisals or evaluations (new or updated). OREO is classified within Level 3 of the fair value hierarchy.

Collateral-dependent impaired loans, net of ALLL: loans included in the Company's loan portfolio 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 Company's 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 valuation techniques used in preparing appraisals or evaluations (new or updated) include the cost approach, income approach, sales comparison approach, or a combination of the preceding valuation techniques. The key inputs used to determine the fair value of the collateral-dependent loans and OREO include selling costs, discounted cash flow rate or capitalization rate, and adjustment to comparables. Valuations and significant inputs obtained by independent sources are reviewed by the Company for accuracy and reasonableness. The Company also considers other factors and events in the environment that may affect the fair value. 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 appraisals or evaluations (new or updated) annually.

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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:

(Dollars in thousands)	Fair Value June 30, 2013	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	\$ 5,459	—	—	5,459
Collateral-dependent impaired loans, net of ALLL	19,039	—	—	19,039
Total assets measured at fair value on a non-recurring basis	\$ 24,498	—	—	24,498

(Dollars in thousands)	Fair Value December 31, 2012	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	\$ 13,983	—	—	13,983
Collateral-dependent impaired loans, net of ALLL	22,966	—	—	22,966
Total assets measured at fair value on a non-recurring basis	\$ 36,949	—	—	36,949

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Non-recurring Measurements Using Significant Unobservable Inputs (Level 3)

The following table presents additional quantitative information about assets measured at fair value on a non-recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

(Dollars in thousands)	Fair Value June 30, 2013	Quantitative Information about Level 3 Fair Value Measurements		
		Valuation Technique	Unobservable Input	Range (Weighted Average) ¹
Other real estate owned	\$ 5,459	Sales comparison approach	Selling costs	6.5% - 10.0% (7.3%)
			Adjustment to comparables	0.0% - 10.0% (0.1%)
Collateral-dependent impaired loans, net of ALLL	\$ 928	Cost approach	Selling costs	0.0% - 20.0% (4.4%)
			Income approach	Selling costs Discount rate
	8,515	Sales comparison approach	Selling costs	0.0% - 10.0% (7.9%)
			Discount rate Adjustment to comparables	0.0% - 5.0% (2.5%) 0.0% - 5.0% (0.2%)
4,414	Combined approach	Selling costs	8.0% - 10.0% (8.7%)	
		Discount rate	7.5% - 7.5% (7.5%)	
		Adjustment to comparables	0.0% - 36.0% (17.4%)	
	\$ 19,039			

¹ The range for selling costs and adjustments to comparables indicate reductions to the fair value.

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.

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 Company 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 the Company's local competitors. 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 transactions are executed at book value daily. Therefore, such deposits are classified in Level 1 of the valuation hierarchy. Certificate accounts and wholesale deposits are classified as Level 2 within the hierarchy.

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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. Such 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, including discussions with FHLB.

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:

(Dollars in thousands)	Carrying Amount June 30, 2013	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	\$ 132,456	132,456	—	—
Investment securities, available-for-sale	3,721,377	—	3,721,377	—
Loans held for sale	95,495	95,495	—	—
Loans receivable, net of ALLL	3,542,573	—	3,457,402	181,191
Accrued interest receivable	43,593	43,593	—	—
Non-marketable equity securities	49,752	—	49,752	—
Total financial assets	\$ 7,585,246	271,544	7,228,531	181,191
Financial liabilities				
Deposits	\$ 5,358,197	3,813,660	1,610,300	—
FHLB advances	1,217,445	—	1,237,320	—
Repurchase agreements and other borrowed funds	308,513	—	308,513	—
Subordinated debentures	125,490	—	78,062	—
Accrued interest payable	3,824	3,824	—	—
Interest rate swaps	1,270	—	1,270	—
Total financial liabilities	\$ 7,014,739	3,817,484	3,235,465	—

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(Dollars in thousands)	Carrying Amount December 31, 2012	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	\$ 187,040	187,040	—	—
Investment securities, available-for-sale	3,683,005	—	3,683,005	—
Loans held for sale	145,501	145,501	—	—
Loans receivable, net of ALLL	3,266,571	—	3,184,987	186,201
Accrued interest receivable	37,770	37,770	—	—
Non-marketable equity securities	48,812	—	48,812	—
Total financial assets	\$ 7,368,699	370,311	6,916,804	186,201
Financial liabilities				
Deposits	\$ 5,364,461	3,585,126	1,789,134	—
FHLB advances	997,013	—	1,027,101	—
Repurchase agreements and other borrowed funds	299,540	—	299,540	—
Subordinated debentures	125,418	—	70,895	—
Accrued interest payable	4,675	4,675	—	—
Interest rate swaps	16,832	—	16,832	—
Total financial liabilities	\$ 6,807,939	3,589,801	3,203,502	—

Note 9. Mergers and Acquisitions

On May 31, 2013, the Company acquired 100 percent of the outstanding common stock of Wheatland and its wholly-owned subsidiary, First State Bank, a community bank based in Wheatland, Wyoming. First State Bank provides community banking services to individuals and businesses from banking offices in Wheatland, Torrington and Guernsey, Wyoming. As a result of the acquisition, the Company will increase its presence in the State of Wyoming and will further diversify its loan, customer and deposit base with First State Bank's strong commitment to agriculture. First State Bank will operate as a division of the Bank under the name "First State Bank, division of Glacier Bank."

The Wheatland acquisition was valued at \$39,315,000 and resulted in the Company issuing 1,455,256 shares of its common stock and \$11,025,000 in cash in exchange for all of Wheatland's outstanding common stock shares. The fair value of the Company's common stock shares issued was determined on the basis of the closing market price of the Company's common stock shares on the May 31, 2013 acquisition date.

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The assets and liabilities of Wheatland were recorded on the Company's consolidated statements of financial condition at their estimated fair values as of the May 31, 2013 acquisition date, and Wheatland's results of operations have been included in the Company's consolidated statements of operations since that date. The following table summarizes the fair value of the net assets that the Company acquired from Wheatland:

(Dollars in thousands)	May 31, 2013
Assets	
Cash and cash equivalents	\$23,148
Investment securities, available-for-sale	75,643
Loans receivable	171,199
Goodwill and core deposit intangible	15,488
Accrued income and other assets	15,063
Total assets	300,541
Liabilities	
Deposits	255,197
Federal Home Loan Bank advances	5,467
Accrued expenses and other liabilities	562
Total liabilities	261,226
Purchase price	\$39,315

The excess of the purchase price over tangible assets, identifiable intangible assets and assumed liabilities was recorded as goodwill. The goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Company and Wheatland. None of the goodwill is deductible for income tax purposes as the acquisition is accounted for as a tax-free exchange. The following table discloses the calculation of the purchase price and the resulting goodwill relating to the Wheatland acquisition:

(Dollars in thousands)	May 31, 2013
Purchase price	
Fair value of Company common stock shares issued	\$28,290
Cash consideration for outstanding shares	11,025
Total purchase price	39,315
Fair value of net assets acquired	
Tangible assets acquired	285,053
Core deposit intangible asset acquired	2,079
Liabilities assumed	(261,226)
Total fair value of net assets acquired	25,906
Goodwill recognized	\$13,409

The fair value of the assets acquired includes loans with a fair value of \$171,199,000. The gross principal and contractual interest due under the contracts is \$176,698,000, all of which is expected to be collectible.

The Company incurred \$571,000 of Wheatland third-party acquisition-related costs during the six month period ended June 30, 2013. The expenses are included in other expense in the Company's consolidated statements of operations.

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Total income consisting of net interest income and non-interest income of the acquired operations of Wheatland was approximately \$1,145,000 and net income was approximately \$311,000 from May 31, 2013 to June 30, 2013. The following unaudited pro forma summary presents consolidated information of the Company as if the Wheatland acquisition had occurred on January 1, 2012:

(Dollars in thousands)	Six Months ended	
	June 30, 2013	June 30, 2012
Net interest income and non-interest income	\$ 156,182	161,328
Net income	44,655	36,959

Note 10. Subsequent Event

On July 31, 2013, the Company acquired 100 percent of the outstanding common stock of North Cascades Bankshares, Inc. ("NCBI") and its wholly-owned subsidiary, North Cascades National Bank, a community bank based in Chelan, Washington. North Cascades National Bank provides community banking services to individuals and businesses in central Washington, with banking offices located in Chelan, Wenatchee, East Wenatchee, Omak, Brewster, Twisp, Okanogan, Grand Coulee and Waterville, Washington. The acquisition expands the Company's market into central Washington and further diversifies the Company's loan, customer and deposit base due to the region's solid economic base of agriculture, fruit processing and tourism. North Cascades National Bank will operate as a division of the Bank under the name "North Cascades Bank, division of Glacier Bank."

The NCBI acquisition was valued at \$30,581,000 and resulted in the Company issuing 687,876 shares of its common stock and \$13,838,000 in cash in exchange for all of NCBI's outstanding common stock shares. The fair value of the Company's common stock shares issued was determined on the basis of the closing market price of the Company's common stock shares on the July 31, 2013 acquisition date.

As of July 31, 2013, the book value of NCBI's total assets was \$326,703,000. The initial accounting for the NCBI acquisition has not been completed because the fair value of loans, deposits and numerous other items has not yet been determined.

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

The following discussion is intended to provide a more comprehensive review of the Glacier Bancorp, Inc.’s (“Company”) operating results and financial condition than can be obtained from reading the Consolidated Financial Statements alone. The discussion should be read in conjunction with the Consolidated Financial Statements and the notes thereto included in “Part I. Item 1. Financial Statements.”

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,” “seeks,” “estimates” or words of similar import. 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. In addition to the factors set forth in the sections titled “Risk Factors,” “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, as applicable, in this report and the Annual Report on Form 10-K for the year ended December 31, 2012 (the “2012 Annual Report”), the following factors, among others, could cause actual results to differ materially from the anticipated results:

- 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 a slow recovery in the housing and real estate markets in its geographic areas;
- increased loan delinquency rates;
- the risks presented by a slow economic recovery and the current sequestration, 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 completion and integration of acquisitions;
- the goodwill the Company has recorded in connection with acquisitions could become additionally impaired, which may have an adverse impact on 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 the Company’s common stock and the ability to raise additional capital in the future;
- competition from other financial services companies in the Company’s markets;
- dependence on the CEO, senior management team and Presidents of its bank divisions;
 - potential interruption or breach in security of the Company’s systems;
 - and
- the Company’s success in managing risks involved in the foregoing.

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 ContentsMANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Recent Acquisitions

On May 31, 2013, the Company completed the acquisition of Wheatland Bankshares, Inc. and its wholly-owned subsidiary, First State Bank, which has community bank offices in Wheatland, Torrington, and Guernsey, Wyoming. First State Bank will operate as a division of Glacier Bank under the name "First State Bank, division of Glacier Bank." Cash of \$11.0 million and 1,455,256 shares of the Company's common stock were issued in the acquisition which resulted in \$13.4 million of goodwill. The Company incurred \$571 thousand of legal and professional expenses in connection with the acquisition. The Company's results of operations and financial condition include the acquisition of First State Bank from the May 31, 2013 acquisition date.

On July 31, 2013, the Company completed the acquisition of North Cascades Bancshares, Inc. and its wholly-owned subsidiary, North Cascades National Bank, which has community bank offices in Chelan, Wenatchee, East Wenatchee, Omak, Brewster, Twisp, Okanogan, Grand Coulee and Waterville, Washington. North Cascades National Bank will operate as a division of Glacier Bank under the name "North Cascades Bank, division of Glacier Bank." Cash of \$13.8 million and 687,876 shares of the Company's common stock were issued in the acquisition.

Financial Condition Analysis

Assets

The following table summarizes the asset balances as of the dates indicated, and the amount of change from December 31, 2012 and June 30, 2012:

(Dollars in thousands)	June 30, 2013	December 31, 2012	June 30, 2012	\$ Change from December 31, 2012	\$ Change from June 30, 2012
Cash and cash equivalents	\$ 132,456	187,040	140,419	(54,584	) (7,963
Investment securities, available-for-sale	3,721,377	3,683,005	3,404,282	38,372	317,095
Loans receivable					
Residential real estate	531,834	516,467	525,551	15,367	6,283
Commercial	2,544,787	2,278,905	2,293,876	265,882	250,911
Consumer and other	596,835	602,053	625,769	(5,218	) (28,934
Loans receivable	3,673,456	3,397,425	3,445,196	276,031	228,260
Allowance for loan and lease losses	(130,883	) (130,854	) (137,459	) (29	) 6,576
Loans receivable, net	3,542,573	3,266,571	3,307,737	276,002	234,836
Other assets	600,410	610,824	581,664	(10,414	) 18,746
Total assets	\$ 7,996,816	7,747,440	7,434,102	249,376	562,714

Excluding retained investment securities of \$21.6 million from the acquisition of First State Bank, investment securities increased \$41.7 million, or 1 percent, during the current quarter and increased \$16.8 million, or less than 1 percent, from December 31, 2012. The Company continued to purchase investment securities during the current quarter primarily to offset principal payments. The investment securities purchased during the current quarter included U.S. agency mortgage-backed securities, U.S. agency collateralized mortgage obligations ("CMO"), corporate and municipal bonds. The investment securities represent 47 percent of total assets at June 30, 2013, compared to 48 percent at December 31, 2012 and 46 percent at June 30, 2012.

Excluding the loans receivable of \$171.2 million from the acquisition of First State Bank, the loan portfolio increased \$98.4 million, or 3 percent, during the current quarter and increased \$57.1 million, or 2 percent, from the prior year second quarter. Excluding the acquisition, all loan categories increased during the current quarter with the largest increase in commercial loans, which increased \$93.0 million, or 4 percent. Excluding the acquisition, commercial loans was the one loan category that increased from the prior year second quarter, which increased \$106.7 million, or 5 percent, while consumer and other loans decreased \$42.8 million, or 7 percent, and residential real estate loans decreased \$6.9 million, or 1 percent, from the prior year second quarter. The decreases in consumer and other loans was primarily attributable to customers paying off home equity lines of credit.

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Liabilities

The following table summarizes the liability balances as of the dates indicated, and the amount of change from December 31, 2012 and June 30, 2012:

(Dollars in thousands)	June 30, 2013	December 31, 2012	June 30, 2012	\$ Change from December 31, 2012	\$ Change from June 30, 2012
Non-interest bearing deposits	\$ 1,236,104	1,191,933	1,066,662	44,171	169,442
Interest bearing deposits	4,122,093	4,172,528	3,915,607	(50,435)	) 206,486
Repurchase agreements	300,024	289,508	466,784	10,516	(166,760)
Federal Home Loan Bank advances	1,217,445	997,013	906,029	220,432	311,416
Other borrowed funds	8,489	10,032	9,973	(1,543)	) (1,484)
Subordinated debentures	125,490	125,418	125,347	72	143
Other liabilities	58,169	60,059	67,519	(1,890)	) (9,350)
Total liabilities	\$ 7,067,814	6,846,491	6,557,921	221,323	509,893

Non-interest bearing deposits of \$1.236 billion increased \$44.2 million, or 4 percent, from December 31, 2012 and increased \$169 million, or 16 percent, from June 30, 2012. Excluding non-interest bearing deposits of \$30.8 million from the First State Bank acquisition, non-interest bearing deposits at June 30, 2013 increased \$13.4 million, or 1 percent, since December 31, 2012 and increased \$139 million, or 13 percent, since June 30, 2012.

Interest bearing deposits of \$4.122 billion at June 30, 2013 included \$372 million of wholesale deposits (i.e., brokered deposits classified as NOW, money market deposit and certificate accounts). Excluding interest bearing deposits of \$224 million from the First State Bank acquisition, interest bearing deposits at June 30, 2013 decreased \$275 million, or 7 percent, since December 31, 2012 and was primarily a result of a decrease of \$262 million in wholesale deposits. Excluding the acquisition, interest bearing deposits at June 30, 2013 decreased \$18.0 million, or less than 1 percent, from June 30, 2012 and included a decrease of \$97.6 million in wholesale deposits.

Securities sold under agreements to repurchase (“repurchase agreements”) of \$300 million at June 30, 2013 decreased \$167 million, or 36 percent, from the prior year second quarter and was primarily due to a decrease of \$185 million in wholesale repurchase agreements. Federal Home Loan Bank (“FHLB”) advances increased \$220 million from the prior year end and increased \$311 million since the prior year second quarter as a result of decreased brokered deposits or wholesale repurchase agreements and the increased need for funding.

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Stockholders' Equity

The following table summarizes the stockholders' equity balances as of the dates indicated, and the amount of change from December 31, 2012 and June 30, 2012:

(Dollars in thousands, except per share data)	June 30, 2013	December 31, 2012	June 30, 2012	\$ Change from December 31, 2012	\$ Change from June 30, 2012
Common equity	\$ 905,620	852,987	832,128	52,633	73,492
Accumulated other comprehensive income	23,382	47,962	44,053	(24,580)	(20,671)
Total stockholders' equity	929,002	900,949	876,181	28,053	52,821
Goodwill and core deposit intangible, net	(126,771)	(112,274)	(113,297)	(14,497)	(13,474)
Tangible stockholders' equity	\$ 802,231	788,675	762,884	13,556	39,347
Stockholders' equity to total assets	11.62	% 11.63	% 11.79	%	
Tangible stockholders' equity to total tangible assets	10.19	% 10.33	% 10.42	%	
Book value per common share	\$ 12.63	12.52	12.18	0.11	0.45
Tangible book value per common share	\$ 10.91	10.96	10.61	(0.05)	0.30
Market price per share at end of period	\$ 22.19	14.71	15.46	7.48	6.73

Tangible stockholders' equity of \$802 million increased \$13.6 million, or 2 percent, from the prior year end as a result of stock issued in connection with the acquisition of First State Bank and an increase in earnings retention which was offset by the decrease in accumulated other comprehensive income. Tangible book value per common share of \$10.91 decreased \$0.05 per share from the prior year end as a result of the increased stock issued from the acquisition.

On June 27, 2013, the Company's Board of Directors declared a cash dividend of \$0.15 per share, payable July 18, 2013 to shareholders of record on July 9, 2013. Future cash dividends will depend on a variety of factors, including net income, capital, asset quality, general economic conditions and regulatory considerations.

Operating Results for Three Months Ended June 30, 2013 Compared to March 31, 2013 and June 30, 2012

Performance Summary

(Dollars in thousands, except per share data)	Three Months ended		
	June 30, 2013	March 31, 2013	June 30, 2012
Net income	\$ 22,702	20,768	18,981
Diluted earnings per share	\$ 0.31	0.29	0.26
Return on average assets (annualized)	1.17	% 1.11	% 1.04
Return on average equity (annualized)	9.78	% 9.20	% 8.69

The Company reported net income for the current quarter of \$22.7 million, an increase of \$3.7 million, or 20 percent, from the \$19.0 million of net income for the prior year second quarter. Diluted earnings per share for the current quarter was \$0.31 per share, an increase of \$0.05, or 19 percent, from the prior year second quarter diluted earnings per share of \$0.26.

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Income Summary

The following tables summarize revenue for the periods indicated, including the amount and percentage change from March 31, 2013 and June 30, 2012:

(Dollars in thousands)	Three Months ended			
	June 30, 2013	March 31, 2013	June 30, 2012	
Net interest income				
Interest income	\$ 62,151	57,955	64,192	
Interest expense	7,185	7,458	9,044	
Total net interest income	54,966	50,497	55,148	
Non-interest income				
Service charges, loan fees, and other fees	12,971	11,675	12,404	
Gain on sale of loans	7,472	9,089	7,522	
Gain (loss) on sale of investments	241	(137)	—	
Other income	2,538	2,323	1,865	
Total non-interest income	23,222	22,950	21,791	
	\$ 78,188	73,447	76,939	
Net interest margin (tax-equivalent)	3.30	% 3.14	% 3.49	%
(Dollars in thousands)	\$ Change from March 31, 2013	\$ Change from June 30, 2012	% Change from March 31, 2013	% Change from June 30, 2012
Net interest income				
Interest income	\$ 4,196	\$ (2,041)	) 7	% (3)
Interest expense	(273)	) (1,859)	) (4)	)% (21)
Total net interest income	4,469	(182)	) 9	% —
Non-interest income				
Service charges, loan fees, and other fees	1,296	567	11	% 5
Gain on sale of loans	(1,617)	) (50)	) (18)	)% (1)
Gain (loss) on sale of investments	378	241	(276)	)% n/m
Other income	215	673	9	% 36
Total non-interest income	272	1,431	1	% 7
	\$ 4,741	\$ 1,249	6	% 2

n/m - not measurable

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Net Interest Income

The current quarter net interest income of \$55.0 million increased \$4.5 million, or 9 percent, over the prior quarter and decreased \$182 thousand, or less than 1 percent, over the prior year second quarter. The current quarter interest income of \$62.2 million increased \$4.2 million, or 7 percent, over the prior quarter primarily as a result of the increase in interest income on the commercial loans and the increase in interest income on the investment portfolio. The current quarter increase in interest income on the investment portfolio was primarily a result of a decrease in premium amortization (net of discount accretion) on the investment securities (“premium amortization”). The Company has experienced a decrease in premium amortization for a second consecutive quarter, which has been a benefit to the Company compared to the significant increases experienced during the preceding seven quarters. Included in the current quarter interest income was \$18.4 million of premium amortization on investment securities compared to \$21.4 million in the prior quarter. The current quarter decrease in premium amortization on investment securities was \$3.0 million during the current quarter compared to a decrease of \$1.9 million in premium amortization in the prior quarter.

The current quarter interest expense of \$7.2 million decreased 273 thousand, or 4 percent, from the prior quarter and decreased \$1.9 million, or 21 percent, from the prior year second quarter. The cost of total funding (including non-interest bearing deposits) for the current quarter was 43 basis points compared to 46 basis points for the prior quarter and 57 basis points for the prior year second quarter.

The current quarter net interest margin as a percentage of earning assets, on a tax-equivalent basis, was 3.30 percent, an increase of 16 basis points from the prior quarter net interest margin of 3.14 percent. Consistent with the prior quarter increase in the net interest margin, the increase during the current quarter was primarily attributable to the increased yield on the investment securities which was driven by a decrease in the premium amortization. Of the 33 basis points increase in yield on the investment securities in the current quarter, 34 basis points was due to the decrease in premium amortization. The premium amortization in the current quarter accounted for a 103 basis points reduction in the net interest margin compared to a 123 basis points reduction in the prior quarter and 94 basis points reduction in the net interest margin in the prior year second quarter.

Non-interest Income

Non-interest income for the current quarter totaled \$23.2 million, an increase of \$272 thousand over the prior quarter and an increase of \$1.4 million over the same quarter last year. Service charge fee income increased \$1.3 million, or 11 percent, from the prior quarter as a result of seasonal activity. Service charge fee income increased \$567 thousand, or 5 percent, from the prior year second quarter. Although refinance activity remained historically elevated, gain of \$7.5 million on the sale of loans for the current quarter decreased \$1.6 million, or 18 percent, from the prior quarter as the Company has started to experience a slowing of refinance activity. Gain on sale of loans for the current quarter decreased \$50 thousand, or 66 basis points, from the prior year second quarter. Other income of \$2.5 million for the current quarter increased \$673 thousand, or 36 percent, from the prior year second quarter primarily as a result of increases in income related to other real estate owned. Included in other income was operating revenue of \$93 thousand from other real estate owned and gain of \$622 thousand on the sales of other real estate owned, which totaled \$715 thousand for the current quarter compared to \$726 thousand for the prior quarter and \$414 thousand for the prior year second quarter.

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Non-interest Expense

The following tables summarize non-interest expense for the periods indicated, including the amount and percentage change from March 31, 2013 and June 30, 2012:

(Dollars in thousands)	Three Months ended		
	June 30, 2013	March 31, 2013	June 30, 2012
Compensation and employee benefits	\$24,917	24,577	23,684
Occupancy and equipment	5,906	5,825	5,825
Advertising and promotions	1,621	1,548	1,713
Outsourced data processing	813	825	788
Other real estate owned	2,968	884	2,199
Federal Deposit Insurance Corporation premiums	1,154	1,304	1,300
Core deposit intangibles amortization	505	486	535
Other expense	10,597	7,985	10,146
Total non-interest expense	\$48,481	43,434	46,190

(Dollars in thousands)	\$ Change from	\$ Change from	% Change from	% Change from	
	March 31, 2013	June 30, 2012	March 31, 2013	June 30, 2012	
Compensation and employee benefits	\$340	\$1,233	1	% 5	%
Occupancy and equipment	81	81	1	% 1	%
Advertising and promotions	73	(92)	) 5	% (5)%
Outsourced data processing	(12)	) 25	(1	)% 3	%
Other real estate owned	2,084	769	236	% 35	%
Federal Deposit Insurance Corporation premiums	(150)	) (146	) (12	)% (11)%
Core deposit intangibles amortization	19	(30)	) 4	% (6)%
Other expense	2,612	451	33	% 4	%
Total non-interest expense	\$5,047	\$2,291	12	% 5	%

Non-interest expense of \$48.5 million for the current quarter increased by \$5.0 million, or 12 percent, from the prior quarter and increased by \$2.3 million, or 5 percent, from the prior year second quarter. Compensation and employee benefits increased by \$340 thousand, or 1 percent, from the prior quarter and increased \$1.2 million, or 5 percent, from the prior year second quarter as a result of the First State Bank acquisition and annual salary increases. Other real estate owned expense increased \$2.1 million, or 236 percent, from the prior quarter and increased \$769 thousand, or 35 percent, from the prior year second quarter. The current quarter other real estate owned expense of \$3.0 million included \$1.2 million of operating expense, \$1.7 million of fair value write-downs, and \$67 thousand of loss on sale of other real estate owned. Other real estate owned expense will fluctuate as the Company continues to work through non-performing loans and dispose of foreclosed properties. Other expense increased by \$2.6 million, or 33 percent, from the prior quarter primarily from legal and professional expenses associated with the acquisition and expenses connected with New Market Tax Credit investments.

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Efficiency Ratio

The efficiency ratio for the current quarter was 56 percent compared to 54 percent for the prior year second quarter. The increase in the efficiency ratio was primarily driven by the increase in non-interest expense.

Provision for Loan Losses

The following table summarizes the provision for loan losses, net charge-offs and select ratios relating to the provision for loan losses for the previous eight quarters:

(Dollars in thousands)	Provision for Loan Losses	Net Charge-Offs	ALLL as a Percent of Loans	Accruing Loans 30-89 Days Past Due as a Percent of Loans	Non-Performing Assets to Total Sub-sidiary Assets		
Second quarter 2013	\$ 1,078	\$ 1,030	3.56	% 0.60	% 1.64		%
First quarter 2013	2,100	2,119	3.84	% 0.95	% 1.79		%
Fourth quarter 2012	2,275	8,081	3.85	% 0.80	% 1.87		%
Third quarter 2012	2,700	3,499	4.01	% 0.83	% 2.33		%
Second quarter 2012	7,925	7,052	3.99	% 1.41	% 2.69		%
First quarter 2012	8,625	9,555	3.98	% 1.24	% 2.91		%
Fourth quarter 2011	8,675	9,252	3.97	% 1.42	% 2.92		%
Third quarter 2011	17,175	18,877	3.92	% 0.60	% 3.49		%

The Company continued to experience another quarter of decreases in net charged-off loans with the improved credit quality. Net charged-off loans of \$1.0 million during the current quarter decreased \$1.1 million, or 51 percent, compared to the prior quarter and decreased \$6.0 million, or 85 percent, from the prior year second quarter. The current quarter provision for loan losses of \$1.1 million decreased \$1.0 million from the prior quarter and decreased \$6.8 million from the prior year second quarter. Loan portfolio growth, composition, average loan size, credit quality considerations, and other environmental factors will continue to determine the level of provision for loan loss expense.

The determination of the allowance for loan and lease losses (“ALLL” or “allowance”) and the related provision for loan losses is a critical accounting estimate that involves management’s judgments about current environmental factors which affect loan losses, such factors including economic conditions, changes in collateral values, net charge-offs, and other factors discussed below in “Additional Management’s Discussion and Analysis.”

Operating Results for Six Months ended June 30, 2013

Compared to June 30, 2012

Performance Summary

(Dollars in thousands, except per share data)	Six Months ended			
	June 30, 2013	June 30, 2012		
Net income	\$43,470	35,314		
Diluted earnings per share	\$0.60	0.49		
Return on average assets (annualized)	1.14	% 0.97		%
Return on average equity (annualized)	9.49	% 8.14		%

Net income for the six months ended June 30, 2013 was \$43.5 million, an increase of \$8.2 million, from the \$35.3 million of net income for the prior year first six months. Diluted earnings per share for the first six months of the

current year was \$0.60 per share, an increase of \$0.11, or 22 percent, from the diluted earnings per share in the prior year first six months.

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Revenue Summary

The following table summarizes revenue for the periods indicated, including the amount and percentage change from June 30, 2012:

(Dollars in thousands)	Six Months ended		\$ Change	% Change	
	June 30, 2013	June 30, 2012			
Net interest income					
Interest income	\$ 120,106	\$ 132,076	\$ (11,970	) (9)%
Interest expense	14,643	18,642	(3,999	) (21)%
Total net interest income	105,463	113,434	(7,971	) (7)%
Non-interest income					
Service charges, loan fees, and other fees	24,646	23,842	804	3	%
Gain on sale of loans	16,561	14,335	2,226	16	%
Gain on sale of investments	104	—	104	n/m	
Other income	4,861	3,952	909	23	%
Total non-interest income	46,172	42,129	4,043	10	%
	\$ 151,635	\$ 155,563	\$ (3,928	) (3)%
Net interest margin (tax-equivalent)	3.23	% 3.61	%		

n/m - not measurable

Net Interest Income

Net interest income for the first six months of the current year decreased \$8.0 million, or 7 percent, over the same period last year. Interest income decreased \$12.0 million, or 9 percent, while interest expense decreased \$4.0 million, or 21 percent, from the first six months of 2012 and was principally due to the increase in premium amortization on investment securities and the reduction of yields on loan balances. Interest income was reduced by \$39.8 million in premium amortization on investment securities which was an increase of \$10.6 million from the first six months of the prior year. The decrease in interest expense during the current year was primarily attributable to the decreases in interest rates on interest bearing deposits and borrowings. The funding cost (including non-interest bearing deposits) for the first six months of 2013 was 44 basis points compared to 59 basis points for the first six months 2012.

The net interest margin, on a tax-equivalent basis, for the first six months of 2013 was 3.23 percent, a 38 basis points reduction from the net interest margin of 3.61 percent for the first six months of 2012. The reduction was attributable to a lower yield on loans and higher premium amortization on investment securities, both of which outpaced the reduction in funding cost. The premium amortization for the first six months of 2013 accounted for a 111 basis points reduction in the net interest margin which was an increase of 24 basis points compared to the 87 basis points reduction in the net interest margin for the same period last year.

Non-interest Income

Non-interest income of \$46.2 million for the first six months of 2013 increased \$4.0 million, or 10 percent, over the same period last year. Gain on sale of loans for the first six months of 2013 increased \$2.2 million, or 16 percent, from the first six months of 2012 as a result of greater refinance volume, which has recently started to slow down, and loan origination activity. Other income for the first six months of 2013 increased \$909 thousand, or 23 percent, over the first six months of 2012. Included in other income was operating revenue of \$155 thousand from other real estate owned and gains of \$1.3 million on the sale of other real estate owned, which aggregated \$1.4 million for the first six months of 2013 compared to \$942 thousand for the same period in the prior year.

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Non-interest Expense Summary

The following table summarizes non-interest expense for the periods indicated, including the amount and percentage change from June 30, 2012:

(Dollars in thousands)	Six Months ended		\$ Change	% Change	
	June 30, 2013	June 30, 2012			
Compensation and employee benefits	\$49,494	\$47,244	\$2,250	5	%
Occupancy and equipment	11,731	11,793	(62)	(1))%
Advertising and promotions	3,169	3,115	54	2	%
Outsourced data processing	1,638	1,634	4	—	%
Other real estate owned	3,852	9,021	(5,169)	(57))%
Federal Deposit Insurance Corporation premiums	2,458	3,012	(554)	(18))%
Core deposit intangibles amortization	991	1,087	(96)	(9))%
Other expense	18,582	18,329	253	1	%
Total non-interest expense	\$91,915	\$95,235	\$(3,320)	(3))%

Compensation and employee benefits for the first six months of 2013 increased \$2.3 million, or 5 percent. Other real estate owned expense of \$3.9 million in the first six months of 2013 decreased \$5.2 million, or 57 percent, from the first six months of the prior year. The other real estate owned expense for the first six months of 2013 included \$1.6 million of operating expenses, \$2.0 million of fair value write-downs, and \$302 thousand of loss on sale of other real estate owned.

Efficiency Ratio

The efficiency ratio was 55 percent for the first six months of 2013 and 53 percent for the first six months of 2012. Although there was an increase in non-interest income from the first six months of the prior year, it was not enough to offset the decrease in net interest income which resulted in the increase in the efficiency ratio.

Provision for loan losses

The provision for loan losses was \$3.2 million for the first six months of 2013, a decrease of \$13.4 million, or 81 percent, from the same period in the prior year. Net charged-off loans during the first half of 2013 was \$3.2 million, a decrease of \$13.5 million from the first six months of 2012.

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ADDITIONAL MANAGEMENT'S DISCUSSION AND ANALYSIS

Lending Activity and Practices

The Company focuses its lending activities primarily on the following types of loans: 1) first-mortgage, conventional loans secured by residential properties, particularly single-family, 2) commercial lending that concentrates on targeted businesses, and 3) installment lending for consumer purposes (e.g., auto, home equity, etc.). Supplemental information regarding the Company's loan portfolio and credit quality based on regulatory classification is provided in the section captioned "Loans by Regulatory Classification" included in "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations." The regulatory classification of loans is based primarily on the type of collateral for the loans. Loan information included in "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" is based on the Company's loan segments and classes which is based on the purpose of the loan, unless otherwise noted as a regulatory classification.

The following table summarizes the Company's loan portfolio as of the dates indicated:

(Dollars in thousands)	June 30, 2013		December 31, 2012		June 30, 2012			
	Amount	Percent	Amount	Percent	Amount	Percent		
Residential real estate loans	\$ 531,834	15	% \$ 516,467	16	% \$ 525,551	16	%	
Commercial loans								
Real estate	1,821,600	52	% 1,655,508	51	% 1,651,690	50	%	
Other commercial	723,187	20	% 623,397	19	% 642,186	19	%	
Total	2,544,787	72	% 2,278,905	70	% 2,293,876	69	%	
Consumer and other loans								
Home equity	384,688	11	% 403,925	12	% 422,249	13	%	
Other consumer	212,147	6	% 198,128	6	% 203,520	6	%	
Total	596,835	17	% 602,053	18	% 625,769	19	%	
Loans receivable	3,673,456	104	% 3,397,425	104	% 3,445,196	104	%	
Allowance for loan and lease losses	(130,883)	(4))% (130,854)	(4))% (137,459)	(4))%	
Loans receivable, net	\$ 3,542,573	100	% \$ 3,266,571	100	% \$ 3,307,737	100	%	

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Non-performing Assets

The following table summarizes information regarding non-performing assets at the dates indicated:

	At or for the Six Months ended June 30, 2013	At or for the Year ended December 31, 2012	At or for the Six Months ended June 30, 2012	
(Dollars in thousands)				
Other real estate owned	\$40,713	45,115	69,170	
Accruing loans 90 days or more past due				
Residential real estate	240	451	421	
Commercial	22	791	2,527	
Consumer and other	194	237	319	
Total	456	1,479	3,267	
Non-accrual loans				
Residential real estate	12,149	14,237	19,835	
Commercial	65,968	68,887	92,693	
Consumer and other	11,238	13,809	13,935	
Total	89,355	96,933	126,463	
Total non-performing assets ¹	\$130,524	143,527	198,900	
Non-performing assets as a percentage of subsidiary assets	1.64	% 1.87	% 2.69	%
Allowance for loan and lease losses as a percentage of non-performing loans	146	% 133	% 106	%
Accruing loans 30-89 days past due	\$22,062	27,097	48,707	
Troubled debt restructurings not included in non-performing assets	\$80,453	100,151	88,483	
Interest income ²	\$2,244	5,161	3,392	

¹ As of June 30, 2013, non-performing assets have not been reduced by U.S. government guarantees of \$2.9 million.

² Amounts represent estimated interest income that would have been recognized on loans accounted for on a non-accrual basis as of the end of each period had such loans performed pursuant to contractual terms.

During the first half of 2013, the Company continued to maintained the positive trend of reducing non-performing assets that was established throughout 2012. Non-performing assets at June 30, 2013 were \$131 million, a decrease of \$4.9 million, or 4 percent, during the current quarter and a decrease of \$68.4 million, or 34 percent, from a year ago. The largest category of non-performing assets was the land, lot and other construction category, a regulatory classification, which was \$57.9 million, or 44 percent, of the non-performing assets at June 30, 2013. Included in this category was \$26.0 million of land development loans and \$15.6 million in unimproved land loans at June 30, 2013. The Company has continued to reduce the land, lot and other construction category over the prior two and one-half years. This category of non-performing assets was further reduced by \$4.4 million, or 7 percent, during the current quarter. The Company's early stage delinquencies (accruing loans 30-89 days past due) of \$22.1 million at June 30, 2013 decreased \$10.2 million, or 32 percent, from the prior quarter and decreased \$26.6 million, or 55 percent, from the prior year second quarter early stage delinquencies.

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Most of the Company's non-performing assets are secured by real estate, and based on the most current information available to management, including updated appraisals or evaluations (new or updated), the Company believes the value of the underlying real estate collateral is adequate to minimize significant charge-offs or loss to the Company. The Company evaluates the level of its non-performing assets, the values of the underlying real estate and other collateral, and related trends in net charge-offs in determining the adequacy of the ALLL. Through pro-active credit administration, the Company works closely with its borrowers to seek favorable resolution to the extent possible, thereby attempting to minimize net charge-offs or losses to the Company. Throughout the past year, the Company has maintained an adequate allowance while working to reduce non-performing assets. The improvement in the credit quality ratios over the past year is a product of this effort.

For non-performing construction loans involving residential structures, the percentage of completion exceeds 95 percent at June 30, 2013. For non-performing construction loans involving commercial structures, the percentage of completion ranges from projects not started to projects completed at June 30, 2013. During the construction loan term, all construction loan collateral properties are inspected at least monthly, or more frequently as needed, until completion. Draws on construction loans are predicated upon the results of the inspection and advanced based upon a percentage of completion basis versus original budget percentages. When construction loans become non-performing and the associated project is not complete, the Company on a case-by-case basis makes the decision to advance additional funds or to initiate collection/foreclosure proceedings. Such decision includes obtaining "as-is" and "at completion" appraisals for consideration of potential increases or decreases in the collateral's value. The Company also considers the increased costs of monitoring progress to completion, and the related collection/holding period costs should collateral ownership be transferred to the Company. With very limited exception, the Company does not disburse additional funds on non-performing loans. Instead, the Company has proceeded to collection and foreclosure actions in order to reduce the Company's exposure to loss on such loans.

Construction loans, a regulatory classification, accounted for 39 percent of the Company's non-accrual loans as of June 30, 2013. Land, lot and other construction loans, a regulatory classification, were 95 percent of the non-accrual construction loans. Of the Company's \$34.7 million of non-accrual construction loans at June 30, 2013, 96 percent of such loans had collateral properties securing the loans in Western Montana and Idaho. With locations and operations in the contiguous northern Rocky Mountain states of Idaho and Montana, the geography and economies of each of these geographic areas are predominantly tied to real estate development given the sprawling abundance of timbered valleys and mountainous terrain with significant lakes, streams and watershed areas. Consistent with the general economic downturn, the market for upscale primary, secondary and other housing as well as the associated construction and building industries have stalled after years of significant growth. As the housing market (rental and owner-occupied) and related industries continue to recover from the downturn, the Company continues to reduce its exposure to loss in the land, lot and other construction loan portfolio.

For additional information on accounting policies relating to non-performing assets and impaired loans, see Note 1 to the Consolidated Financial Statements in "Part I. Item 1. Financial Statements."

Impaired Loans

Loans are designated impaired when, based upon current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement and therefore, the Company has serious doubts as to the ability of such borrowers to fulfill the contractual obligation. Impaired loans include non-performing loans (i.e., non-accrual loans and accruing loans ninety days or more past due) and accruing loans under ninety days past due where it is probable payments will not be received according to the loan agreement (e.g., troubled debt restructuring).

Impaired loans were \$193 million and \$202 million as of June 30, 2013 and December 31, 2012, respectively. The ALLL includes specific valuation allowances of \$11.4 million and \$15.5 million of impaired loans as of June 30, 2013 and December 31, 2012, respectively. Of the total impaired loans at June 30, 2013, there were 31 significant commercial real estate and other commercial loans that accounted for \$84.4 million, or 44 percent, of the impaired loans. The 31 loans were collateralized by 143 percent of the loan value, the majority of which had appraisals or evaluations (new or updated) during the last year, such appraisals reviewed at least quarterly taking into account current market conditions. Of the total impaired loans at June 30, 2013, there were 138 loans aggregating \$101 million, or 52 percent, whereby the borrowers had more than one impaired loan. The amount of impaired loans that have had partial charge-offs during the year for which the Company continues to have concern about the collectability of the remaining loan balance was \$2.2 million. Of these loans, there were charge-offs of \$994 thousand during 2013.

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A restructured loan is considered a troubled debt restructuring (“TDR”) if the creditor, for economic or legal reasons related to the debtor’s financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Company had TDR loans of \$126 million and \$151 million as of June 30, 2013 and December 31, 2012, respectively. The Company’s TDR loans are considered impaired loans of which \$45.4 million and \$50.9 million as of June 30, 2013 and December 31, 2012, respectively, are designated as non-accrual.

Each restructured debt is separately negotiated with the borrower and includes terms and conditions that reflect the borrower’s prospective ability to service the debt as modified. The Company discourages the use of the multiple loan strategy when restructuring loans regardless of whether or not the notes are TDR loans. The Company does not have any commercial TDR loans as of June 30, 2013 that have repayment dates extended at or near the original maturity date for which the Company has not classified as impaired. At June 30, 2013, the Company has TDR loans of \$38.3 million that are in non-accrual status or that have had partial charge-offs during the year, the borrowers of which continue to have \$31.9 million in other loans that are on accrual status.

Other Real Estate Owned

The loan book value prior to the acquisition and transfer of the loan into other real estate owned (“OREO”) during 2013 was \$12.5 million of which \$2.6 million was residential real estate, \$7.2 million was commercial, and \$2.7 million was consumer loans. The fair value of the loan collateral acquired in foreclosure during 2013 was \$9.9 million of which \$2.5 million was residential real estate, \$5.5 million was commercial, and \$1.9 million was consumer loans. The following table sets forth the changes in OREO for the periods indicated:

	Six Months ended June 30, 2013	Year ended December 31, 2012	Six Months ended June 30, 2012
(Dollars in thousands)			
Balance at beginning of period	\$45,115	78,354	78,354
Acquisitions	190	—	—
Additions	9,889	27,536	16,372
Capital improvements	79	—	—
Write-downs	(1,971	) (13,258	) (6,653
Sales	(12,589	) (47,517	) (18,903
Balance at end of period	\$40,713	45,115	69,170

Allowance for Loan and Lease Losses

Determining the adequacy of the ALLL involves a high degree of judgment and is inevitably imprecise as the risk of loss is difficult to quantify. The ALLL methodology is designed to reasonably estimate the probable loan and lease losses within the Company’s loan portfolio. Accordingly, the ALLL is maintained within a range of estimated losses. The determination of the ALLL, including the provision for loan losses and net charge-offs, is a critical accounting estimate that involves management’s judgments about all known relevant internal and external environmental factors that affect loan losses, including the credit risk inherent in the loan portfolio, economic conditions nationally and in the local markets in which the Company operates, changes in collateral values, delinquencies, non-performing assets and net charge-offs.

Although the Company continues to actively monitor economic trends, soft economic conditions combined with potential declines in the values of real estate that collateralize most of the Company’s loan portfolio may adversely affect the credit risk and potential for loss to the Company.

The ALLL evaluation is well documented and approved by the Company's Board of Directors. In addition, the policy and procedures for determining the balance of the ALLL are reviewed annually by the Company's Board of Directors, the internal audit department, independent credit reviewers and state and federal bank regulatory agencies.

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At the end of each quarter, the Company analyzes its loan portfolio and maintains an ALLL at a level that is appropriate and determined in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The allowance consists of a specific valuation allowance component and a general valuation allowance component. The specific valuation allowance component relates to loans that are determined to be impaired. A specific valuation allowance is established when the fair value of a collateral-dependent loan or the present value of the loan’s expected future cash flows (discounted at the loan’s effective interest rate) is lower than the carrying value of the impaired loan. The general valuation allowance component relates to probable credit losses inherent in the balance of the loan portfolio based on prior loss experience, adjusted for changes in trends and conditions of qualitative or environmental factors.

The Glacier Bank (“Bank”) divisions’ credit administration reviews their respective loan portfolios to determine which loans are impaired and estimates the specific valuation allowance. The impaired loans and related specific valuation allowance are then provided to the Company’s credit administration for further review and approval. The Company’s credit administration also determines the estimated general valuation and reviews and approves the overall ALLL for the Company. The credit administration of the Company exercises significant judgment when evaluating the effect of applicable qualitative or environmental factors on the Company’s historical loss experience for loans not identified as impaired. Quantification of the impact upon the Company’s ALLL is inherently subjective as data for any factor may not be directly applicable, consistently relevant, or reasonably available for management to determine the precise impact of a factor on the collectability of the Company’s unimpaired loan portfolio as of each evaluation date. The Company’s credit administration documents its conclusions and rationale for changes that occur in each applicable factor’s weight (i.e., measurement) and ensures that such changes are directionally consistent based on the underlying current trends and conditions for the factor. To have directional consistency, the provision for loan losses and credit quality should generally move in the same direction.

The Company’s model of twelve bank divisions with separate management teams provides substantial local oversight to the lending and credit management function. The Company’s business model affords multiple reviews of larger loans before credit is extended, a significant benefit in mitigating and managing the Company’s credit risk. The geographic dispersion of the market areas in which the Company operates further mitigates the risk of credit loss. While this process is intended to limit credit exposure, there can be no assurance that further problem credits will not arise and additional loan losses incurred, particularly in periods of rapid economic downturns.

The primary responsibility for credit risk assessment and identification of problem loans rests with the loan officer of the account. This continuous process of identifying impaired loans is necessary to support management’s evaluation of the ALLL adequacy. An independent loan review function verifying credit risk ratings evaluates the loan officer and management’s evaluation of the loan portfolio credit quality. The loan review function also assesses the evaluation process and provides an independent analysis of the adequacy of the ALLL.

No assurance can be given that the Company will not, in any particular period, sustain losses that are significant relative to the ALLL amount, or that subsequent evaluations of the loan portfolio applying management’s judgment about then current factors, including economic and regulatory developments, will not require significant changes in the ALLL. Under such circumstances, this could result in enhanced provisions for loan losses.

The following table summarizes the allocation of the ALLL as of the dates indicated:

(Dollars in thousands)	June 30, 2013			December 31, 2012			June 30, 2012		
	ALLL	Percent of ALLL in	Percent of Loans in	ALLL	Percent of ALLL in	Percent of Loans in Category	ALLL	Percent of ALLL in	Percent of Loans in Category

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		Category			Category			Category			Category	
Residential real estate	\$ 14,797	11	% 14	%	\$ 15,482	12	% 15	%	\$ 18,139	13	% 15	%
Commercial real estate	73,885	57	% 50	%	74,398	57	% 49	%	79,098	58	% 48	%
Other commercial	24,116	18	% 20	%	21,567	16	% 18	%	20,570	15	% 19	%
Home equity	9,626	7	% 10	%	10,659	8	% 12	%	10,904	8	% 12	%
Other consumer	8,459	7	% 6	%	8,748	7	% 6	%	8,748	6	% 6	%
Totals	\$ 130,883	100	% 100	%	\$ 130,854	100	% 100	%	\$ 137,459	100	% 100	%

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The following table summarizes the ALLL experience for the periods indicated:

(Dollars in thousands)	Six Months ended June 30, 2013	Year ended December 31, 2012	Six Months ended June 30, 2012	
Balance at beginning of period	\$ 130,854	137,516	137,516	
Provision for loan losses	3,178	21,525	16,550	
Charge-offs				
Residential real estate	(349	) (5,267	) (1,320)
Commercial loans	(3,055	) (21,578	) (14,890)
Consumer and other loans	(2,481	) (7,827	) (3,527)
Total charge-offs	(5,885	) (34,672	) (19,737)
Recoveries				
Residential real estate	150	643	147	
Commercial loans	1,944	4,088	2,491	
Consumer and other loans	642	1,754	492	
Total recoveries	2,736	6,485	3,130	
Charge-offs, net of recoveries	(3,149	) (28,187	) (16,607)
Balance at end of period	\$ 130,883	130,854	137,459	
Allowance for loan and lease losses as a percentage of total loans	3.56	% 3.85	% 3.99	%
Net charge-offs as a percentage of total loans	0.09	% 0.83	% 0.48	%

At June 30, 2013, the allowance was \$131 million, a decrease of \$6.6 million from a year ago. The allowance was 3.56 percent of total loans outstanding at June 30, 2013, a decrease of 28 basis points from 3.84 percent at March 31, 2013, of which 17 basis points was attributable to loans being recorded at fair value from the First State Bank acquisition, resulting in no allowance being carried over. The allowance was 146 percent of non-performing loans at June 31, 2013, an increase from 133 percent at December 31, 2012 and an increase from 106 percent at June 30, 2012.

The Company's allowance of \$131 million is considered adequate to absorb losses from any class of its loan portfolio. For the periods ended June 30, 2013 and 2012, the Company believes the allowance is commensurate with the risk in the Company's loan portfolio and is directionally consistent with the change in the quality of the Company's loan portfolio.

When applied to the Company's historical loss experience, the qualitative or environmental factors result in the provision for loan losses being recorded in the period in which the loss has probably occurred. When the loss is confirmed at a later date, a charge-off is recorded. During 2013, the provision for loan losses exceeded loan charge-offs, net of recoveries, by \$29 thousand. During the same period in 2012, loan charge-offs, net of recoveries, exceeded the provision for loan losses by \$57 thousand.

The Company provides commercial services to individuals, small to medium size businesses, community organizations and public entities from 110 locations, including 102 branches, across Montana, Idaho, Wyoming, Colorado, Utah, and Washington. The Rocky Mountain states in which the Company operates has diverse economies and markets that are tied to commodities (crops, livestock, minerals, oil and natural gas), tourism, real estate and land development and an assortment of industries, both manufacturing and service-related. Thus, the changes in the global, national, and local economies are not uniform across the Company's geographic locations.

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Although there continues to be heightened uncertainty in the economic environment, there was notable improvements during the last year compared to the past several years. There was steady growth in the housing permits, housing starts, and completions for new privately owned units during the last year in Montana, Idaho, Colorado and Utah in relation to the US national statistics. There was improvement in single family residential real estate construction and sales for all of the Company's market areas. Single family residential collateral values in Idaho, Wyoming and Montana stabilized (with some improvement in isolated markets in which the Company operates) compared to the prior year and prior 5 year historical trends. There was a steady decline in the number of foreclosures initiated in 2012 for Montana, Idaho, and Wyoming. The unemployment rates for the states in which the Company conducts operations were generally lower compared to the national unemployment rate. The national unemployment rate increased steadily from 5.0 in the first part of 2008 to a range of 7.8 to 10.0 during 2009 through 2012 and has declined to 7.6 in June of 2013. Agricultural price declines in livestock and grain in 2009 have recovered significantly and remain strong. While prices for oil have held strong, prices for natural gas continue to remain weak (due to excess supply) especially when compared to the exceptionally high price levels of natural gas during 2008. The tourism industry and related lodging continues to be a source of strength for the locations where the Company's market areas have national parks and similar recreational areas in the market areas served.

In evaluating the need for a specific or general valuation allowance for impaired and unimpaired loans, respectively, within the Company's construction loan portfolio (i.e., regulatory classification), including residential construction and land, lot and other construction loans, the credit risk related to such loans was considered in the ongoing monitoring of such loans, including assessments based on current information, including appraisals or evaluations (new or updated) of the underlying collateral, expected cash flows and the timing thereof, as well as the estimated cost to sell when such costs are expected to reduce the cash flows available to repay or otherwise satisfy the construction loan. Construction loans are 12 percent of the Company's total loan portfolio and account for 39 percent of the Company's non-accrual loans at June 30, 2013. Collateral securing construction loans includes residential buildings (e.g., single/multi-family and condominiums), commercial buildings, and associated land (multi-acre parcels and individual lots, with and without shorelines).

The Company's allowance consisted of the following components as of the dates indicated:

(Dollars in thousands)	June 30, 2013	December 31, 2012	June 30, 2012
Specific valuation allowance	\$ 11,382	15,534	19,208
General valuation allowance	119,501	115,320	118,251
Total ALLL	\$ 130,883	130,854	137,459

The ALLL as a percentage of loans decreased 29 basis points from December 31, 2012 to June 30, 2013, of which 12 basis points were due to \$171 million of loans receivable from the First State Bank acquisition which were recorded at fair value with no ALLL being carried over. During 2013, the ALLL decreased by \$29 thousand, the net result of a \$4.2 million decrease in the specific valuation allowance and a \$4.2 million increase in the general valuation allowance. The decrease in the specific valuation allowance since the prior year end was primarily due to the decrease in loans with a specific valuation allowance of \$9.2 million. Further supporting the ALLL were the following trends: Non-accrual construction loans (i.e., residential construction and land, lot and other construction, each a regulatory classification) were \$34.7 million, or 39 percent, of the \$89.4 million of non-accrual loans at June 30, 2013, a decrease of \$4.5 million from the prior year end and decrease of \$25.7 million from June 30, 2012. Non-accrual construction loans accounted for 40 percent of the \$96.9 million of non-accrual loans at year end 2012 and 48 percent of the \$126 million of non-accrual loans at June 30, 2012.

Non-performing loans as a percent of total loans decreased to 2.44 percent at June 30, 2013 as compared to 2.90 percent and 3.77 percent at year end 2012 and June 30, 2012, respectively.

Impaired loans as a percent of total loans decreased to 5.24 percent at June 30, 2013 as compared to 5.94 percent and 6.91 percent at year end 2012 and June 30, 2012, respectively.

Charge-offs, net of recoveries, in 2013 were \$3.1 million, a \$13.5 million decrease from the same period in 2012.

Excluding the First State Bank acquisition, the loan portfolio increased \$105 million from the prior year end.

For additional information regarding the ALLL, its relation to the provision for loan losses and risk related to asset quality, see Note 3 to the Consolidated Financial Statements in "Part I. Item 1. Financial Statements."

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Loans by Regulatory Classification

Supplemental information regarding identification of the Company's loan portfolio and credit quality based on regulatory classification is provided in the following tables. The regulatory classification of loans is based primarily on the type of collateral for the loans. There may be differences when compared to loan tables and loan amounts appearing elsewhere which reflect the Company's internal loan segments and classes which are based on the purpose of the loan.

The following table summarizes the Company's loan portfolio by regulatory classification:

(Dollars in thousands)	Loans Receivable, by Loan Type			% Change	% Change	
	June 30, 2013	December 31, 2012	June 30, 2012	from December 31, 2012	from June 30, 2012	
Custom and owner occupied construction	\$ 35,529	40,327	39,052	(12	)% (9)%
Pre-sold and spec construction	36,967	34,970	49,638	6	% (26)%
Total residential construction	72,496	75,297	88,690	(4	)% (18)%
Land development	77,080	80,132	93,361	(4	)% (17)%
Consumer land or lots	100,549	104,229	114,475	(4	)% (12)%
Unimproved land	50,492	53,459	59,548	(6	)% (15)%
Developed lots for operative builders	15,105	16,675	21,101	(9	)% (28)%
Commercial lots	16,987	19,654	25,035	(14	)% (32)%
Other construction	90,735	56,109	32,079	62	% 183	%
Total land, lot, and other construction	350,948	330,258	345,599	6	% 2	%
Owner occupied	753,692	710,161	701,078	6	% 8	%
Non-owner occupied	475,991	452,966	444,419	5	% 7	%
Total commercial real estate	1,229,683	1,163,127	1,145,497	6	% 7	%
Commercial and industrial	470,178	420,459	413,908	12	% 14	%
1st lien	718,793	738,854	690,638	(3	)% 4	%
Junior lien	77,359	82,083	87,544	(6	)% (12)%
Total 1-4 family	796,152	820,937	778,182	(3	)% 2	%
Home equity lines of credit	304,859	319,779	338,459	(5	)% (10)%
Other consumer	123,947	109,019	109,043	14	% 14	%
Total consumer	428,806	428,798	447,502	—	% (4)%
Agriculture	238,136	145,890	162,534	63	% 47	%
Other	182,552	158,160	151,726	15	% 20	%
Total loans receivable, including loans held for sale	3,768,951	3,542,926	3,533,638	6	% 7	%
Less loans held for sale ¹	(95,495	) (145,501	) (88,442	) (34	)% 8	%
Total loans receivable	\$ 3,673,456	3,397,425	3,445,196	8	% 7	%

¹ Loans held for sale are primarily 1st lien 1-4 family loans.

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The following tables summarize selected information identified by regulatory classification on the Company's non-performing assets.

(Dollars in thousands)	Non-performing Assets, by Loan Type			Non- Accruing Loans	Accruing Loans 90 Days or More Past Due	Other Real Estate Owned
	June 30, 2013	December 31, 2012	June 30, 2012	June 30, 2013	June 30, 2013	June 30, 2013
Custom and owner occupied construction	\$ 1,291	1,343	2,914	1,291	—	—
Pre-sold and spec construction	1,319	1,603	7,473	571	—	748
Total residential construction	2,610	2,946	10,387	1,862	—	748
Land development	26,004	31,471	47,154	15,591	—	10,413
Consumer land or lots	5,475	6,459	9,728	2,138	—	3,337
Unimproved land	15,611	19,121	28,914	13,259	—	2,352
Developed lots for operative builders	2,093	2,393	6,932	1,356	—	737
Commercial lots	3,185	1,959	2,581	318	—	2,867
Other construction	5,532	5,105	5,124	189	—	5,343
Total land, lot and other construction	57,900	66,508	100,433	32,851	—	25,049
Owner occupied	16,503	15,662	18,210	11,897	—	4,606
Non-owner occupied	5,091	4,621	3,509	3,525	—	1,566
Total commercial real estate	21,594	20,283	21,719	15,422	—	6,172
Commercial and industrial	7,103	5,970	8,077	7,030	22	51
1st lien	22,543	25,739	34,285	17,646	297	4,600
Junior lien	5,819	6,660	8,861	5,716	—	103
Total 1-4 family	28,362	32,399	43,146	23,362	297	4,703
Home equity lines of credit	6,107	8,041	6,939	5,483	90	534
Other consumer	449	441	405	244	47	158
Total consumer	6,556	8,482	7,344	5,727	137	692
Agriculture	6,146	6,686	7,541	3,101	—	3,045
Other	253	253	253	—	—	253
Total	\$ 130,524	143,527	198,900	89,355	456	40,713

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(Dollars in thousands)	Accruing 30-89 Days Delinquent Loans, by Loan Type			% Change from December 31, 2012	% Change from June 30, 2012		
	June 30, 2013	December 31, 2012	June 30, 2012				
Custom and owner occupied construction	\$—	\$5	\$—	(100	)%	n/m	
Pre-sold and spec construction	—	893	968	(100	)%	(100)%
Total residential construction	—	898	968	(100	)%	(100)%
Land development	—	191	460	(100	)%	(100)%
Consumer land or lots	338	762	1,650	(56	)%	(80)%
Unimproved land	341	422	1,129	(19	)%	(70)%
Developed lots for operative builders	146	422	199	(65	)%	(27)%
Commercial lots	—	11	—	(100	)%	n/m	
Total land, lot and other construction	825	1,808	3,438	(54	)%	(76)%
Owner occupied	7,297	5,523	10,943	32	%	(33)%
Non-owner occupied	2,247	2,802	950	(20	)%	137	%
Total commercial real estate	9,544	8,325	11,893	15	%	(20)%
Commercial and industrial	3,844	1,905	20,847	102	%	(82)%
1st lien	2,807	7,352	7,220	(62	)%	(61)%
Junior lien	980	732	880	34	%	11	%
Total 1-4 family	3,787	8,084	8,100	(53	)%	(53)%
Home equity lines of credit	3,138	4,164	2,541	(25	)%	23	%
Other consumer	755	1,001	698	(25	)%	8	%
Total consumer	3,893	5,165	3,239	(25	)%	20	%
Agriculture	169	912	222	(81)%	(24)%
Total	\$22,062	\$27,097	\$48,707	(19)%	(55)%

n/m - not measurable

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The following table summarizes net charge-offs at the dates indicated, including identification by regulatory classification:

(Dollars in thousands)	Net Charge-Offs (Recoveries), Year-to-Date Period Ending, By Loan Type			Charge-Offs June 30, 2013	Recoveries June 30, 2013
	June 30, 2013	December 31, 2012	June 30, 2012		
Custom and owner occupied construction	\$ (1	) 24	—	—	1
Pre-sold and spec construction	(16	) 2,489	2,393	—	16
Total residential construction	(17	) 2,513	2,393	—	17
Land development	(76	) 3,035	2,706	247	323
Consumer land or lots	290	4,003	1,957	580	290
Unimproved land	233	636	517	256	23
Developed lots for operative builders	(11	) 1,802	1,201	73	84
Commercial lots	251	362	(81	) 254	3
Other construction	(128	) —	—	—	128
Total land, lot and other construction	559	9,838	6,300	1,410	851
Owner occupied	(306	) 1,312	1,318	407	713
Non-owner occupied	268	597	189	288	20
Total commercial real estate	(38	) 1,909	1,507	695	733
Commercial and industrial	823	2,651	819	1,374	551
1st lien	287	5,257	2,122	412	125
Junior lien	56	3,464	2,441	160	104
Total 1-4 family	343	8,721	4,563	572	229
Home equity lines of credit	1,346	2,124	807	1,466	120
Other consumer	141	262	32	344	203
Total consumer	1,487	2,386	839	1,810	323
Agriculture	21	125	94	21	—
Other	(29) 44	92	3	32
Total	\$ 3,149	28,187	16,607	5,885	2,736

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Investment Activity

The Company's investment securities are generally classified as available-for-sale and are carried at estimated fair value with unrealized gains or losses, net of tax, reflected as an adjustment to stockholders' equity. Investment securities designated as available-for-sale are summarized below:

(Dollars in thousands)	June 30, 2013		December 31, 2012		June 30, 2012			
	Amount	Percent	Amount	Percent	Amount	Percent		
U.S. government and federal agency	\$—	—	% \$202	—	% \$205	—	%	
U.S. government sponsored enterprises	13,151	—	% 17,480	—	% 25,488	1	%	
State and local governments	1,339,876	36	% 1,214,518	33	% 1,193,080	35	%	
Corporate bonds	442,797	12	% 288,795	8	% 159,926	5	%	
Collateralized debt obligations	—	—	% 1,708	—	% 2,734	—	%	
Residential mortgage-backed securities	1,925,553	52	% 2,160,302	59	% 2,022,849	59	%	
Total investment securities, available-for-sale	\$3,721,377	100	% \$3,683,005	100	% \$3,404,282	100	%	

The Company's investment portfolio is primarily comprised of residential mortgage-backed securities and state and local government securities which are largely exempt from federal income tax. The Company uses the maximum federal statutory rate of 35 percent in calculating its tax-equivalent yield. The residential mortgage-backed securities are typically short weighted-average life U.S. government agency CMOs and provide the Company with on-going liquidity as scheduled and pre-paid principal payments are made on the securities. It has generally been the Company's policy to maintain a liquid portfolio above policy limits.

For additional investment activity information, see Note 2 to the Consolidated Financial Statements in "Part I. Item 1. Financial Statements."

Other-Than-Temporary Impairment on Securities Analysis

Non-marketable equity securities owned at June 30, 2013 primarily consisted of stock issued by the FHLB of Seattle, such shares measured at cost in recognition of the transferability restrictions imposed by the issuers. Other non-marketable equity securities include Federal Agriculture Mortgage Corporation and Bankers' Bank of the West Bancorporation, Inc.

With respect to FHLB stock, the Company evaluates such stock for other-than-temporary impairment. Such evaluation takes into consideration 1) FHLB deficiency, if any, in meeting applicable regulatory capital targets, including risk-based capital requirements, 2) the significance of any decline in net assets of the FHLB as compared to the capital stock amount for the FHLB and the time period for any such decline, 3) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, 4) the impact of legislative and regulatory changes on the FHLB, and 5) the liquidity position of the FHLB.

Based on the Company's analysis of its impaired non-marketable equity securities as of June 30, 2013, the Company determined that none of such securities had other-than-temporary impairment.

In evaluating debt securities for other-than-temporary impairment losses, management assesses whether the Company intends to sell the security or if it is more-likely-than-not that the Company will be required to sell the debt security. In so doing, management considers contractual constraints, liquidity, capital, asset / liability management and securities portfolio objectives.

For debt securities with limited or inactive markets, the impact of macroeconomic conditions in the U.S. upon fair value estimates includes higher risk-adjusted discount rates and changes in credit ratings provided by nationally recognized credit rating agencies, (e.g., Moody's, Standard and Poor's, and Fitch). In connection with changing macroeconomic conditions affecting the U.S. economy, on June 10, 2013, Standard and Poor's reaffirmed its AA+ rating of U.S. government long term debt but with an improved outlook of stable from negative. On July 18, 2013, Moody's also upgraded its outlook to stable from negative while maintaining its Aaa rating on U.S. government long-term debt. Fitch continues to maintain its AAA long-term debt rating of the U.S. though with a negative outlook. Standard and Poor's, Moody's and Fitch have similar credit ratings and outlooks with respect to certain long-term debt instruments issued by Fannie Mae, Freddie Mac and other U.S. government agencies linked to the long-term U.S. debt.

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The following table separates investments with an unrealized loss position at June 30, 2013 into two categories: investments purchased prior to 2013 and those purchased during 2013. Of those investments purchased prior to 2013, the fair market value and unrealized loss at December 31, 2012 is also presented.

(Dollars in thousands)	June 30, 2013			December 31, 2012			Unrealized Loss as a Percent of Fair Value
	Fair Value	Unrealized Loss	Unrealized Loss as a Percent of Fair Value	Fair Value	Unrealized Loss	Unrealized Loss as a Percent of Fair Value	
Temporarily impaired securities purchased prior to 2013							
State and local governments	\$ 194,152	\$(7,891)	(4)%	\$ 202,994	\$ 225	—	%
Corporate bonds	38,180	(460)	(1)%	39,532	191	—	%
Residential mortgage-backed securities	119,316	(437)	—%	206,627	(1,720)	(1)	%
Total	\$ 351,648	\$(8,788)	(2)%	\$ 449,153	\$(1,304)	—	%
Temporarily impaired securities purchased during 2013							
State and local governments	\$ 128,858	\$(8,496)	(7)%				
Corporate bonds	173,412	(3,059)	(2)%				
Residential mortgage-backed securities	408,217	(5,692)	(1)%				
Total	\$ 710,487	\$(17,247)	(2)%				
Temporarily impaired securities purchased during 2013							
State and local governments	\$ 323,010	\$(16,387)	(5)%				
Corporate bonds	211,592	(3,519)	(2)%				
Residential mortgage-backed securities	527,533	(6,129)	(1)%				
Total	\$ 1,062,135	\$(26,035)	(2)%				

With respect to severity, the following table provides the number of securities and amount of unrealized loss in the various ranges of unrealized loss as a percent of book value at June 30, 2013:

(Dollars in thousands)	Number of Debt Securities	Unrealized Loss
Greater than 15.0%	1	\$(15)
10.1% to 15.0%	5	(1,500)
5.1% to 10.0%	94	(11,504)
0.1% to 5.0%	336	(13,016)
Total	436	\$(26,035)

With respect to the duration of the impaired debt securities, the Company identified 26 securities which have been continuously impaired for the twelve months ending June 30, 2013. The valuation history of such securities in the prior year(s) was also reviewed to determine the number of months in prior year(s) in which the identified securities was in an unrealized loss position.

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The following table provides details of the 26 securities which have been continuously impaired for the twelve months ended June 30, 2013, including the most notable loss for any one bond in each category.

(Dollars in thousands)	Number of Debt Securities	Unrealized Loss for 12 Months Or More	Most Notable Loss
State and local governments	18	\$ (400	) (122)
Residential mortgage-backed securities	8	(43	) (15)
Total	26	\$ (443)

Of the 8 residential mortgage-backed securities, 5 have underlying collateral consisting of U.S. government guaranteed mortgages (e.g., FNMA) and U.S. government sponsored enterprise (e.g., FHLMC) guaranteed mortgages. Each of the 3 remaining residential mortgage-backed securities have underlying non-guaranteed private label whole loan collateral of 30-year fixed rate residential mortgages considered to be "Prime". The Company engages a third-party to perform detailed analysis for other-than-temporary impairment of such securities. Such analysis takes into consideration original and current data for the tranche and CMO structure, the non-guaranteed classification of each CMO tranche, current and deal inception credit ratings, credit support (protection) afforded the tranche through the subordination of other tranches in the CMO structure, the nature of the collateral (e.g., Prime or Alt-A) underlying each CMO tranche, and realized cash flows since purchase.

Based on the Company's analysis of its impaired debt securities as of June 30, 2013, the Company determined that none of such securities had other-than-temporary impairment.

Sources of Funds

The Company's deposits have traditionally been the principal source of funds for use in lending and other business purposes. The Company has a number of different deposit programs designed to attract both short-term and long-term deposits from the general public by providing a wide selection of accounts and rates. These programs include non-interest bearing demand accounts, interest bearing checking, regular statement savings, money market deposit accounts, and fixed rate certificates of deposit with maturities ranging from three months to five years, negotiated-rate jumbo certificates, and individual retirement accounts. In addition, the Company obtains wholesale deposits through various programs and are classified as NOW accounts, money market deposit accounts and certificate accounts.

The Company also obtains funds from repayment of loans and investment securities, repurchase agreements, advances from the FHLB, other borrowings, and sale of loans and investment securities. Loan repayments are a relatively stable source of funds, while interest bearing deposit inflows and outflows are significantly influenced by general interest rate levels and market conditions. Borrowings and advances may be used on a short-term basis to compensate for reductions in normal sources of funds such as deposit inflows at less than projected levels. Borrowings also may be used on a long-term basis to support expanded activities and to match maturities of longer-term assets.

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Short-term borrowings

A critical component of the Company's liquidity and capital resources is access to short-term borrowings to fund its operations. Short-term borrowings are accompanied by increased risks managed by the Asset Liability Committee ("ALCO") such as rate increases or unfavorable change in terms which would make it more costly to obtain future short-term borrowings. The Company's short-term borrowing sources include FHLB advances, federal funds purchased and retail and wholesale repurchase agreements. The Company also has access to the short-term discount window borrowing programs (i.e., primary credit) of the Federal Reserve Bank. FHLB advances and certain other short-term borrowings may be extended as long-term borrowings to decrease certain risks such as liquidity or interest rate risk; however, the reduction in risks are weighed against the increased cost of funds.

The following table provides information relating to short-term borrowings which consists of borrowings that mature within one year at period end:

(Dollars in thousands)	At or for the Six Months ended June 30, 2013	At or for the Year ended December 31, 2012	
Repurchase agreements			
Amount outstanding at end of period	\$ 300,024	289,508	
Weighted interest rate on outstanding amount	0.29	% 0.32	%
Maximum outstanding at any month-end	\$ 312,505	466,784	
Average balance	\$ 289,911	354,324	
Weighted average interest rate	0.30	% 0.37	%
FHLB advances			
Amount outstanding at end of period	\$ 939,109	720,000	
Weighted interest rate on outstanding amount	0.24	% 0.28	%
Maximum outstanding at any month-end	\$ 939,109	792,018	
Average balance	\$ 684,707	719,762	
Weighted average interest rate	0.26	% 0.50	%

Contractual Obligations and Off-Balance Sheet Arrangements

The Company has outstanding debt obligations, the largest aggregate amount of which were FHLB advances. In the normal course of business, there may be various outstanding commitments to obtain funding, such as brokered deposits, and to extend credit, such as letters of credit and un-advanced loan commitments, which are not reflected in the accompanying condensed consolidated financial statements. The Company does not anticipate any material losses as a result of these transactions.

Liquidity Risk

Liquidity risk is the possibility that the Company will not be able to fund present and future obligations as they come due because of an inability to liquidate assets or obtain adequate funding at a reasonable cost. The objective of liquidity management is to maintain cash flows adequate to meet current and future needs for credit demand, deposit withdrawals, maturing liabilities and corporate operating expenses. Effective liquidity management entails three elements:

1. Assessing on an ongoing basis, the current and expected future needs for funds, and ensuring that sufficient funds or access to funds exist to meet those needs at the appropriate time.
2. Providing for an adequate cushion of liquidity to meet unanticipated cash flow needs that may arise from potential adverse circumstances ranging from high probability/low severity events to low probability/high severity.
3. Balancing the benefits between providing for adequate liquidity to mitigate potential adverse events and the cost of that liquidity.

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The following table identifies certain liquidity sources and capacity available to the Company at June 30, 2013:

(Dollars in thousands)	June 30, 2013
FHLB advances	
Borrowing capacity	\$ 1,462,204
Amount utilized	(1,217,445)
Amount available	\$ 244,759
Federal Reserve Bank discount window	
Borrowing capacity	\$ 595,443
Amount utilized	—
Amount available	\$ 595,443
Unsecured lines of credit available	\$ 130,000
Unencumbered investment securities	
U.S. government sponsored enterprises	\$ 13,151
State and local governments	1,028,230
Corporate bonds	442,797
Residential mortgage-backed securities	594,562
Total unencumbered securities	\$ 2,078,740

The Company has a wide range of versatility in managing the liquidity and asset/liability mix. The Company's ALCO committee meets regularly to assess liquidity risk, among other matters. The Company monitors liquidity and contingency funding alternatives through management reports of liquid assets (e.g., investment securities), both unencumbered and pledged, as well as borrowing capacity, both secured and unsecured.

Capital Resources

Maintaining capital strength continues to be a long-term objective. Abundant capital is necessary to sustain growth, provide protection against unanticipated declines in asset values, and to safeguard the funds of depositors. Capital is also a source of funds for loan demand and enables the Company to effectively manage its assets and liabilities. Taking these considerations into account, the Company may, as it has done in the past, decide to utilize a portion of its strong capital position to repurchase shares of its outstanding common stock, from time to time, depending on market price and other relevant considerations.

The Federal Reserve Board has adopted capital adequacy guidelines that are used to assess the adequacy of capital in supervising a bank holding company. The Company and the Bank were considered well capitalized by their respective regulators as of June 30, 2013 and 2012. There are no conditions or events after June 30, 2013 that management believes have changed the Company's or the Bank's risk-based capital category.

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The following table illustrates the Federal Reserve Board's capital adequacy guidelines and the Company's compliance with those guidelines as of June 30, 2013.

(Dollars in thousands)	Tier 1 Capital	Total Capital	Tier 1 Leverage Capital
Total stockholders' equity	\$ 929,002	929,002	929,002
Less:			
Goodwill and intangibles	(126,771)	(126,771)	(126,771)
Net unrealized gains on investment securities and change in fair value of derivatives used for cash flow hedges	(23,382)	(23,382)	(23,382)
Plus:			
Allowance for loan and lease losses	—	62,905	—
Subordinated debentures	124,500	124,500	124,500
Total regulatory capital	\$ 903,349	966,254	903,349
Risk-weighted assets	\$ 4,964,271	4,964,271	
Total adjusted average assets			\$ 7,623,699
Capital ratio	18.20	% 19.46	% 11.85 %
Regulatory "well capitalized" requirement	6.00	% 10.00	%
Excess over "well capitalized" requirement	12.20	% 9.46	%

In addition to the primary and contingent liquidity sources available, the Company has the capacity to issue 117,187,500 shares of common stock of which 73,564,900 has been issued as of June 30, 2013. The Company also has the capacity to issue 1,000,000 shares of preferred stock of which none has been issued as of June 30, 2013.

Federal and State Income Taxes

The Company files a consolidated federal income tax return, using the accrual method of accounting. All required tax returns have been timely filed. Financial institutions are subject to the provisions of the Internal Revenue Code of 1986, as amended, in the same general manner as other corporations.

Under Montana, Idaho, Colorado and Utah law, financial institutions are subject to a corporation income tax, which incorporates or is substantially similar to applicable provisions of the Internal Revenue Code. The corporation income tax is imposed on federal taxable income, subject to certain adjustments. State taxes are incurred at the rate of 6.75 percent in Montana, 7.6 percent in Idaho, 5 percent in Utah and 4.63 percent in Colorado. Wyoming and Washington do not impose a corporate-level income tax.

The Company has equity investments in Certified Development Entities which have received allocations of New Markets Tax Credits ("NMTC"). Administered by the Community Development Financial Institutions Fund of the U.S. Department of the Treasury, the NMTC program is aimed at stimulating economic and community development and job creation in low-income communities. The federal income tax credits received are claimed over a seven-year credit allowance period. The Company also has equity investments in Low-Income Housing Tax Credits which are indirect federal subsidies used to finance the development of affordable rental housing for low-income households. The federal income tax credits are claimed over a ten-year credit allowance period. The Company has investments in Qualified Zone Academy and Qualified School Construction bonds whereby the Company receives quarterly federal income tax credits in lieu of taxable interest income until the bonds mature. The federal income tax credits on these bonds are subject to federal and state income tax.

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Following is a list of expected federal income tax credits to be received in the years indicated.

(Dollars in thousands)	New Markets Tax Credits	Low-Income Housing Tax Credits	Investment Securities Tax Credits	Total
2013	\$2,775	1,270	930	4,975
2014	2,850	1,270	908	5,028
2015	2,850	1,175	883	4,908
2016	1,014	1,175	858	3,047
2017	450	1,060	782	2,292
Thereafter	—	3,082	4,456	7,538
	\$9,939	9,032	8,817	27,788

Income tax expense for the six months ended June 30, 2013 and 2012 was \$13.1 million and \$8.5 million, respectively. The Company's effective tax rate for the six months ended June 30, 2013 and 2012 was 23.1 percent and 19.3 percent, respectively. The primary reason for the low effective rates are the amount of tax-exempt investment income and federal tax credits. The tax-exempt income was \$20.4 million and \$19.0 million for the six months ended June 30, 2013 and 2012, respectively. The federal tax credit benefits were \$2.3 million and \$2.2 million for the six months ended June 30, 2013 and 2012, respectively. The Company continues to hold its investments in select municipal securities and variable interest entities whereby the Company receives federal tax credits.

Average Balance Sheet

The following schedule provides 1) the total dollar amount of interest and dividend income of the Company for earning assets and the average yield; 2) the total dollar amount of interest expense on interest bearing liabilities and the average rate; 3) net interest and dividend income and interest rate spread; and 4) net interest margin (tax-equivalent).

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(Dollars in thousands)	Three Months ended June 30, 2013			Six Months ended June 30, 2013				
	Average Balance	Interest & Dividends	Average Yield/ Rate	Average Balance	Interest & Dividends	Average Yield/ Rate		
Assets								
Residential real estate loans	\$ 594,543	\$ 7,026	4.73	% \$ 606,133	\$ 14,286	4.71		%
Commercial loans	2,381,231	29,865	5.03	% 2,326,455	58,497	5.07		%
Consumer and other loans	587,728	7,909	5.40	% 587,581	15,773	5.41		%
Total loans ¹	3,563,502	44,800	5.04	% 3,520,169	88,556	5.07		%
Tax-exempt investment securities ²	1,025,295	15,229	5.94	% 992,693	29,379	5.92		%
Taxable investment securities ³	2,696,142	7,174	1.06	% 2,691,461	11,946	0.89		%
Total earning assets	7,284,939	67,203	3.70	% 7,204,323	129,881	3.64		%
Goodwill and intangibles	116,356			114,208				
Non-earning assets	349,175			349,088				
Total assets	\$ 7,750,470			\$ 7,667,619				
Liabilities								
Non-interest bearing deposits	\$ 1,177,041	\$ —	—	% \$ 1,159,210	\$ —	—		%
NOW accounts	969,412	285	0.12	% 967,616	558	0.12		%
Savings accounts	513,840	58	0.05	% 504,957	131	0.05		%
Money market deposit accounts	999,353	497	0.20	% 998,227	1,011	0.20		%
Certificate accounts	1,120,206	2,292	0.82	% 1,101,274	4,719	0.86		%
Wholesale deposits ⁴	552,539	342	0.25	% 565,790	767	0.27		%
FHLB advances	1,001,899	2,648	1.06	% 961,997	5,299	1.11		%
Repurchase agreements, federal funds purchased and other borrowed funds	424,246	1,063	1.00	% 425,960	2,158	1.02		%
Total interest bearing liabilities	6,758,536	7,185	0.43	% 6,685,031	14,643	0.44		%
Other liabilities	60,553			59,168				
Total liabilities	6,819,089			6,744,199				
Stockholders' Equity								
Common stock	725			722				
Paid-in capital	651,939			646,995				
Retained earnings	233,104			226,806				
Accumulated other comprehensive income	45,613			48,897				
Total stockholders' equity	931,381			923,420				
Total liabilities and stockholders' equity	\$ 7,750,470			\$ 7,667,619				
Net interest income (tax-equivalent)		\$ 60,018			\$ 115,238			
Net interest spread (tax-equivalent)			3.27	%			3.20	%
Net interest margin (tax-equivalent)			3.30	%			3.23	%

¹ Total loans are gross of the allowance for loan and lease losses, net of unearned income and include loans held for sale. Non-accrual loans were included in the average volume for the entire period.

² Includes tax effect of \$4.7 million and \$9.0 million on tax-exempt investment security income for the three and six months ended June 30, 2013, respectively.

³

Includes tax effect of \$379 thousand and \$760 thousand on investment security tax credits for the three and six months ended June 30, 2013, respectively.

⁴ Wholesale deposits include brokered deposits classified as NOW, money market deposit and certificate accounts.

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Rate/Volume Analysis

Net interest income can be evaluated from the perspective of relative dollars of change in each period. Interest income and interest expense, which are the components of net interest income, are shown in the following table on the basis of the amount of any increases (or decreases) attributable to changes in the dollar levels of the Company's interest earning assets and interest bearing liabilities ("Volume") and the yields earned and rates paid on such assets and liabilities ("Rate"). The change in interest income and interest expense attributable to changes in both volume and rates has been allocated proportionately to the change due to volume and the change due to rate.

(Dollars in thousands)	Six Months ended June 30, 2013 vs. 2012		
	Increase (Decrease) Due to:		
	Volume	Rate	Net
Interest income			
Residential real estate loans	\$481	(1,474	) (993
Commercial loans	1,105	(4,079	) (2,974
Consumer and other loans	(1,309	) (901	) (2,210
Investment securities (tax-equivalent)	5,371	(10,565	) (5,194
Total interest income	5,648	(17,019	) (11,371
Interest expense			
NOW accounts	105	(271	) (166
Savings accounts	28	(73	) (45
Money market deposit accounts	161	(326	) (165
Certificate accounts	242	(1,822	) (1,580
Wholesale deposits	(141	) (280	) (421
FHLB advances	(292	) (1,008	) (1,300
Repurchase agreements, federal funds purchased and other borrowed funds	(242	) (80	) (322
Total interest expense	(139	) (3,860	) (3,999
Net interest income (tax-equivalent)	\$5,787	(13,159	) (7,372

Net interest income (tax-equivalent) decreased \$7.4 million for the six months ended June 30, 2013 compared to the same period in 2012. The decrease in interest income was driven primarily by the premium amortization (net of discount accretion) on investment securities and reduced interest rates on the loan portfolio. Although, the Company was able to lower interest expense by reducing deposit and borrowing interest rates, it was not enough to offset the reduction in interest income.

Effect of inflation and changing prices

GAAP often requires the measurement of financial position and operating results in terms of historical dollars, without consideration for change in relative purchasing power over time due to inflation. Virtually all assets of the Company are monetary in nature; therefore, interest rates generally have a more significant impact on a company's performance than does the effect of inflation.

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Item 3. Quantitative and Qualitative Disclosure about Market Risk

The Company believes there have not been any material changes in information about the Company's market risk than was provided in the 2012 Annual Report.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as required by Exchange Act Rules 240.13a-15(b) and 15d-14(c)) as of the date of this quarterly report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's current disclosure controls and procedures are effective and timely, providing them with material information relating to the Company required to be disclosed in the reports the Company files or submits under the Exchange Act.

Changes in Internal Controls

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the second quarter 2013, to which this report relates that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various claims, legal actions and complaints which arise in the ordinary course of business. In the Company's opinion, all such matters are adequately covered by insurance, are without merit or are of such kind, or involve such amounts, that unfavorable disposition would not have a material adverse effect on the financial condition or results of operations of the Company.

Item 1A. Risk Factors

The Company believes there have been no material changes from risk factors previously disclosed in the 2012 Annual Report. The risks and uncertainties described in the 2012 Annual Report should be carefully reviewed. These are not the only risks and uncertainties that the Company faces. Additional risks and uncertainties that the Company does not currently know about or that the Company currently believes are immaterial, or that the Company has not predicted, may also harm its business operations or adversely affect the Company. If any of these risks or uncertainties actually occurs, the Company's business, financial condition, operating results or liquidity could be adversely affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Not Applicable

(b) Not Applicable

(c)Not Applicable

Item 3. Defaults upon Senior Securities

(a)Not Applicable

(b)Not Applicable

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Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

(a) Not Applicable

(b) Not Applicable

Item 6. Exhibits

Exhibit 31.1 - Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002

Exhibit 31.2 - Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002

Exhibit 32 - Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002

The following financial information from Glacier Bancorp, Inc's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 is formatted in XBRL: (i) the Unaudited Condensed Consolidated Statements of Financial Condition, (ii) the Unaudited Condensed Consolidated Statements of Operations, (iii) the Unaudited Condensed Consolidated Statements of Stockholders' Equity and Comprehensive Income, (iv) the Unaudited Condensed Consolidated Statements of Cash Flows, and (v) the Notes to Unaudited Condensed Consolidated Financial Statements.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 8, 2013.

GLACIER BANCORP, INC.

/s/ Michael J. Blodnick

Michael J. Blodnick

President and CEO

/s/ Ron J. Copher

Ron J. Copher

Executive Vice President and CFO