GLACIER BANCORP INC
Form 10-Q
August 02, 2016

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, 2016

¨ 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 ¨ (Do not check if a smaller reporting company)	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 18, 2016 was 76,172,299. No preferred shares are issued or outstanding.

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ABBREVIATIONS/ACRONYMS

ALCO – Asset Liability Committee
ALLL or allowance – allowance for loan and lease losses
ASC – Accounting Standards Codification™
Bank – Glacier Bank
Basel III – third installment of the Basel Accords
Board – Glacier Bancorp, Inc.'s Board of Directors
Cañon – Cañon Bank Corporation and its subsidiary, Cañon National Bank
CCP – Core Consolidation Project
CDE – Certified Development Entity
CDFI Fund – Community Development Financial Institutions Fund
CEO – Chief Executive Officer
CFO – Chief Financial Officer
Company – Glacier Bancorp, Inc.
DDA – demand deposit account
Dodd-Frank Act – Dodd-Frank Wall Street Reform and Consumer Protection Act
Fannie Mae – Federal National Mortgage Association
FASB – Financial Accounting Standards Board
FHLB – Federal Home Loan Bank
Final Rules – final rules implemented by the federal banking agencies that amended regulatory risk-based capital rules
FRB – Federal Reserve Bank
Freddie Mac – Federal Home Loan Mortgage Corporation
GAAP – accounting principles generally accepted in the United States of America
Ginnie Mae – Government National Mortgage Association
LIBOR – London Interbank Offered Rate
LIHTC – Low Income Housing Tax Credit
NMTC – New Markets Tax Credit
NOW – negotiable order of withdrawal
NRSRO – Nationally Recognized Statistical Rating Organizations
OCI – other comprehensive income
OREO – other real estate owned
Repurchase agreements – securities sold under agreements to repurchase
S&P – Standard and Poor's
SEC – United States Securities and Exchange Commission
TDR – troubled debt restructuring
VIE – variable interest entity

GLACIER BANCORP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands, except per share data)	June 30, 2016	December 31, 2015
Assets		
Cash on hand and in banks	$147,748	117,137
Federal funds sold	—	6,080
Interest bearing cash deposits	12,585	70,036
Cash and cash equivalents	160,333	193,253
Investment securities, available-for-sale	2,487,955	2,610,760
Investment securities, held-to-maturity	680,574	702,072
Total investment securities	3,168,529	3,312,832
Loans held for sale	74,140	56,514
Loans receivable	5,378,617	5,078,681
Allowance for loan and lease losses	(132,386)	(129,697)
Loans receivable, net	5,246,231	4,948,984
Premises and equipment, net	177,911	194,030
Other real estate owned	24,370	26,815
Accrued interest receivable	47,554	44,524
Deferred tax asset	46,488	58,475
Core deposit intangible, net	12,970	14,555
Goodwill	140,638	140,638
Non-marketable equity securities	24,791	27,495
Other assets	75,487	71,117
Total assets	$9,199,442	9,089,232
Liabilities		
Non-interest bearing deposits	$1,907,026	1,918,310
Interest bearing deposits	5,181,790	5,026,698
Securities sold under agreements to repurchase	414,327	423,414
Federal Home Loan Bank advances	328,832	394,131
Other borrowed funds	4,926	6,602
Subordinated debentures	125,920	125,848
Accrued interest payable	3,486	3,517
Other liabilities	108,476	114,062
Total liabilities	8,074,783	8,012,582
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	762	761
Paid-in capital	737,379	736,368
Retained earnings - substantially restricted	366,105	337,532
Accumulated other comprehensive income	20,413	1,989
Total stockholders' equity	1,124,659	1,076,650
Total liabilities and stockholders' equity	$9,199,442	9,089,232
Number of common stock shares issued and outstanding	76,171,580	76,086,288

See accompanying notes to unaudited condensed consolidated financial statements.

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GLACIER BANCORP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)	Three Months ended June 30, 2016	Three Months ended June 30, 2015	Six Months ended June 30, 2016	Six Months ended June 30, 2015
Interest Income				
Investment securities	$23,037	21,959	46,920	44,918
Residential real estate loans	8,124	7,942	16,409	15,703
Commercial loans	47,002	40,698	91,505	79,720
Consumer and other loans	7,906	8,018	15,616	15,762
Total interest income	86,069	78,617	170,450	156,103
Interest Expense				
Deposits	4,560	4,112	9,355	8,259
Securities sold under agreements to repurchase	275	232	593	473
Federal Home Loan Bank advances	1,665	2,217	3,317	4,412
Other borrowed funds	14	15	32	42
Subordinated debentures	910	793	1,802	1,565
Total interest expense	7,424	7,369	15,099	14,751
Net Interest Income	78,645	71,248	155,351	141,352
Provision for loan losses	—	282	568	1,047
Net interest income after provision for loan losses	78,645	70,966	154,783	140,305
Non-Interest Income				
Service charges and other fees	15,772	15,062	30,453	28,511
Miscellaneous loan fees and charges	1,163	1,142	2,184	2,299
Gain on sale of loans	8,257	7,600	14,249	13,030
Loss on sale of investments	(220)	(98)	(112)	(93)
Other income	1,787	2,096	4,237	4,748
Total non-interest income	26,759	25,802	51,011	48,495
Non-Interest Expense				
Compensation and employee benefits	37,560	32,729	74,501	64,973
Occupancy and equipment	6,443	6,432	13,119	12,492
Advertising and promotions	2,085	2,240	4,210	4,167
Data processing	3,938	2,971	7,311	5,522
Other real estate owned	214	1,377	604	2,135
Regulatory assessments and insurance	1,066	1,006	2,574	2,311
Core deposit intangibles amortization	788	755	1,585	1,486
Other expenses	12,367	12,435	22,913	22,356
Total non-interest expense	64,461	59,945	126,817	115,442
Income Before Income Taxes	40,943	36,823	78,977	73,358
Federal and state income tax expense	10,492	7,488	19,844	16,353
Net Income	$30,451	29,335	59,133	57,005
Basic earnings per share	$0.40	0.39	0.78	0.76
Diluted earnings per share	$0.40	0.39	0.78	0.76
Dividends declared per share	$0.20	0.19	0.40	0.37
Average outstanding shares - basic	76,170,734	75,530,591	76,148,493	75,369,366
Average outstanding shares - diluted	76,205,069	75,565,655	76,191,655	75,407,621

See accompanying notes to unaudited condensed consolidated financial statements.

GLACIER BANCORP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months ended		Six Months ended	
(Dollars in thousands)	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net Income	$30,451	29,335	59,133	57,005
Other Comprehensive Income (Loss), Net of Tax				
Unrealized gains (losses) on available-for-sale securities	26,961	(25,750)	40,559	(20,569)
Reclassification adjustment for losses included in net income	118	49	57	45
Net unrealized gains (losses) on available-for-sale securities	27,079	(25,701)	40,616	(20,524)
Tax effect	(10,491)	9,957	(15,735)	7,978
Net of tax amount	16,588	(15,744)	24,881	(12,546)
Unrealized (losses) gains on derivatives used for cash flow hedges	(4,020)	3,896	(13,948)	(2,097)
Reclassification adjustment for losses included in net income	1,578	1,257	3,407	2,508
Net unrealized (losses) gains on derivatives used for cash flow hedges	(2,442)	5,153	(10,541)	411
Tax effect	946	(1,996)	4,084	(169)
Net of tax amount	(1,496)	3,157	(6,457)	242
Total other comprehensive income (loss), net of tax	15,092	(12,587)	18,424	(12,304)
Total Comprehensive Income	$45,543	16,748	77,557	44,701

See accompanying notes to unaudited condensed consolidated financial statements.

GLACIER BANCORP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Six Months ended June 30, 2016 and 2015

(Dollars in thousands, except per share data)	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings Substantially Restricted	Accumulated Other Compre-hensive Income	Total
Balance at December 31, 2014	75,026,092	$ 750	708,356	301,197	17,744	1,028,047
Comprehensive income	—	—	—	57,005	(12,304)	44,701
Cash dividends declared ($0.37 per share)	—	—	—	(28,019)	—	(28,019)
Stock issuances under stock incentive plans	61,522	1	(300)	—	—	(299)
Stock issued in connection with acquisitions	443,644	4	10,772	—	—	10,776
Stock-based compensation and related taxes	—	—	1,245	—	—	1,245
Balance at June 30, 2015	75,531,258	$ 755	720,073	330,183	5,440	1,056,451
Balance at December 31, 2015	76,086,288	$ 761	736,368	337,532	1,989	1,076,650
Comprehensive income	—	—	—	59,133	18,424	77,557
Cash dividends declared ($0.40 per share)	—	—	—	(30,560)	—	(30,560)
Stock issuances under stock incentive plans	85,292	1	(1)	—	—	—
Stock-based compensation and related taxes	—	—	1,012	—	—	1,012
Balance at June 30, 2016	76,171,580	$ 762	737,379	366,105	20,413	1,124,659

See accompanying notes to unaudited condensed consolidated financial statements.

GLACIER BANCORP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Six Months ended June 30, 2016	June 30, 2015
Operating Activities		
Net income	$59,133	57,005
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	568	1,047
Net amortization of investment securities premiums and discounts	13,423	13,376
Loans held for sale originated or acquired	(481,713)	(449,630)
Proceeds from sales of loans held for sale	482,533	460,799
Gain on sale of loans	(14,249)	(13,030)
Loss on sale of investments	112	93
Stock-based compensation expense, net of tax benefits	459	700
Excess tax benefits from stock-based compensation	(15)	(102)
Depreciation of premises and equipment	7,532	6,658
(Gain) loss on sale of other real estate owned and write-downs, net	(22)	619
Amortization of core deposit intangibles	1,585	1,486
Net increase in accrued interest receivable	(3,030)	(3,173)
Net (increase) decrease in other assets	(3,484)	3,983
Net decrease in accrued interest payable	(31)	(496)
Net decrease in other liabilities	(8,552)	(2,405)
Net cash provided by operating activities	54,249	76,930
Investing Activities		
Sales of available-for-sale securities	20,539	35,558
Maturities, prepayments and calls of available-for-sale securities	319,271	346,230
Purchases of available-for-sale securities	(188,827)	(347,212)
Maturities, prepayments and calls of held-to-maturity securities	21,625	10,065
Purchases of held-to-maturity securities	(1,222)	(83,004)
Principal collected on loans	765,468	723,316
Loans originated or acquired	(1,070,512)	(967,774)
Net decrease (increase) of premises and equipment and other real estate owned	8,451	(7,403)
Proceeds from sale of other real estate owned	5,636	6,288
Net proceeds from sale of non-marketable equity securities	2,705	29,877
Net cash received in acquisitions	—	19,712
Net cash used in investing activities	(116,866)	(234,347)

See accompanying notes to unaudited condensed consolidated financial statements.

GLACIER BANCORP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Dollars in thousands)	Six Months ended June 30, 2016	June 30, 2015
Financing Activities		
Net increase in deposits	$143,808	66,625
Net (decrease) increase in securities sold under agreements to repurchase	(9,087)	10,472
Net decrease in short-term Federal Home Loan Bank advances	(40,000)	—
Proceeds from long-term Federal Home Loan Bank advances	—	50,000
Repayments of long-term Federal Home Loan Bank advances	(25,299)	(19,410)
Net decrease in other borrowed funds	(1,604)	(575)
Cash dividends paid	(38,136)	(36,188)
Excess tax benefits from stock-based compensation	15	102
Stock-based compensation activity	—	(299)
Net cash provided by financing activities	29,697	70,727
Net decrease in cash and cash equivalents	(32,920)	(86,690)
Cash and cash equivalents at beginning of period	193,253	442,409
Cash and cash equivalents at end of period	$160,333	355,719
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$15,129	15,248
Cash paid during the period for income taxes	18,252	15,961
Supplemental Disclosure of Non-Cash Investing Activities		
Sale and refinancing of other real estate owned	$602	265
Transfer of loans to other real estate owned	3,635	5,181
Dividend declared but not paid	15,317	14,388
Acquisitions		
Fair value of common stock shares issued	—	10,776
Cash consideration for outstanding shares	—	12,219
Fair value of assets acquired	—	174,637
Liabilities assumed	—	152,779

See accompanying notes to unaudited condensed consolidated financial statements.

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 individuals and businesses in Montana, Idaho, Wyoming, Colorado, Utah and Washington through 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 and mortgage origination 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, 2016, the results of operations and comprehensive income for the three and six month periods ended June 30, 2016 and 2015, and changes in stockholders’ equity and cash flows for the six month periods ended June 30, 2016 and 2015. The condensed consolidated statement of financial condition of the Company as of December 31, 2015 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, 2015. Operating results for the six months ended June 30, 2016 are not necessarily indicative of the results anticipated for the year ending December 31, 2016.

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: 1) the determination of the allowance for loan and lease losses (“ALLL” or “allowance”); 2) the valuation of investment securities; 3) the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans; and 4) the evaluation of goodwill impairment. 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. Estimates relating to the evaluation of goodwill for impairment are determined based on internal calculations using significant independent party inputs.

Principles of Consolidation
The consolidated financial statements of the Company include the parent holding company, the Bank and all variable interest entities (“VIE”) for which the Company has both the power to direct the VIE’s significant activities and the obligation to absorb losses or right to receive benefits of the VIE that could potentially be significant to the VIE. The Bank consists of thirteen bank divisions, a treasury division and an information technology division. The treasury division includes the Bank’s investment portfolio and wholesale borrowings and the information technology division includes the Bank’s internal data processing and information technology expenses. 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.

In October 2015, the Company completed its acquisition of Cañon Bank Corporation and its wholly-owned subsidiary, Cañon National Bank, a community bank based in Cañon City, Colorado (collectively, “Cañon”). In February 2015, the Company completed its acquisition of Montana Community Banks, Inc. and its wholly-owned subsidiary, Community Bank, Inc., a community bank based in Ronan, Montana. The transactions were accounted for using the acquisition method, and their results of operations have been included in the Company’s consolidated financial statements as of the acquisition dates.

In February 2015, the Financial Accounting Standards Board's ("FASB") amended consolidation guidance by modifying the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities and by changing how entities analyze related-party relationships and fee arrangements. As a result of this amendment, the Company determined it was no longer the primary beneficiary of its Low-Income Housing Tax Credit ("LIHTC") partnerships and deconsolidated its LIHTC investments effective January 1, 2016. There was no material effect on the Company's financial condition or results of operations upon adoption of this accounting guidance.

Pending Acquisition

On April 20, 2016, the Company announced the signing of a definitive agreement to acquire Treasure State Bank, a community bank based in Missoula, Montana. Treasure State Bank provides banking services to individuals and businesses in the greater Missoula market. Upon closing of the transaction, which is anticipated to take place in the third quarter of 2016, Treasure State Bank will be merged into the Bank and will become part of the First Security Bank of Missoula division.

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. Fees and costs on originated loans and premiums or discounts on acquired loans are deferred and subsequently amortized or accreted as a yield adjustment over the expected life of the loan utilizing the interest method. The objective of the interest method is to calculate periodic interest income at a constant effective yield. When a loan is paid off prior to maturity, the remaining fees and costs on originated loans and premiums or discounts on acquired loans are immediately recognized into interest income.

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 on non-accrual loans 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.

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., troubled debt restructuring). 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 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 periodically enters into restructure agreements with borrowers whereby the loans were previously identified as TDRs. When such circumstances occur, the Company carefully evaluates the facts of the subsequent restructure to determine the appropriate accounting and under certain circumstances it may be acceptable not to account for the subsequently restructured loan as a TDR. When assessing whether a concession has been granted by the Company, any prior forgiveness on a cumulative basis is considered a continuing concession. 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 has 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.

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 are TDRs, 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.

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.

Risk characteristics considered in the ALLL analysis applicable to each loan class within the Company's loan portfolio are as follows:

Residential Real Estate. Residential real estate loans are secured by owner-occupied 1-4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans is impacted by economic conditions within the Company's market areas that affect the value of the property securing the loans and affect the borrowers' personal incomes. Mitigating risk factors for this loan class include a large number of borrowers, geographic dispersion of market areas and the loans are originated for relatively smaller amounts.

Commercial Real Estate. Commercial real estate loans typically involve larger principal amounts, and repayment of these loans is generally dependent on the successful operation of the property securing the loan and/or the business conducted on the property securing the loan. Credit risk in these loans is impacted by the creditworthiness of a borrower, valuation of the property securing the loan and conditions within the local economies in the Company's diverse, geographic market areas.

Commercial. Commercial loans consist of loans to commercial customers for use in financing working capital needs, equipment purchases and business expansions. The loans in this category are repaid primarily from the cash flow of a borrower's principal business operation. Credit risk in these loans is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations across the Company's diverse, geographic market areas.

Home Equity. Home equity loans consist of junior lien mortgages and first and junior lien lines of credit (revolving open-end and amortizing closed-end) secured by owner-occupied 1-4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans is impacted by economic conditions within the Company's market areas that affect the value of the residential property securing the loans and affect the borrowers' personal incomes. Mitigating risk factors for this loan class are a large number of borrowers, geographic dispersion of market areas and the loans are originated for terms that range from 10 years to 20 years.

Other Consumer. The other consumer loan portfolio consists of various short-term loans such as automobile loans and loans for other personal purposes. Repayment of these loans is primarily dependent on the personal income of the borrowers. Credit risk is driven by consumer economic factors (such as unemployment and general economic conditions in the Company's diverse, geographic market area) and the creditworthiness of a borrower.

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 evaluated for each class within the loan portfolio 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 global, 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.

At acquisition date, the assets and liabilities of acquired banks are recorded at their estimated fair values which results in no ALLL carried over from acquired banks. Subsequent to acquisition, an allowance will be recorded on the acquired loan portfolios for further credit deterioration, if any.

Reclassifications
Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation.

Impact of Recent Authoritative Accounting Guidance
The Accounting Standards Codification™ ("ASC") is FASB's 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. The following paragraphs provide descriptions of recently adopted or newly issued but not yet effective accounting standards that could have a material effect on the Company's financial position or results of operations.

In June 2016, FASB amended FASB ASC Topic 326, Financial Instruments - Credit Losses. The amendments in this Update replace the incurred loss model with a methodology that reflects expected credit losses over the life of the loan and requires consideration of a broader range of reasonable and supportable information to calculate credit loss estimates. The amendments are effective for public business entities for the first interim and annual reporting periods beginning after December 15, 2019. The Company is currently evaluating the impact of these amendments to the Company's financial position and results of operations.

In March 2016, FASB amended FASB ASC Topic 718, Compensation - Stock Compensation. The amendments in this Update address certain aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification of awards on the statement of cash flows. The amendments are effective for public business entities for the first interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted in any interim or annual period. The Company is currently evaluating the impact of these amendments, but does not expect them to have a material effect on the Company's financial position or results of operations.

In February 2016, FASB amended FASB ASC Topic 842, Leases. The amendments in this Update address several aspects of lease accounting with the significant change being the recognition of lease assets and lease liabilities for leases previously classified as operating leases. The amendments are effective for public business entities for the first interim and annual reporting periods beginning after December 15, 2018 and early adoption is permitted. The Company is currently evaluating the impact of these amendments, but does not expect them to have a material effect on the Company's financial position or results of operations.

In January 2016, FASB amended FASB ASC Topic 825, Financial Instruments. The amendments in this Update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments are effective for public business entities for the first interim and annual reporting periods beginning after December 15, 2017. Early adoption is only permitted under certain circumstances outlined in the amendments. A reporting entity should apply the amendments by means of a cumulative-effect adjustment to the Company’s statement of financial condition as of the beginning of the reporting year of adoption. The amendments related to equity securities without readily determinable fair values should be applied prospectively. The Company is currently evaluating the impact of these amendments, but does not expect them to have a material effect on the Company’s financial position or results of operations.

In September 2015, FASB amended FASB ASC Topic 805, Business Combinations. The amendments in this Update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustments are necessary. The amendments in this Update require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in this Update require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The amendments should be applied prospectively to all periods presented and are effective for public business entities for annual periods and interim periods within those annual periods, beginning after December 15, 2015. The Company has evaluated the impact of these amendments and determined there was not a material effect on the Company's financial position or results of operations.

In February 2015, FASB amended FASB ASC Topic 810, Consolidation. The amendments in this Update make targeted changes to the current consolidation guidance and end a deferral available for investment companies. The amendments modify the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities. Consolidation conclusions may change for entities that already are VIEs due to changes in how entities would analyze related-party relationships and fee arrangements. The amendments relax existing criteria for determining when fees paid to a decision maker or service provider do not represent a variable interest by focusing on whether those fees are "at market." The amendments eliminate both the consolidation model specific to limited partnerships and the current presumption that a general partner controls a limited partnership. Application of the new amendments could result in some entities being deconsolidated or considered a VIE and subject to additional disclosures. The amendments are effective for public business entities for the first interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period with any adjustments reflected as of the beginning of the reporting year that includes the interim period. A reporting entity may apply the amendments using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the reporting year of adoption or may apply the amendments retrospectively. The Company has evaluated the impact of these amendments and determined there was not a material effect on the Company's financial position or results of operations.

In May 2014, FASB amended FASB ASC Topic 606, Revenue from Contracts with Customers. The amendments clarify the principals for recognizing revenue and develop a common revenue standard among industries. The new guidance establishes the following core principal: recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. Five steps are provided for a company or organization to follow to achieve such core principle. The new guidance also includes a cohesive set of disclosure requirements that will provide users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The entity should apply the amendments using one of two retrospective methods described in the amendment. Accounting Standards Update No. 2015-14, Revenue from Contracts with Customers (Topic 606) delayed the effective date for public entities to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Early application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the impact of these amendments, but does not expect them to have a material effect on the Company's financial position or results of operations.

Note 2. Investment Securities

The following tables present the amortized cost, the gross unrealized gains and losses and the fair value of the Company's investment securities:

	June 30, 2016			
	Amortized Cost	Gross Unrealized		Fair Value
(Dollars in thousands)		Gains	Losses	
Available-for-sale				
U.S. government and federal agency	$43,573	33	(220)	43,386
U.S. government sponsored enterprises	46,307	592	—	46,899
State and local governments	858,382	49,742	(5,335)	902,789
Corporate bonds	434,209	3,076	(192)	437,093
Residential mortgage-backed securities	1,042,121	16,219	(552)	1,057,788
Total available-for-sale	2,424,592	69,662	(6,299)	2,487,955
Held-to-maturity				
State and local governments	680,574	48,980	(3,189)	726,365
Total held-to-maturity	680,574	48,980	(3,189)	726,365
Total investment securities	$3,105,166	118,642	(9,488)	3,214,320

	December 31, 2015			
	Amortized Cost	Gross Unrealized		Fair Value
(Dollars in thousands)		Gains	Losses	
Available-for-sale				
U.S. government and federal agency	$47,868	15	(432)	47,451
U.S. government sponsored enterprises	93,230	100	(163)	93,167
State and local governments	856,738	34,159	(5,878)	885,019
Corporate bonds	386,629	611	(3,077)	384,163
Residential mortgage-backed securities	1,203,548	6,180	(8,768)	1,200,960
Total available-for-sale	2,588,013	41,065	(18,318)	2,610,760
Held-to-maturity				
State and local governments	702,072	31,863	(4,422)	729,513
Total held-to-maturity	702,072	31,863	(4,422)	729,513
Total investment securities	$3,290,085	72,928	(22,740)	3,340,273

The following table presents the amortized cost and fair value of available-for-sale and held-to-maturity securities by contractual maturity at June 30, 2016. Actual maturities may differ from expected or contractual maturities since issuers have the right to prepay obligations with or without prepayment penalties.

(Dollars in thousands)	June 30, 2016			
	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$142,316	142,834	—	—
Due after one year through five years	467,688	472,160	—	—
Due after five years through ten years	176,826	187,546	39,376	41,965
Due after ten years	595,641	627,627	641,198	684,400
	1,382,471	1,430,167	680,574	726,365
Residential mortgage-backed securities [1]	1,042,121	1,057,788	—	—
Total	$2,424,592	2,487,955	680,574	726,365

[1] Residential mortgage-backed securities, which have prepayment provisions, are not assigned to maturity categories due to fluctuations in their prepayment speeds.

Proceeds from sales and calls of investment securities and the associated gains and losses that have been included in earnings are listed below:

(Dollars in thousands)	Three Months ended		Six Months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Available-for-sale				
Proceeds from sales and calls of investment securities	$29,861	11,918	88,484	74,621
Gross realized gains [1]	143	43	943	82
Gross realized losses [1]	(261)	(92)	(1,000)	(127)
Held-to-maturity				
Proceeds from calls of investment securities	10,470	9,605	21,625	10,065
Gross realized gains [1]	44	14	91	15
Gross realized losses [1]	(146)	(63)	(146)	(63)

[1] The gain or loss on the sale or call of each investment security is determined by the specific identification method.

Investment securities with an unrealized loss position are summarized as follows:

	June 30, 2016					
	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale						
U.S. government and federal agency	$1,686	(2)	34,603	(218)	36,289	(220)
State and local governments	15,644	(239)	123,203	(5,096)	138,847	(5,335)
Corporate bonds	36,068	(97)	18,521	(95)	54,589	(192)
Residential mortgage-backed securities	63,098	(271)	28,018	(281)	91,116	(552)
Total available-for-sale	$116,496	(609)	204,345	(5,690)	320,841	(6,299)
Held-to-maturity						
State and local governments	$2,967	(73)	90,809	(3,116)	93,776	(3,189)
Total held-to-maturity	$2,967	(73)	90,809	(3,116)	93,776	(3,189)

	December 31, 2015					
	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale						
U.S. government and federal agency	$42,493	(432)	2	—	42,495	(432)
U.S. government sponsored enterprises	60,010	(163)	—	—	60,010	(163)
State and local governments	102,422	(1,629)	115,943	(4,249)	218,365	(5,878)
Corporate bonds	228,258	(1,812)	13,962	(1,265)	242,220	(3,077)
Residential mortgage-backed securities	730,412	(7,226)	53,021	(1,542)	783,433	(8,768)
Total available-for-sale	$1,163,595	(11,262)	182,928	(7,056)	1,346,523	(18,318)
Held-to-maturity						
State and local governments	$42,322	(594)	81,709	(3,828)	124,031	(4,422)
Total held-to-maturity	$42,322	(594)	81,709	(3,828)	124,031	(4,422)

Based on an analysis of its investment securities with unrealized losses as of June 30, 2016 and December 31, 2015, the Company determined that none of such securities had other-than-temporary impairment and the unrealized losses were primarily the result of interest rate changes and market spreads subsequent to acquisition. The fair value of the investment securities is expected to recover as payments are received and the securities approach maturity. At June 30, 2016, management determined that it did not intend to sell investment securities with unrealized losses, and there was no expected requirement to sell any of its investment securities with unrealized losses before recovery of their amortized cost.

Note 3. Loans Receivable, Net

The Company’s loan portfolio is comprised of three segments: residential real estate, commercial, and consumer and other loans. The loan segments are further disaggregated into the following classes: residential real estate, commercial real estate, other commercial, home equity and other consumer loans. The following table presents loans receivable for each portfolio class of loans:

(Dollars in thousands)	At or for the Six Months ended June 30, 2016	At or for the Year ended December 31, 2015
Residential real estate loans	$672,895	688,912
Commercial loans		
Real estate	2,773,298	2,633,953
Other commercial	1,258,227	1,099,564
Total	4,031,525	3,733,517
Consumer and other loans		
Home equity	431,659	420,901
Other consumer	242,538	235,351
Total	674,197	656,252
Loans receivable [1]	5,378,617	5,078,681
Allowance for loan and lease losses	(132,386)	(129,697)
Loans receivable, net	$5,246,231	4,948,984
Weighted-average interest rate on loans (tax-equivalent)	4.83%	4.84%

[1] Includes net deferred fees, costs, premiums and discounts of $12,188,000 and $15,529,000 at June 30, 2016 and December 31, 2015, respectively.

The following tables summarize the activity in the ALLL by portfolio segment:

	Three Months ended June 30, 2016					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Balance at beginning of period	$130,071	13,196	67,046	36,054	8,149	5,626
Provision for loan losses	—	699	(2,617)	654	447	817
Charge-offs	(1,369)	(255)	(34)	(267)	31	(844)
Recoveries	3,684	26	2,414	590	2	652
Balance at end of period	$132,386	13,666	66,809	37,031	8,629	6,251

	Three Months ended June 30, 2015					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Balance at beginning of period	$129,856	15,131	67,327	31,515	9,519	6,364
Provision for loan losses	282	(258)	491	532	(559)	76
Charge-offs	(1,301)	(44)	(303)	(675)	(122)	(157)
Recoveries	1,682	21	1,182	111	108	260
Balance at end of period	$130,519	14,850	68,697	31,483	8,946	6,543

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(Dollars in thousands)	Six Months ended June 30, 2016 Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Balance at beginning of period	$129,697	14,427	67,877	32,525	8,998	5,870
Provision for loan losses	568	(450)	(3,490)	4,374	(346)	480
Charge-offs	(2,532)	(355)	(287)	(591)	(198)	(1,101)
Recoveries	4,653	44	2,709	723	175	1,002
Balance at end of period	$132,386	13,666	66,809	37,031	8,629	6,251

(Dollars in thousands)	Six Months ended June 30, 2015 Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Balance at beginning of period	$129,753	14,680	67,799	30,891	9,963	6,420
Provision for loan losses	1,047	182	205	1,644	(1,018)	34
Charge-offs	(2,598)	(58)	(748)	(1,369)	(153)	(270)
Recoveries	2,317	46	1,441	317	154	359
Balance at end of period	$130,519	14,850	68,697	31,483	8,946	6,543

The following tables disclose the balance in the ALLL and the recorded investment in loans by portfolio segment:

(Dollars in thousands)	June 30, 2016 Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Allowance for loan and lease losses						
Individually evaluated for impairment	$4,365	215	877	2,761	118	394
Collectively evaluated for impairment	128,021	13,451	65,932	34,270	8,511	5,857
Total allowance for loan and lease losses	$132,386	13,666	66,809	37,031	8,629	6,251
Loans receivable						
Individually evaluated for impairment	$130,803	18,248	75,739	27,133	6,442	3,241
Collectively evaluated for impairment	5,247,814	654,647	2,697,559	1,231,094	425,217	239,297
Total loans receivable	$5,378,617	672,895	2,773,298	1,258,227	431,659	242,538

(Dollars in thousands)	December 31, 2015 Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Allowance for loan and lease losses						
Individually evaluated for impairment	$8,124	782	1,629	5,277	64	372
Collectively evaluated for impairment	121,573	13,645	66,248	27,248	8,934	5,498
Total allowance for loan and lease losses	$129,697	14,427	67,877	32,525	8,998	5,870
Loans receivable						
Individually evaluated for impairment	$140,773	20,767	85,845	23,874	6,493	3,794
Collectively evaluated for impairment	4,937,908	668,145	2,548,108	1,075,690	414,408	231,557
Total loans receivable	$5,078,681	688,912	2,633,953	1,099,564	420,901	235,351

Substantially all of the Company's loans receivable 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.

The following tables disclose information related to impaired loans by portfolio segment:

(Dollars in thousands)	At or for the Three or Six Months ended June 30, 2016 Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Loans with a specific valuation allowance						
Recorded balance	$23,744	3,176	10,068	9,188	156	1,156
Unpaid principal balance	23,991	3,243	10,084	9,307	165	1,192
Specific valuation allowance	4,365	215	877	2,761	118	394
Average balance - three months	27,688	5,338	10,073	10,669	306	1,302
Average balance - six months	30,020	6,310	10,900	11,087	238	1,485
Loans without a specific valuation allowance						
Recorded balance	$107,059	15,072	65,671	17,945	6,286	2,085
Unpaid principal balance	131,848	16,617	82,908	22,932	7,221	2,170
Average balance - three months	108,147	14,306	68,717	16,842	6,194	2,088
Average balance - six months	107,461	13,709	70,241	15,212	6,259	2,040
Total						
Recorded balance	$130,803	18,248	75,739	27,133	6,442	3,241
Unpaid principal balance	155,839	19,860	92,992	32,239	7,386	3,362
Specific valuation allowance	4,365	215	877	2,761	118	394
Average balance - three months	135,835	19,644	78,790	27,511	6,500	3,390
Average balance - six months	137,481	20,019	81,141	26,299	6,497	3,525

(Dollars in thousands)	At or for the Year ended December 31, 2015 Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Loans with a specific valuation allowance						
Recorded balance	$34,683	8,253	12,554	11,923	102	1,851
Unpaid principal balance	36,157	9,198	12,581	12,335	109	1,934
Specific valuation allowance	8,124	782	1,629	5,277	64	372
Average balance	36,176	6,393	15,827	11,768	426	1,762
Loans without a specific valuation allowance						
Recorded balance	$106,090	12,514	73,291	11,951	6,391	1,943
Unpaid principal balance	132,718	13,969	94,028	15,539	7,153	2,029
Average balance	116,356	13,615	78,684	15,479	6,350	2,228
Total						
Recorded balance	$140,773	20,767	85,845	23,874	6,493	3,794
Unpaid principal balance	168,875	23,167	106,609	27,874	7,262	3,963
Specific valuation allowance	8,124	782	1,629	5,277	64	372
Average balance	152,532	20,008	94,511	27,247	6,776	3,990

Interest income recognized on impaired loans for the six months ended June 30, 2016 and 2015 was not significant.

The following tables present an aging analysis of the recorded investment in loans by portfolio segment:

(Dollars in thousands)	June 30, 2016 Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Accruing loans 30-59 days past due	$18,253	453	7,515	6,709	2,872	704
Accruing loans 60-89 days past due	5,226	1,183	885	1,910	385	863
Accruing loans 90 days or more past due	6,194	772	1,924	3,115	382	1
Non-accrual loans	45,017	4,409	23,147	11,308	5,572	581
Total past due and non-accrual loans	74,690	6,817	33,471	23,042	9,211	2,149
Current loans receivable	5,303,927	666,078	2,739,827	1,235,185	422,448	240,389
Total loans receivable	$5,378,617	672,895	2,773,298	1,258,227	431,659	242,538

(Dollars in thousands)	December 31, 2015 Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Accruing loans 30-59 days past due	$15,801	4,895	4,393	3,564	1,601	1,348
Accruing loans 60-89 days past due	3,612	961	1,841	286	280	244
Accruing loans 90 days or more past due	2,131	—	231	1,820	15	65
Non-accrual loans	51,133	8,073	28,819	7,691	6,022	528
Total past due and non-accrual loans	72,677	13,929	35,284	13,361	7,918	2,185
Current loans receivable	5,006,004	674,983	2,598,669	1,086,203	412,983	233,166
Total loans receivable	$5,078,681	688,912	2,633,953	1,099,564	420,901	235,351

The following tables present TDRs that occurred during the periods presented and the TDRs that occurred within the previous twelve months that subsequently defaulted during the periods presented:

	Three Months ended June 30, 2016					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
TDRs that occurred during the period						
Number of loans	19	—	5	13	1	—
Pre-modification recorded balance	$4,912	—	2,147	2,704	61	—
Post-modification recorded balance	$4,936	—	2,147	2,728	61	—
TDRs that subsequently defaulted						
Number of loans	11	1	1	3	—	6
Recorded balance	$2,933	1,918	570	316	—	129

	Three Months ended June 30, 2015					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
TDRs that occurred during the period						
Number of loans	15	—	7	5	—	3
Pre-modification recorded balance	$4,038	—	2,828	1,006	—	204
Post-modification recorded balance	$3,744	—	2,748	792	—	204
TDRs that subsequently defaulted						
Number of loans	2	—	—	1	—	1
Recorded balance	$101	—	—	99	—	2

	Six Months ended June 30, 2016					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
TDRs that occurred during the period						
Number of loans	22	—	6	14	2	—
Pre-modification recorded balance	$13,871	—	2,203	11,459	209	—
Post-modification recorded balance	$13,895	—	2,203	11,483	209	—
TDRs that subsequently defaulted						
Number of loans	11	1	1	3	—	6
Recorded balance	$2,933	1,918	570	316	—	129

(Dollars in thousands)	Six Months ended June 30, 2015 Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
TDRs that occurred during the period						
Number of loans	20	—	9	8	—	3
Pre-modification recorded balance	$7,123	—	5,010	1,909	—	204
Post-modification recorded balance	$6,829	—	4,930	1,695	—	204
TDRs that subsequently defaulted						
Number of loans	4	—	—	1	2	1
Recorded balance	$217	—	—	99	116	2

The modifications for the TDRs that occurred during the six months ended June 30, 2016 and 2015 included one or a combination of the following: an extension of the maturity date, a reduction of the interest rate or a reduction in the principal amount.

In addition to the TDRs that occurred during the period provided in the preceding tables, the Company had TDRs with pre-modification loan balances of $3,649,000 and $5,494,000 for the six months ended June 30, 2016 and 2015, respectively, for which other real estate owned ("OREO") was received in full or partial satisfaction of the loans. The majority of such TDRs were in residential real estate and commercial real estate for the six months ended June 30, 2016 and 2015, respectively. At June 30, 2016 and December 31, 2015, the Company had $4,044,000 and $3,253,000, respectively, of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process. At June 30, 2016 and December 31, 2015, the Company had $4,173,000 and $1,496,000, respectively, of OREO secured by residential real estate properties.

Note 4. Goodwill

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

(Dollars in thousands)	Three Months ended June 30, 2016	June 30, 2015	Six Months ended June 30, 2016	June 30, 2015
Net carrying value at beginning of period	$140,638	130,843	140,638	129,706
Acquisitions	—	—	—	1,137
Net carrying value at end of period	$140,638	130,843	140,638	130,843

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

(Dollars in thousands)	June 30, 2016	December 31, 2015
Gross carrying value	$180,797	180,797
Accumulated impairment charge [1]	(40,159)	(40,159)
Net carrying value	$140,638	140,638

[1] A goodwill impairment charge was recognized in 2011 and was due to high levels of volatility and dislocation in bank stock prices nationwide.

The Company performed its annual goodwill impairment test during the third quarter of 2015 and determined the fair value of the aggregated reporting units exceeded the carrying value, such that the Company’s goodwill was not considered impaired. 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.

Note 5. Variable Interest Entities

A VIE is a partnership, limited liability company, trust or other legal entity that meets one of the following criteria: 1) the entity's equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; 2) the holders of the equity investment at risk, as a group, lack the characteristics of a controlling financial interest; and 3) the voting rights of some holders of the equity investment at risk are disproportionate to their obligation to absorb losses or receive returns, and substantially all of the activities are conducted on behalf of the holder of equity investment at risk with disproportionately few voting rights. A VIE must be consolidated by the Company if it is deemed to be the primary beneficiary, which is the party involved with the VIE that has both: 1) the power to direct the activities of the VIE that most significantly affect the VIE's economic performance; and 2) the obligation to absorb the losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company's VIEs are regularly monitored to determine if any reconsideration events have occurred that could cause the primary beneficiary status to change. A previously unconsolidated VIE is consolidated when the Company becomes the primary beneficiary. A previously consolidated VIE is deconsolidated when the Company ceases to be the primary beneficiary or the entity is no longer a VIE. In February 2015, FASB amended consolidation guidance by modifying the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities and by changing how entities analyze related-party relationships and fee arrangements. As a result of this amendment, the Company determined it was no longer the primary beneficiary of its LIHTC partnerships and deconsolidated its LIHTC investments effective January 1, 2016. Due to this reevaluation event, the Company determined its LIHTC investments would qualify for the proportional amortization method and elected to adopt this accounting method. The proportional amortization method allows for the amortization of LIHTC investments to be presented as a component of income taxes. Once elected, the proportional amortization method is required for all eligible LIHTC investments.

Consolidated Variable Interest Entities

The Company has equity investments in Certified Development Entities ("CDE") which have received allocations of New Markets Tax Credits ("NMTC"). The NMTC program provides federal tax incentives to investors to make investments in distressed communities and promotes economic improvements through the development of successful businesses in these communities. The NMTC is available to investors over a seven-year period and is subject to recapture if certain events occur during such period. The maximum exposure to loss in the CDEs is the amount of equity invested and credit extended by the Company. However, the Company has credit protection in the form of indemnification agreements, guarantees, and collateral arrangements. The Company has evaluated the variable interests held by the Company in each CDE (NMTC) investment and determined the Company does not individually meet the characteristics of a primary beneficiary; however, the related-party group does meet the criteria as a group and substantially all of the activities of the CDEs either involve or are conducted on behalf of the Company. As a result, the Company is the primary beneficiary of the CDEs and their assets, liabilities, and results of operations are included in the Company's consolidated financial statements. The primary activities of the CDEs are recognized in commercial loans interest income and other borrowed funds interest expense on the Company's statements of operations and the federal income tax credit allocations from the investments are recognized in the Company's statements of operations as a component of income tax expense. Such related cash flows are recognized in loans originated, principal collected on loans and change in other borrowed funds.

The following table summarizes the carrying amounts of the consolidated VIEs' assets and liabilities included in the Company's statements of financial condition and 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.

(Dollars in thousands)	June 30, 2016	December 31, 2015
Assets		
Loans receivable	$49,260	57,126
Premises and equipment, net	—	13,503
Accrued interest receivable	167	117
Other assets	1,198	1,429
Total assets	$50,625	72,175
Liabilities		
Other borrowed funds	$4,555	6,195
Accrued interest payable	4	9
Other liabilities	47	139
Total liabilities	$4,606	6,343

Unconsolidated Variable Interest Entities

The Company has equity investments in LIHTC partnerships with carrying values of $4,904,000 as of June 30, 2016. The LIHTCs are indirect federal subsidies to finance low-income housing and are used in connection with both newly constructed and renovated residential rental buildings. Once a project is placed in service, it is generally eligible for the tax credit for ten consecutive years. To continue generating the tax credit and to avoid tax credit recapture, a LIHTC building must satisfy specific low-income housing compliance rules for a full fifteen-year period. The maximum exposure to loss in the VIEs is the amount of equity invested and credit extended by the Company. However, the Company has credit protection in the form of indemnification agreements, guarantees, and collateral arrangements. The Company has evaluated the variable interests held by the Company in each LIHTC investment and determined that the Company does not have controlling financial interests in such investments, and is not the primary beneficiary. The Company reports the investments in the unconsolidated LIHTCs as other assets on the Company's statements of financial condition. Total unfunded contingent commitments related to the Company's LIHTC investments totaled $10,018,000 at June 30, 2016. The Company expects to fulfill these commitments during 2017. There were no impairment losses on the Company's LIHTC investments during the six months ended June 30, 2016.

The following table summarizes the amortization expense and the amount of tax credits and other tax benefits recognized for qualified affordable housing project investments during the six months ended June 30, 2016 and 2015. Amortization expense is recognized as a component of income tax expense.

(Dollars in thousands)	Three Months ended June 30, 2016	June 30, 2015	Six Months ended June 30, 2016	June 30, 2015
Amortization expense	$354	251	609	503
Tax credits and other tax benefits recognized	431	391	823	782

The Company also 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 have no assets, operations, revenues or cash flows other than those related to the issuance, administration and repayment of the securities held by third parties. The trust subsidiaries are not included in the Company's consolidated financial statements because the sole asset of each trust subsidiary is a receivable from the Company, even though the Company owns all of the voting equity shares of the trust subsidiaries, has fully guaranteed the obligations of the trust subsidiaries and may have the right to redeem the third party securities under certain circumstances. The Company reports the trust preferred securities issued to the trust subsidiaries as subordinated debentures on the Company's statements of financial condition.

Note 6. Securities Sold Under Agreements to Repurchase

The Company's securities sold under agreements to repurchase ("repurchase agreements") totaled $414,327,000 and $423,414,000 at June 30, 2016 and December 31, 2015, respectively, and are secured by investment securities with carrying values of $426,366,000 and $446,838,000, respectively. Securities are pledged to customers at the time of the transaction in an amount at least equal to the outstanding balance and are held in custody accounts by third parties. The fair value of collateral is continually monitored and additional collateral is provided as deemed appropriate.

The following tables summarize the carrying value of the Company's repurchase agreements by remaining contractual maturity and category of collateral:

	June 30, 2016 Remaining Contractual Maturity of the Agreements		
(Dollars in thousands)	Overnight and Continuous	Up to 30 Days	Total
Residential mortgage-backed securities	$412,863	1,464	414,327

	December 31, 2015 Remaining Contractual Maturity of the Agreements		
(Dollars in thousands)	Overnight and Continuous	Up to 30 Days	Total
U.S. government sponsored enterprises	$12,507	—	12,507
Residential mortgage-backed securities	408,460	2,447	410,907
	$420,967	2,447	423,414

Note 7. Derivatives and Hedging Activities

As of June 30, 2016, 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]		Payment Term
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 counterparty pays the Company the variable interest rate.

The hedging strategy converts the LIBOR-based variable interest rate on borrowings to a fixed interest rate, thereby protecting the Company from interest rate variability.

The interest rate swaps with the $160,000,000 and $100,000,000 notional amounts began their payment terms in October 2014 and November 2015, respectively. The Company designated wholesale deposits as the cash flow hedge and these deposits were determined to be fully effective during the current and prior year. As such, no amount of ineffectiveness has been included in the Company's statements of operations for the six months ended June 30, 2016 and 2015. Therefore, the aggregate fair value of the interest rate swaps was recorded in other liabilities with changes recorded in other comprehensive income ("OCI"). The Company expects the hedges to remain highly effective during the remaining terms of the interest rate swaps. Interest expense recorded on the interest rate swaps totaled $3,995,000 and $2,717,000 during 2016 and 2015, respectively, and is reported as a component of interest expense on deposits. Unless the interest rate swaps are terminated during the next year, the Company expects $7,903,000 of the unrealized loss reported in other comprehensive income at June 30, 2016 to be reclassified to interest expense during the next twelve months.

The following table presents the pre-tax gains or losses recorded in accumulated other comprehensive income and the Company's statements of operations relating to the interest rate swap derivative financial instruments:

(Dollars in thousands)	Three Months ended		Six Months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Interest rate swaps				
Amount of (loss) gain recognized in OCI (effective portion)	$(4,020)	3,896	(13,948)	(2,097)
Amount of loss reclassified from OCI to interest expense	(1,578)	(1,257)	(3,407)	(2,508)
Amount of loss recognized in other non-interest expense (ineffective portion)	—	—	—	—

The following table discloses the offsetting of financial liabilities and interest rate swap derivative liabilities. There were no interest rate swap derivative assets at the dates presented.

(Dollars in thousands)	June 30, 2016			December 31, 2015		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statements of Financial Position	Net Amounts of Liabilities Presented in the Statements of Financial Position	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statements of Financial Position	Net Amounts of Liabilities Presented in the Statements of Financial Position
Interest rate swaps	$30,040	—	30,040	19,499	—	19,499

Pursuant to the interest rate swap agreements, the Company pledged collateral to the counterparty in the form of investment securities totaling $33,999,000 at June 30, 2016. There was $0 collateral pledged from the counterparty to the Company as of June 30, 2016. There is the possibility that the Company may need to pledge additional collateral in the future if there were declines in the fair value of the interest rate swap derivative financial instruments versus the collateral pledged.

Note 8. Other Expenses

Other expenses consists of the following:

(Dollars in thousands)	Three Months ended June 30, 2016	June 30, 2015	Six Months ended June 30, 2016	June 30, 2015
Debit card expenses	$2,252	1,533	4,101	2,885
Consulting and outside services	1,492	1,804	2,506	3,275
Telephone	983	828	1,943	1,637
Loan expenses	955	1,182	1,738	1,791
Checking and operating expenses	998	742	1,692	1,447
Printing and supplies	728	906	1,671	1,696
Postage	790	927	1,670	1,841
Employee expenses	925	661	1,504	1,157
VIE write-downs and other expenses	402	1,694	1,041	2,301
Business development	543	330	885	638
Legal fees	474	183	711	448
Accounting and audit fees	309	409	700	859
ATM expenses	263	303	518	569
Other	1,253	933	2,233	1,812
Total other expenses	$12,367	12,435	22,913	22,356

Note 9. Accumulated Other Comprehensive Income

The following table illustrates the activity within accumulated other comprehensive income by component, net of tax:

(Dollars in thousands)	Gains on Available-For-Sale Securities	Losses on Derivatives Used for Cash Flow Hedges	Total
Balance at December 31, 2014	$ 27,945	(10,201)	17,744
Other comprehensive (loss) income before reclassification	(12,574)	(1,294)	(13,868)
Amounts reclassified from accumulated other comprehensive income	28	1,536	1,564
Net current period other comprehensive (loss) income	(12,546)	242	(12,304)
Balance at June 30, 2015	$ 15,399	(9,959)	5,440
Balance at December 31, 2015	$ 13,935	(11,946)	1,989
Other comprehensive income (loss) before reclassification	24,846	(8,544)	16,302
Amounts reclassified from accumulated other comprehensive income	35	2,087	2,122
Net current period other comprehensive income (loss)	24,881	(6,457)	18,424
Balance at June 30, 2016	$ 38,816	(18,403)	20,413

Note 10. 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 and restricted stock awards were vested, using the treasury stock method.

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

	Three Months ended		Six Months ended	
(Dollars in thousands, except per share data)	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net income available to common stockholders, basic and diluted	$30,451	29,335	59,133	57,005
Average outstanding shares - basic	76,170,734	75,530,591	76,148,493	75,369,366
Add: dilutive stock options and awards	34,335	35,064	43,162	38,255
Average outstanding shares - diluted	76,205,069	75,565,655	76,191,655	75,407,621
Basic earnings per share	$0.40	0.39	0.78	0.76
Diluted earnings per share	$0.40	0.39	0.78	0.76

There were no stock options or restricted stock awards excluded from the diluted average outstanding share calculation for the six months ended June 30, 2016 and 2015, because to do so would have been anti-dilutive for those periods. Anti-dilution occurs when the exercise price of a stock option or the unrecognized compensation cost per share of a restricted stock award exceeds the market price of the Company’s stock.

Note 11. 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, 2016 and 2015.

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, 2016.

Investment securities, available-for-sale: 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, market spreads, prepayments, defaults, recoveries, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. Where Level 1 or Level 2 inputs are not available, such securities are classified as Level 3 within the hierarchy.

Fair value determinations of available-for-sale securities are the responsibility of the Company's corporate accounting and treasury departments. The Company obtains fair value estimates from independent third party vendors on a monthly basis. The vendors' pricing system methodologies, procedures and system controls are reviewed to ensure they are appropriately designed and operating effectively. 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. In assessing credit risk, the Company reviews payment performance, collateral adequacy, third party research and analyses, credit rating histories and issuers' financial statements. For those markets determined to be inactive or limited, the valuation techniques used are models for which management has verified that discount rates are appropriately adjusted to reflect illiquidity and credit risk.

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 Fed Funds Effective Swap Rate 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 third party.

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

		Fair Value Measurements At the End of the Reporting Period Using		
(Dollars in thousands)	Fair Value June 30, 2016	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	$43,386	—	43,386	—
U.S. government sponsored enterprises	46,899	—	46,899	—
State and local governments	902,789	—	902,789	—
Corporate bonds	437,093	—	437,093	—
Residential mortgage-backed securities	1,057,788	—	1,057,788	—
Total assets measured at fair value on a recurring basis	$2,487,955	—	2,487,955	—
Interest rate swaps	$30,040	—	30,040	—

Total liabilities measured at fair value on a recurring basis	$30,040	— 30,040	—

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(Dollars in thousands)	Fair Value December 31, 2015	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	$47,451	—	47,451	—
U.S. government sponsored enterprises	93,167	—	93,167	—
State and local governments	885,019	—	885,019	—
Corporate bonds	384,163	—	384,163	—
Residential mortgage-backed securities	1,200,960	—	1,200,960	—
Total assets measured at fair value on a recurring basis	$2,610,760	—	2,610,760	—
Interest rate swaps	$19,499	—	19,499	—
Total liabilities measured at fair value on a recurring basis	$19,499	—	19,499	—

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, 2016.

Other real estate owned: OREO is carried at the lower of fair value at acquisition date or current 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.

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

		Fair Value Measurements At the End of the Reporting Period Using		
(Dollars in thousands)	Fair Value June 30, 2016	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	$692	—	—	692
Collateral-dependent impaired loans, net of ALLL	8,146	—	—	8,146
Total assets measured at fair value on a non-recurring basis	$8,838	—	—	8,838

		Fair Value Measurements At the End of the Reporting Period Using		
(Dollars in thousands)	Fair Value December 31, 2015	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	$ 7,609	—	—	7,609
Collateral-dependent impaired loans, net of ALLL	12,938	—	—	12,938
Total assets measured at fair value on a non-recurring basis	$ 20,547	—	—	20,547

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

The following tables present 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:

		Quantitative Information about Level 3 Fair Value Measurements		
(Dollars in thousands)	Fair Value June 30, 2016	Valuation Technique	Unobservable Input	Range (Weighted-Average) [1]
Other real estate owned	$560	Sales comparison approach	Selling costs	8.0% - 10.0% (8.0%)
	132	Combined approach	Selling costs	10.0% - 10.0% (10.0%)
	$692			

Collateral-dependent impaired loans, net of ALLL	$201	Cost approach	Selling costs	8.0% - 20.0% (12.2%)
	3,523	Sales comparison approach	Selling costs	8.0% - 10.0% (9.6%)
	4,422	Combined approach	Selling costs	10.0% - 10.0% (10.0%)
			Adjustment to comparables	20.0% - 20.0% (20.0%)
	$8,146			

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(Dollars in thousands)	Fair Value December 31, 2015	Quantitative Information about Level 3 Fair Value Measurements Valuation Technique	Unobservable Input	Range (Weighted-Average) [1]
Other real estate owned	$ 4,067	Sales comparison approach	Selling costs	7.0% - 10.0% (7.9%)
	3,542	Combined approach	Selling costs	8.0% - 8.0% (8.0%)
	$ 7,609			
Collateral-dependent impaired loans, net of ALLL	$ 162	Cost approach	Selling costs	0.0% - 20.0% (6.1%)
	9,465	Sales comparison approach	Selling costs	8.0% - 20.0% (8.9%)
			Adjustment to comparables	0.0% - 5.0% (0.0%)
	3,311	Combined approach	Selling costs	10.0% - 10.0% (10.0%)
			Adjustment to comparables	20.0% - 20.0% (20.0%)
	$ 12,938			

[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.

Investment securities, held-to-maturity: fair value for held-to-maturity securities is estimated in the same manner as available-for-sale securities, which is described above.

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 valuation 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 an 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.

Federal Home Loan Bank advances: fair value of non-callable Federal Home Loan Bank ("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.

Securities sold under agreements to repurchase 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 tables present the carrying amounts, estimated fair values and the level within the fair value hierarchy of the Company’s financial instruments:

		Fair Value Measurements At the End of the Reporting Period Using		
(Dollars in thousands)	Carrying Amount June 30, 2016	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	$160,333	160,333	—	—
Investment securities, available-for-sale	2,487,955	—	2,487,955	—
Investment securities, held-to-maturity	680,574	—	726,365	—
Loans held for sale	74,140	74,140	—	—
Loans receivable, net of ALLL	5,246,231	—	5,083,867	126,438
Accrued interest receivable	47,554	47,554	—	—
Non-marketable equity securities	24,791	—	24,791	—
Total financial assets	$8,721,578	282,027	8,322,978	126,438
Financial liabilities				
Deposits	$7,088,816	5,732,871	1,358,788	—
FHLB advances	328,832	—	340,623	—
Repurchase agreements and other borrowed funds	419,253	—	419,253	—
Subordinated debentures	125,920	—	80,573	—
Accrued interest payable	3,486	3,486	—	—
Interest rate swaps	30,040	—	30,040	—
Total financial liabilities	$7,996,347	5,736,357	2,229,277	—

(Dollars in thousands)	Carrying Amount December 31, 2015	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	$193,253	193,253	—	—
Investment securities, available-for-sale	2,610,760	—	2,610,760	—
Investment securities, held-to-maturity	702,072	—	729,513	—
Loans held for sale	56,514	56,514	—	—
Loans receivable, net of ALLL	4,948,984	—	4,851,934	132,649
Accrued interest receivable	44,524	44,524	—	—
Non-marketable equity securities	27,495	—	27,495	—
Total financial assets	$8,583,602	294,291	8,219,702	132,649
Financial liabilities				
Deposits	$6,945,008	5,654,638	1,293,506	—
FHLB advances	394,131	—	401,530	—
Repurchase agreements and other borrowed funds	430,016	—	430,016	—
Subordinated debentures	125,848	—	81,840	—
Accrued interest payable	3,517	3,517	—	—
Interest rate swaps	19,499	—	19,499	—
Total financial liabilities	$7,918,019	5,658,155	2,226,391	—

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 r 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, 2015 (the "2015 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;
- changes in trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System or the Federal Reserve Board, which could adversely affect the Company's net interest income and profitability;
- legislative or regulatory changes, including increased banking and consumer protection regulation 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 impaired, which may have an adverse impact on earnings and capital;
- reduced demand for banking products and services;
- the risks presented by continued public stock market volatility, which could adversely affect the market price of the Company's common stock and the ability to raise additional capital or grow the Company through acquisitions;
- consolidation in the financial services industry in the Company's markets resulting in the creation of larger financial institutions who may have greater resources could change the competitive landscape;
- dependence on the Chief Executive Officer ("CEO"), the senior management team and the Presidents of Glacier Bank ("Bank") divisions;
- potential interruption or breach in security of the Company's systems and technological changes which could expose us to new risks, fraud or system failures; 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.

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

Financial Highlights

	At or for the Three Months ended			At or for the Six Months ended	
(Dollars in thousands, except per share and market data)	Jun 30, 2016	Mar 31, 2016	Jun 30, 2015	Jun 30, 2016	Jun 30, 2015
Operating results					
Net income	$30,451	28,682	29,335	59,133	57,005
Basic earnings per share	$0.40	0.38	0.39	0.78	0.76
Diluted earnings per share	$0.40	0.38	0.39	0.78	0.76
Dividends declared per share [1]	$0.20	0.20	0.19	0.40	0.37
Market value per share					
Closing	$26.58	25.42	29.42	26.58	29.42
High	$27.68	26.34	30.08	27.68	30.08
Low	$24.31	22.19	24.76	22.19	22.27
Selected ratios and other data					
Number of common stock shares outstanding	76,171,580	76,168,388	75,531,258	76,171,580	75,531,258
Average outstanding shares - basic	76,170,734	76,126,251	75,530,591	76,148,493	75,369,366
Average outstanding shares - diluted	76,205,069	76,173,417	75,565,655	76,191,655	75,407,621
Return on average assets (annualized)	1.34 %	1.28 %	1.39 %	1.31 %	1.37 %
Return on average equity (annualized)	10.99 %	10.53 %	11.05 %	10.76 %	10.89 %
Efficiency ratio	56.10 %	56.53 %	55.91 %	56.31 %	55.36 %
Dividend payout ratio	50.00 %	52.63 %	48.72 %	51.28 %	48.68 %
Loan to deposit ratio	76.92 %	74.65 %	74.11 %	76.92 %	74.11 %
Number of full time equivalent employees	2,210	2,184	2,058	2,210	2,058
Number of locations	143	144	135	143	135
Number of ATMs	167	167	158	167	158

The Company reported net income of $30.5 million for the current quarter, an increase of $1.1 million, or 4 percent, from the $29.3 million of net income for the prior year second quarter. Diluted earnings per share for the current quarter was $0.40 per share, an increase of $0.01, or 3 percent, from the prior year second quarter diluted earnings per share of $0.39. Included in the current quarter was $1.0 million of acquisition-related expenses, including conversion expenses, and $1.3 million of expenses related to the Company's consolidation of its bank divisions' core database systems (Core Consolidation Project or "CCP") including expenses related to the re-issuance of debit cards with chip technology. The Company has completed the CCP conversion project for six of its thirteen bank divisions and is expecting to complete the project by year end.

Net income for the six months ended June 30, 2016 was $59.1 million, an increase of $2.1 million, or 4 percent, from the $57.0 million of net income for the first six months of the prior year. Diluted earnings per share for the first half of 2016 was $0.78 per share, an increase of $0.02, or 3 percent, from the diluted earnings per share of $0.76 for the first six months of the prior year.

Financial Condition Analysis

Assets

The following table summarizes the Company’s assets as of the dates indicated:

(Dollars in thousands)	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Jun 30, 2015	$ Change from Mar 31, 2016	Dec 31, 2015	Jun 30, 2015
Cash and cash equivalents	$160,333	150,861	193,253	355,719	9,472	(32,920)	(195,386)
Investment securities, available-for-sale	2,487,955	2,604,625	2,610,760	2,361,830	(116,670)	(122,805)	126,125
Investment securities, held-to-maturity	680,574	691,663	702,072	593,314	(11,089)	(21,498)	87,260
Total investment securities	3,168,529	3,296,288	3,312,832	2,955,144	(127,759)	(144,303)	213,385
Loans receivable							
Residential real estate	672,895	685,026	688,912	635,674	(12,131)	(16,017)	37,221
Commercial real estate	2,773,298	2,680,691	2,633,953	2,454,369	92,607	139,345	318,929
Other commercial	1,258,227	1,172,956	1,099,564	1,074,905	85,271	158,663	183,322
Home equity	431,659	423,895	420,901	410,708	7,764	10,758	20,951
Other consumer	242,538	234,625	235,351	231,775	7,913	7,187	10,763
Loans receivable	5,378,617	5,197,193	5,078,681	4,807,431	181,424	299,936	571,186
Allowance for loan and lease losses	(132,386)	(130,071)	(129,697)	(130,519)	(2,315)	(2,689)	(1,867)
Loans receivable, net	5,246,231	5,067,122	4,948,984	4,676,912	179,109	297,247	569,319
Other assets	624,349	606,471	634,163	602,035	17,878	(9,814)	22,314
Total assets	$9,199,442	9,120,742	9,089,232	8,589,810	78,700	110,210	609,632

Total investment securities of $3.169 billion at June 30, 2016 decreased $128 million, or 4 percent, during the current quarter. The decrease in the investment portfolio resulted from the Company redeploying the investment securities portfolio cash flow into the Company’s higher yielding loan portfolio. Investment securities represented 34 percent of total assets at June 30, 2016 compared to 36 percent of total assets at December 31, 2015 and 34 percent at June 30, 2015.

The Company experienced a 14 percent annualized loan growth rate during the current quarter. The loan portfolio increased $181 million, or 3 percent, during the current quarter. The loan category with the largest dollar increase was commercial real estate which increased $92.6 million, or 3 percent. The loan category with the largest percentage increase during the current quarter was other commercial loans which increased $85.3 million, or 7 percent. Included in other commercial loans are agriculture production, municipal, and other commercial and industrial loans, all of which increased during the current quarter. Excluding the acquisition of Cañon Bank Corporation and its subsidiary, Cañon National Bank (collectively, “Cañon”) in October 2015, the loan portfolio increased $411 million, or 9 percent, since June 30, 2015 with $209 million and $167 million of the increase coming from growth in commercial real estate and other commercial loans, respectively.

Liabilities

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

(Dollars in thousands)	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Jun 30, 2015	$ Change from Mar 31, 2016	$ Change from Dec 31, 2015	$ Change from Jun 30, 2015
Deposits							
Non-interest bearing deposits	$1,907,026	1,887,004	1,918,310	1,731,015	20,022	(11,284)	176,011
NOW and DDA accounts	1,495,952	1,448,454	1,516,026	1,396,997	47,498	(20,074)	98,955
Savings accounts	926,865	879,541	838,274	751,519	47,324	88,591	175,346
Money market deposit accounts	1,403,028	1,411,970	1,382,028	1,335,625	(8,942)	21,000	67,403
Certificate accounts	1,017,681	1,063,735	1,060,650	1,146,178	(46,054)	(42,969)	(128,497)
Core deposits, total	6,750,552	6,690,704	6,715,288	6,361,334	59,848	35,264	389,218
Wholesale deposits	338,264	325,490	229,720	197,323	12,774	108,544	140,941
Deposits, total	7,088,816	7,016,194	6,945,008	6,558,657	72,622	143,808	530,159
Securities sold under agreements to repurchase	414,327	445,960	423,414	408,935	(31,633)	(9,087)	5,392
Federal Home Loan Bank advances	328,832	313,969	394,131	329,470	14,863	(65,299)	(638)
Other borrowed funds	4,926	6,633	6,602	6,665	(1,707)	(1,676)	(1,739)
Subordinated debentures	125,920	125,884	125,848	125,776	36	72	144
Other liabilities	111,962	118,422	117,579	103,856	(6,460)	(5,617)	8,106
Total liabilities	$8,074,783	8,027,062	8,012,582	7,533,359	47,721	62,201	541,424

Non-interest bearing deposits of $1.907 billion at June 30, 2016, increased $20 million, or 1 percent, from the prior quarter which was driven by seasonal fluctuations and a strong inflow of new accounts. Excluding the Cañon acquisition, non-interest bearing deposits increased $86.9 million, or 5 percent, from June 30, 2015. Core interest bearing deposits of $4.844 billion at June 30, 2016, increased $39.8 million, or 1 percent, from the prior quarter. Excluding the Cañon acquisition, core interest bearing deposits at June 30, 2016 increased $65.0 million, or 1 percent, from June 30, 2015. Wholesale deposits (i.e., brokered deposits classified as NOW, DDA, money market deposit and certificate accounts) of $338 million at June 30, 2016 increased $109 million since December 31, 2015 and increased $141 million over the prior year second quarter. A majority of the increase was driven by a need to obtain wholesale deposits necessary for an interest rate swap.

Securities sold under agreements to repurchase ("repurchase agreements") of $414 million at June 30, 2016 decreased $31.6 million, or 7 percent, from the prior quarter and increased $5.4 million, or 1 percent, from the prior year second quarter. Repurchase agreements fluctuated as certain customers had significant deposit cash flows. Federal Home Loan Bank ("FHLB") advances of $329 million at June 30, 2016 increased $14.9 million, or 4 percent, during the current quarter to supplement the need for additional borrowings due to the loan growth in excess of deposit growth.

Stockholders' Equity

The following table summarizes the stockholders' equity balances as of the dates indicated:

(Dollars in thousands, except per share data)	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Jun 30, 2015	$ Change from Mar 31, 2016	$ Change from Dec 31, 2015	$ Change from Jun 30, 2015
Common equity	$1,104,246	1,088,359	1,074,661	1,051,011	15,887	29,585	53,235
Accumulated other comprehensive income	20,413	5,321	1,989	5,440	15,092	18,424	14,973
Total stockholders' equity	1,124,659	1,093,680	1,076,650	1,056,451	30,979	48,009	68,208
Goodwill and core deposit intangible, net	(153,608)	(154,396)	(155,193)	(142,344)	788	1,585	(11,264)
Tangible stockholders' equity	$971,051	939,284	921,457	914,107	31,767	49,594	56,944
Stockholders' equity to total assets	12.23 %	11.99 %	11.85 %	12.30 %			
Tangible stockholders' equity to total tangible assets	10.73 %	10.48 %	10.31 %	10.82 %			
Book value per common share	$14.76	14.36	14.15	13.99	0.40	0.61	0.77
Tangible book value per common share	$12.75	12.33	12.11	12.10	0.42	0.64	0.65

Tangible stockholders' equity of $971 million at June 30, 2016 increased $31.8 million, or 3 percent, from the prior quarter primarily from earnings retention and an increase in accumulated other comprehensive income. The increase in accumulated other comprehensive income was from an increase in unrealized gains on the available-for-sale investment securities portfolio driven by lower interest rates in the current quarter. Tangible stockholders' equity increased $56.9 million, or 6 percent, from a year ago, the result of earnings retention, an increase in accumulated other comprehensive income and $15.2 million of Company stock issued in connection with the Cañon acquisition; such increases more than offset the increase in goodwill and other intangibles from the Cañon acquisition. At June 30, 2016, the tangible book value per common share was $12.75 an increase of $0.42 per share from $12.33 the prior quarter principally due to earnings retention and the increase in accumulated other comprehensive income. Tangible book value per common share for June 30, 2016, increased $0.65 per share from the prior year second quarter.

Cash Dividend

On June 29, 2016, the Company's Board of Directors ("Board") declared a quarterly cash dividend of $0.20 per share. The dividend was payable July 21, 2016 to shareholders of record July 12, 2016. 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, 2016
Compared to March 31, 2016 and June 30, 2015

Income Summary
The following table summarizes revenue for the periods indicated:

(Dollars in thousands)	Three Months ended Jun 30, 2016	Mar 31, 2016	Jun 30, 2015	$ Change from Mar 31, 2016	Jun 30, 2015
Net interest income					
Interest income	$86,069	84,381	78,617	1,688	7,452
Interest expense	7,424	7,675	7,369	(251)	55
Total net interest income	78,645	76,706	71,248	1,939	7,397
Non-interest income					
Service charges and other fees	15,772	14,681	15,062	1,091	710
Miscellaneous loan fees and charges	1,163	1,021	1,142	142	21
Gain on sale of loans	8,257	5,992	7,600	2,265	657
(Loss) Gain on sale of investments	(220)	108	(98)	(328)	(122)
Other income	1,787	2,450	2,096	(663)	(309)
Total non-interest income	26,759	24,252	25,802	2,507	957
	$105,404	100,958	97,050	4,446	8,354
Net interest margin (tax-equivalent)	4.06 %	4.01 %	3.98 %		

Net Interest Income
In the current quarter, interest income of $86.1 million increased $1.7 million, or 2 percent from the prior quarter and was primarily driven by the increase in interest income from commercial loans. Commercial loan income increased $2.5 million, or 6 percent, during the current quarter with $759 thousand attributable to interest income recovered from loans previously placed on non-accrual. Current quarter interest income increased $7.5 million, or 9 percent, over the prior year second quarter because of increases in interest income on commercial loans which increased $6.3 million, or 15 percent, and increases in investment income which increased $1.1 million, or 5 percent.

The current quarter interest expense of $7.4 million decreased $251 thousand, or 3 percent, from the prior quarter and increased $55 thousand from the prior year second quarter. The total cost of funding (including non-interest bearing deposits) for the current quarter was 38 basis points compared to 39 basis points for the prior quarter and 40 basis points in the prior year second quarter.

The Company’s net interest margin as a percentage of earning assets, on a tax-equivalent basis, for the current quarter was 4.06 percent compared to 4.01 percent in the prior quarter. During the current quarter, the earning asset yield increased by 5 basis points and was primarily the result of a 4 basis points increase from the recovery of interest on loans previously placed on non-accrual. The Company’s current quarter net interest margin increased 8 basis points from the prior year second quarter net interest margin of 3.98 percent. The increase was driven by the shift in earning assets from the lower yielding investment securities to higher yielding loans, the current quarter recovery of interest on loans, and lower funding cost.

Non-interest Income

Non-interest income for the current quarter totaled $26.8 million, an increase of $2.5 million, or 10 percent, from the prior quarter and an increase of $957 thousand, or 4 percent, over the same quarter last year. Service fee income of $15.8 million, increased $1.1 million, or 7 percent, from the prior quarter as a result of seasonal activity, an increase in the number of deposit accounts, and annual vendor incentives. Service fee income for the current quarter increased by $710 thousand, or 5 percent, from the prior year second quarter because of the increased number of deposit accounts. Gain on sale of residential loans for the current quarter increased $2.3 million, or 38 percent, from the prior quarter due to seasonal activity and the low interest rate environment. Gain on sale of residential loans for the current quarter increased $657 thousand, or 9 percent, from the prior year second quarter as the Company benefited from its focus on residential lending and a beneficial interest rate environment for mortgage loans. Included in other income was operating revenue of $40 thousand from other real estate owned ("OREO") and a gain of $142 thousand from the sale of OREO, a combined total of $182 thousand for the current quarter compared to $214 thousand for the prior quarter and $323 thousand for the prior year second quarter.

Non-interest Expense

The following table summarizes non-interest expense for the periods indicated:

(Dollars in thousands)	Three Months ended			$ Change from	
	Jun 30, 2016	Mar 31, 2016	Jun 30, 2015	Mar 31, 2016	Jun 30, 2015
Compensation and employee benefits	$37,560	36,941	32,729	619	4,831
Occupancy and equipment	6,443	6,676	6,432	(233)	11
Advertising and promotions	2,085	2,125	2,240	(40)	(155)
Data processing	3,938	3,373	2,971	565	967
Other real estate owned	214	390	1,377	(176)	(1,163)
Regulatory assessments and insurance	1,066	1,508	1,006	(442)	60
Core deposit intangibles amortization	788	797	755	(9)	33
Other expenses	12,367	10,546	12,435	1,821	(68)
Total non-interest expense	$64,461	62,356	59,945	2,105	4,516

Compensation and employee benefits for the current quarter increased by $619 thousand, or 2 percent, from the prior quarter as a result of seasonal fluctuations. Compensation and employee benefits for the current quarter increased by $4.8 million, or 15 percent, from the prior year second quarter due to the increased number of employees, including increases from the Cañon acquisition, and annual salary increases. Current quarter occupancy and equipment expense decreased $233 thousand, or 3 percent, from the prior quarter and increased $11 thousand, or 17 basis points, from the prior year second quarter. The current quarter data processing expense increased $565 thousand, or 17 percent, from the prior quarter and increased $967 thousand from the prior year second quarter; such increases primarily from expenses associated with CCP. The current quarter OREO expense of $214 thousand included $145 thousand of operating expense, $24 thousand of fair value write-downs, and $45 thousand of loss from the sales of OREO. Current quarter other expenses of $12.4 million increased $1.8 million, or 17 percent, from the prior quarter and was driven by increases from acquisition-related expenses, including conversion expenses, and costs associated with CCP. Current quarter other expenses remained stable in total compared to the prior year second quarter, however several areas experienced increases or decreases related to acquisitions, CCP, and expenses connected with equity investments in New Market Tax Credit ("NMTC") projects.

Efficiency Ratio

The current quarter efficiency ratio was 56.10 percent, a 43 basis points reduction from the prior quarter efficiency ratio of 56.53 percent which was driven by increases in interest income on commercial loans, service charges and gain on sale of residential loans. The current quarter efficiency ratio of 56.10 percent compared to 55.91 percent in the prior year second quarter. The 19 basis points increase in the efficiency ratio was the result of additional costs associated with CCP, which was greater than the benefits experienced in net interest income and non-interest income.

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 (Recoveries) Charge-Offs	Allowance for Loan and Lease Losses 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 2016	$ —	$ (2,315)	2.46 %	0.44 %	0.82 %
First quarter 2016	568	194	2.50 %	0.46 %	0.88 %
Fourth quarter 2015	411	1,482	2.55 %	0.38 %	0.88 %
Third quarter 2015	826	577	2.68 %	0.37 %	0.97 %
Second quarter 2015	282	(381)	2.71 %	0.59 %	0.98 %
First quarter 2015	765	662	2.77 %	0.71 %	1.07 %
Fourth quarter 2014	191	1,070	2.89 %	0.58 %	1.08 %
Third quarter 2014	360	364	2.93 %	0.39 %	1.21 %

Net recoveries for the current quarter were $2.3 million compared to net charge-offs of $194 thousand for the prior quarter and net recoveries of $381 thousand from the same quarter last year. The net recoveries and charge-offs continue to trend in the right direction with a fair amount of volatility during the quarters. The Company was fortunate to recover a larger credit during the current quarter that it had been working towards a resolution for some time. There was no current quarter provision for loan losses, compared to $568 thousand in the prior quarter and $282 thousand in 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 the loan loss provision.

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, 2016
Compared to June 30, 2015

Income Summary
The following table summarizes revenue for the periods indicated:

(Dollars in thousands)	Six Months ended June 30, 2016	June 30, 2015	$ Change	% Change
Net interest income				
Interest income	$170,450	$156,103	$14,347	9 %
Interest expense	15,099	14,751	348	2 %
Total net interest income	155,351	141,352	13,999	10 %
Non-interest income				
Service charges and other fees	30,453	28,511	1,942	7 %
Miscellaneous loan fees and charges	2,184	2,299	(115)	(5)%
Gain on sale of loans	14,249	13,030	1,219	9 %
Loss on sale of investments	(112)	(93)	(19)	20 %
Other income	4,237	4,748	(511)	(11)%
Total non-interest income	51,011	48,495	2,516	5 %
	$206,362	$189,847	$16,515	9 %
Net interest margin (tax-equivalent)	4.04 %	4.00 %		

Net Interest Income
Net interest income for the first six months of the current year was $155.4 million, an increase of $14.0 million, or 10 percent, over the same period last year. Interest income for the first six months of the current year increased $14.3 million, or 9 percent, from the prior year first six months and was principally due to an $11.8 million increase in income from commercial loans. Additional increases included $2.0 million in interest income from investment securities and $706 thousand in interest income from residential loans.

Interest expense of $15.1 million for the first half the current year increased $348 thousand, or 2 percent, over the prior year first half. Deposit interest expense for the first six months of the current year increased $1.1 million, or 13 percent, from the prior year first six months and was driven by the increase in wholesale deposits and the additional interest expense for an interest rate swap with a notional $100 million that began its accrual period in December 2015. FHLB interest expense decreased $1.1 million, or 25 percent, which resulted from long-term advances maturing and being replaced by lower rate short-term advances. The total funding cost (including non-interest bearing deposits) for the first six months of 2016 was 39 basis points compared to 41 basis points for the first six months of 2015.

The net interest margin as a percentage of earning assets, on a tax-equivalent basis, for the first six months of 2016 was 4.04 percent, a 4 basis point increase from the net interest margin of 4.00 percent for the first six months of 2015. The increase in the margin was primarily attributable to a shift in earning assets to higher yielding loans combined with a continued increase in low cost deposits.

Non-interest Income
Non-interest income of $51.0 million for the first half of 2016 increased $2.5 million, or 5 percent, over the same period last year. Service charges and other fees of $30.5 million for the first six months of 2016 increased $1.9 million, or 7 percent, from the same period last year as a result of an increased number of deposit accounts and increases from recent acquisitions. The gain of $14.2 million on the sale of residential loans for the first half of 2016

increased $1.2 million, or 9 percent, from the first half of 2015. Included in other income was operating revenue of $50 thousand from OREO and gains of $345 thousand from the sales of OREO, which totaled $395 thousand for the first half of 2016 compared to $740 thousand for the same period in the prior year.

Non-interest Expense
The following table summarizes non-interest expense for the periods indicated:

(Dollars in thousands)	Six Months ended June 30, 2016	June 30, 2015	$ Change	% Change
Compensation and employee benefits	$74,501	$64,973	$9,528	15 %
Occupancy and equipment	13,119	12,492	627	5 %
Advertising and promotions	4,210	4,167	43	1 %
Data processing	7,311	5,522	1,789	32 %
Other real estate owned	604	2,135	(1,531)	(72)%
Regulatory assessments and insurance	2,574	2,311	263	11 %
Core deposit intangible amortization	1,585	1,486	99	7 %
Other expenses	22,913	22,356	557	2 %
Total non-interest expense	$126,817	$115,442	$11,375	10 %

Compensation and employee benefits for the first six months of 2016 increased $9.5 million, or 15 percent, from the same period last year due to expenses related to CCP, the increased number of employees including from the acquired banks, and annual salary increases. Occupancy and equipment expense of $13.1 million for the first half of 2016 increased $627 thousand, or 5 percent. Outsourced data processing expense increased $1.8 million, or 32 percent, from the prior year first six months as a result of additional costs from CCP. OREO expense of $604 thousand in the first six months of 2016 decreased $1.5 million, or 72 percent, from the first six months of the prior year. OREO expense for the first six months of 2016 included $281 thousand of operating expenses, $79 thousand of fair value write-downs, and $244 thousand of loss from the sales of OREO.

Efficiency Ratio
The efficiency ratio was 56.31 percent for the first six months of 2016 and 55.36 percent for the first six months of 2015. Although there were increases in both net interest income and non-interest income, such increases were outpaced by the increases in CCP expenses and compensation expenses which contributed to the higher efficiency ratio in 2016.

Provision for Loan Losses
The provision for loan losses was $568 thousand for the first six months of 2016, a decrease of $479 thousand, or 46 percent, from the same period in the prior year. Net recovery of loans during the first six months of 2016 was $2.1 million compared to net charge-offs of $281 thousand from the first six months of 2015.

ADDITIONAL MANAGEMENT'S DISCUSSION AND ANALYSIS

Pending Acquisition
On April 20, 2016, the Company announced the signing of a definitive agreement to acquire Treasure State Bank, a community bank based in Missoula, Montana. Treasure State Bank provides banking services to individuals and businesses in the greater Missoula market. As of December 31, 2015, Treasure State Bank had total assets of $71.8 million, gross loans of $53.2 million and total deposits of $57.7 million. Upon closing of the transaction, which is anticipated to take place in the third quarter of 2016, Treasure State Bank will be merged into the Bank and will become part of the First Security Bank of Missoula division.

Investment Activity
Investment securities classified as available-for-sale are carried at estimated fair value and investment securities classified as held-to-maturity are carried at amortized cost. Unrealized gains or losses, net of tax, on available-for-sale securities are reflected as an adjustment to other comprehensive income. The Company's investment securities are summarized below:

	June 30, 2016			December 31, 2015			June 30, 2015		
(Dollars in thousands)	Carrying Amount	Percent		Carrying Amount	Percent		Carrying Amount	Percent	
Available-for-sale									
U.S. government and federal agency	$43,386	1	%	$47,451	1	%	$51,497	2	%
U.S. government sponsored enterprises	46,899	1	%	93,167	3	%	80,761	3	%
State and local governments	902,789	29	%	885,019	27	%	958,052	32	%
Corporate bonds	437,093	14	%	384,163	12	%	355,849	12	%
Residential mortgage-backed securities	1,057,788	33	%	1,200,960	36	%	915,671	31	%
Total available-for-sale	2,487,955	78	%	2,610,760	79	%	2,361,830	80	%
Held-to-maturity									
State and local governments	680,574	22	%	702,072	21	%	593,314	20	%
Total held-to-maturity	680,574	22	%	702,072	21	%	593,314	20	%
Total investment securities	$3,168,529	100	%	$3,312,832	100	%	$2,955,144	100	%

The Company's investment portfolio is primarily comprised of state and local government securities and residential mortgage-backed securities. State and local government securities are largely exempt from federal income tax and the Company's maximum federal statutory rate of 35 percent is used in calculating the tax-equivalent yields on the tax-exempt securities. Residential mortgage-backed securities are typically short, weighted-average life U.S. agency collateralized mortgage obligations that provide the Company with ongoing liquidity as scheduled and pre-paid principal is received on the securities.

State and local government securities carry different risks that are not as prevalent in other security types. The Company evaluates the investment grade quality of its securities in accordance with regulatory guidance. Investment grade securities are those where the issuer has an adequate capacity to meet the financial commitments under the security for the projected life of the investment. An issuer has an adequate capacity to meet financial commitments if the risk of default by the obligor is low and the full and timely payment of principal and interest are expected. In assessing credit risk, the Company may use credit ratings from Nationally Recognized Statistical Rating Organizations ("NRSRO" entities such as Standard and Poor's ["S&P"] and Moody's) as support for the evaluation; however, they are not solely relied upon. There have been no significant differences in the Company's internal evaluation of the creditworthiness of any issuer when compared with the ratings assigned by the NRSROs.

The following table stratifies the state and local government securities by the associated NRSRO ratings. The highest issued rating was used to categorize the securities in the table for those securities where the NRSRO ratings were not at the same level.

(Dollars in thousands)	June 30, 2016 Amortized Cost	June 30, 2016 Fair Value	December 31, 2015 Amortized Cost	December 31, 2015 Fair Value
S&P: AAA / Moody's: Aaa	$364,171	379,951	366,961	374,470
S&P: AA+, AA, AA- / Moody's: Aa1, Aa2, Aa3	919,365	973,917	936,947	971,717
S&P: A+, A, A- / Moody's: A1, A2, A3	236,115	254,783	239,371	252,292
S&P: BBB+, BBB, BBB- / Moody's: Baa1, Baa2, Baa3	3,122	3,331	2,858	3,017
Not rated by either entity	16,183	17,172	12,673	13,036
Below investment grade	—	—	—	—
Total	$1,538,956	1,629,154	1,558,810	1,614,532

State and local government securities largely consist of both taxable and tax-exempt general obligation and revenue bonds. The following table stratifies the state and local government securities by the associated security type.

(Dollars in thousands)	June 30, 2016 Amortized Cost	June 30, 2016 Fair Value	December 31, 2015 Amortized Cost	December 31, 2015 Fair Value
General obligation - unlimited	$846,419	898,808	831,518	862,863
General obligation - limited	236,469	253,345	262,803	274,177
Revenue	415,885	434,383	423,171	434,610
Certificate of participation	27,351	29,458	28,245	29,634
Other	12,832	13,160	13,073	13,248
Total	$1,538,956	1,629,154	1,558,810	1,614,532

The following table outlines the five states in which the Company owns the highest concentrations of state and local government securities.

(Dollars in thousands)	June 30, 2016 Amortized Cost	June 30, 2016 Fair Value	December 31, 2015 Amortized Cost	December 31, 2015 Fair Value
Texas	$209,205	221,217	211,023	218,051
Michigan	174,871	187,191	156,426	162,862
Washington	182,408	196,983	179,173	187,949
California	104,867	108,764	105,510	108,235
Montana	93,332	103,038	90,272	95,644
All other states	774,273	811,961	816,406	841,791
Total	$1,538,956	1,629,154	1,558,810	1,614,532

The following table presents the carrying amount and weighted-average yield of available-for-sale and held-to-maturity investment securities by contractual maturity at June 30, 2016. Weighted-average yields are based upon the amortized cost of securities and are calculated using the interest method which takes into consideration premium amortization, discount accretion and mortgage-backed securities' prepayment provisions. Weighted-average yields on tax-exempt investment securities exclude the federal income tax benefit.

	One Year or Less		After One through Five Years		After Five through Ten Years		After Ten Years		Residential Mortgage-Backed Securities		Total
(Dollars in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount
Available-for-sale											
U.S. government and federal agency	$—	— %	$728	2.26%	$11,316	0.71%	$31,342	0.87%	$—	— %	$43,386
U.S. government sponsored enterprises	476	2.23%	46,423	1.94%	—	— %	—	— %	—	— %	46,899
State and local governments	59,130	2.05%	71,144	2.13%	176,230	3.40%	596,285	4.29%	—	— %	902,789
Corporate bonds	83,228	2.11%	353,865	2.05%	—	— %	—	— %	—	— %	437,093
Residential mortgage-backed securities	—	— %	—	— %	—	— %	—	— %	1,057,788	1.99%	1,057,788
Total available-for-sale	142,834	2.09%	472,160	2.05%	187,546	3.22%	627,627	4.11%	1,057,788	1.99%	2,487,955
Held-to-maturity											
State and local governments	—	— %	—	— %	39,376	2.60%	641,198	4.07%	—	— %	680,574
Total held-to-maturity	—	— %	—	— %	39,376	2.60%	641,198	4.07%	—	— %	680,574
Total investment securities	$142,834	2.09%	$472,160	2.05%	$226,922	3.11%	$1,268,825	4.09%	$1,057,788	1.99%	$3,168,529

For additional information on investment securities, 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. Non-marketable equity securities largely consist of capital stock issued by the FHLB of Des Moines and are evaluated for impairment whenever events or circumstances suggest the carrying value may not be recoverable. Based on the Company's evaluation of its investments in non-marketable equity securities as of June 30, 2016, the Company determined that none of such securities had other-than-temporary impairment.

Debt securities. 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 NRSRO. In June 2016, S&P reaffirmed its AA+ rating of U.S. government long-term debt, and the outlook remains stable. In May 2016, Moody's reaffirmed its Aaa rating of U.S. government long-term debt and the outlook remains stable. In April 2016, Fitch reaffirmed its AAA rating of U.S. government long-term debt and the outlook remains stable. S&P, Moody's and Fitch have similar credit ratings and outlooks with respect to certain long-term debt instruments issued by Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") and other U.S. government agencies linked to the long-term U.S. debt.

The following table separates investments with an unrealized loss position at June 30, 2016 into two categories: investments purchased prior to 2016 and those purchased during 2016. Of those investments purchased prior to 2016, the fair market value and unrealized gain or loss at December 31, 2015 is also presented.

	June 30, 2016			December 31, 2015		
(Dollars in thousands)	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 2016						
U.S. government and federal agency	$36,289	$(220)	(1)%	$40,059	$(418)	(1)%
State and local governments	232,623	(8,524)	(4)%	232,777	(8,665)	(4)%
Corporate bonds	51,459	(191)	— %	51,630	(353)	(1)%
Residential mortgage-backed securities	91,116	(552)	(1)%	109,293	(1,363)	(1)%
Total	$411,487	$(9,487)	(2)%	$433,759	$(10,799)	(2)%
Temporarily impaired securities purchased during 2016						
Corporate bonds	$3,130	$(1)	— %			
Total	$3,130	$(1)	— %			
Temporarily impaired securities						
U.S. government and federal agency	$36,289	$(220)	(1)%			
State and local governments	232,623	(8,524)	(4)%			
Corporate bonds	54,589	(192)	— %			
Residential mortgage-backed securities	91,116	(552)	(1)%			
Total	$414,617	$(9,488)	(2)%			

With respect to severity, the following table provides the number of debt securities and amount of unrealized loss in the various ranges of unrealized loss as a percent of book value at June 30, 2016:

(Dollars in thousands)	Number of Debt Securities	Unrealized Loss
Greater than 10.0%	1	$(153)
5.1% to 10.0%	27	(2,273)
0.1% to 5.0%	222	(7,062)
Total	250	$(9,488)

With respect to the duration of the impaired debt securities, the Company identified 186 securities which have been continuously impaired for the twelve months ending June 30, 2016. The valuation history of such securities in the prior year(s) was also reviewed to determine the number of months in the prior year(s) in which the identified securities were in an unrealized loss position.

The following table provides details of the 186 debt securities which have been continuously impaired for the twelve months ended June 30, 2016, 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
U.S. government and federal agency	26	$ (218)	$ (25)
State and local governments	138	(8,212)	(598)
Corporate bonds	9	(95)	(33)
Residential mortgage-backed securities	13	(281)	(145)
Total	186	$ (8,806)	

Based on the Company's analysis of its impaired debt securities as of June 30, 2016, the Company determined that none of such securities had other-than-temporary impairment and the unrealized losses were primarily the result of interest rate changes and market spreads subsequent to acquisition. A substantial portion of the debt securities with unrealized losses at June 30, 2016 were issued by Fannie Mae, Freddie Mac, Government National Mortgage Association ("Ginnie Mae") and other agencies of the U.S. government or have credit ratings issued by one or more of the NRSRO entities in the four highest credit rating categories. All of the Company's impaired debt securities at June 30, 2016 have been determined by the Company to be investment grade.

Lending Activity

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, including agriculture, that concentrates on targeted businesses; and 3) installment lending for consumer purposes (e.g., home equity, automobile, 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 are 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:

	June 30, 2016		December 31, 2015		June 30, 2015	
(Dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent
Residential real estate loans	$672,895	13 %	$688,912	14 %	$635,674	14 %
Commercial loans						
Real estate	2,773,298	53 %	2,633,953	53 %	2,454,369	52 %
Other commercial	1,258,227	24 %	1,099,564	22 %	1,074,905	23 %
Total	4,031,525	77 %	3,733,517	75 %	3,529,274	75 %
Consumer and other loans						
Home equity	431,659	8 %	420,901	9 %	410,708	9 %
Other consumer	242,538	5 %	235,351	5 %	231,775	5 %
Total	674,197	13 %	656,252	14 %	642,483	14 %
Loans receivable	5,378,617	103 %	5,078,681	103 %	4,807,431	103 %
Allowance for loan and lease losses	(132,386)	(3)%	(129,697)	(3)%	(130,519)	(3)%

Loans receivable, net	$5,246,231	100 %	$4,948,984	100 %	$4,676,912	100 %

Non-performing Assets

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

(Dollars in thousands)	At or for the Six Months ended June 30, 2016	At or for the Three Months ended March 31, 2016	At or for the Year ended December 31, 2015	At or for the Six Months ended June 30, 2015
Other real estate owned	$24,370	22,085	26,815	26,686
Accruing loans 90 days or more past due				
Residential real estate	772	833	—	—
Commercial	5,039	3,637	2,051	429
Consumer and other	383	145	80	189
Total	6,194	4,615	2,131	618
Non-accrual loans				
Residential real estate	4,409	7,319	8,073	7,038
Commercial	34,455	39,546	36,510	43,281
Consumer and other	6,153	6,658	6,550	6,599
Total	45,017	53,523	51,133	56,918
Total non-performing assets [1]	$75,581	80,223	80,079	84,222
Non-performing assets as a percentage of subsidiary assets	0.82 %	0.88 %	0.88 %	0.98 %
ALLL as a percentage of non-performing loans	259 %	224 %	244 %	227 %
Accruing loans 30-89 days past due	$23,479	23,996	19,413	28,474
Accruing troubled debt restructurings	$50,054	53,311	63,590	64,336
Non-accrual troubled debt restructurings	$23,822	23,879	27,057	32,664
Interest income [2]	$1,084	639	2,471	1,375

[1] As of June 30, 2016, non-performing assets have not been reduced by U.S. government guarantees of $2.3 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.

Non-performing assets at June 30, 2016 were $75.6 million, a decrease of $4.6 million, or 6 percent, during the current quarter and a decrease of $8.6 million, or 10 percent, from a year ago. Early stage delinquencies (accruing loans 30-89 days past due) of $23.4 million at June 30, 2016 decreased $517 thousand from the prior quarter.

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 losses to the Company. The Company evaluates the level of its non-performing loans, the values of the underlying real estate and other collateral, and related trends in internal and external environmental factors and 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. The Company continues to maintain an adequate allowance while working to reduce non-performing loans.

Construction loans, a regulatory classification, accounted for 26 percent of the Company's non-accrual loans as of June 30, 2016. Land, lot and other construction loans, a regulatory classification, were 97 percent of the non-accrual construction loans. Of the Company's $11.7 million of non-accrual construction loans at June 30, 2016, 88 percent of such loans had collateral properties securing the loans in Western Montana. Consistent with the gradual economic recovery, the upscale primary, secondary and other housing markets, as well as the associated construction and building industries show improved activity after several years of decline. 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.

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.

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 $131 million and $141 million as of June 30, 2016 and December 31, 2015, respectively. The ALLL includes specific valuation allowances of $4.4 million and $8.1 million of impaired loans as of June 30, 2016 and December 31, 2015, respectively. Of the total impaired loans at June 30, 2016, there were 21 significant commercial real estate and other commercial loans that accounted for $55.2 million, or 42 percent, of the impaired loans. The 21 loans were collateralized by 140 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, 2016, there were 153 loans aggregating $75.1 million, or 57 percent, whereby the borrowers had more than one impaired loan.

Restructured Loans

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 $73.9 million and $90.6 million as of June 30, 2016 and December 31, 2015, respectively. The Company's TDR loans are considered impaired loans of which $23.8 million and $27.1 million as of June 30, 2016 and December 31, 2015, 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 loans are designated as TDRs.

Other Real Estate Owned

The book value prior to the acquisition of collateral and transfer of the loan into OREO during 2016 was $3.6 million of which $3.3 million was residential real estate loans, $250 thousand was commercial loans, and $137 thousand was consumer loans. The fair value of the loan collateral acquired in foreclosure during 2016 was $3.6 million of which $3.3 million was residential real estate, $251 thousand was commercial, and $75 thousand was consumer loans. The following table sets forth the changes in OREO for the periods indicated:

(Dollars in thousands)	Six Months ended June 30, 2016	Three Months ended March 31, 2016	Year ended December 31, 2015	Six Months ended June 30, 2015
Balance at beginning of period	$26,815	26,815	27,804	27,804
Acquisitions	—	—	974	464
Additions	3,635	178	7,989	5,181
Capital improvements	136	75	1,710	409
Write-downs	(79)	(55)	(1,575)	(1,070)
Sales	(6,137)	(4,928)	(10,087)	(6,102)
Balance at end of period	$24,370	22,085	26,815	26,686

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, trends and changes in collateral values, delinquencies, non-performing assets, net charge-offs and credit-related policies and personnel. 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. In addition, the policy and procedures for determining the balance of the ALLL are reviewed annually by the Company's Board, the internal audit department, independent credit reviewers and state and federal bank regulatory agencies.

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 historical loss experience, adjusted for changes in trends and conditions of qualitative or environmental factors.

The 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 allowance and reviews and approves the overall ALLL. 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 loans collectively evaluated for impairment 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 includes thirteen Bank divisions with separate management teams providing 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 this slowly improving, but fragile economic recovery and 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.

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:

	June 30, 2016			December 31, 2015			June 30, 2015		
(Dollars in thousands)	ALLL	Percent of ALLL in Category	Percent of Loans in Category	ALLL	Percent of ALLL in Category	Percent of Loans in Category	ALLL	Percent of ALLL in Category	Percent of Loans in Category
Residential real estate	$13,666	10 %	13 %	$14,427	11 %	13 %	$14,850	11 %	13 %
Commercial real estate	66,809	50 %	52 %	67,877	52 %	52 %	68,697	53 %	51 %
Other commercial	37,031	28 %	23 %	32,525	25 %	22 %	31,483	24 %	22 %
Home equity	8,629	7 %	8 %	8,998	7 %	8 %	8,946	7 %	9 %
Other consumer	6,251	5 %	4 %	5,870	5 %	5 %	6,543	5 %	5 %
Total	$132,386	100 %	100 %	$129,697	100 %	100 %	$130,519	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, 2016	Three Months ended March 31, 2016	Year ended December 31, 2015	Six Months ended June 30, 2015
Balance at beginning of period	$129,697	129,697	129,753	129,753
Provision for loan losses	568	568	2,284	1,047
Charge-offs				
Residential real estate	(355)	(100)	(985)	(58)
Commercial loans	(878)	(577)	(4,242)	(2,117)
Consumer and other loans	(1,299)	(486)	(1,775)	(423)
Total charge-offs	(2,532)	(1,163)	(7,002)	(2,598)
Recoveries				
Residential real estate	44	18	92	46
Commercial loans	3,432	428	3,620	1,758
Consumer and other loans	1,177	523	950	513
Total recoveries	4,653	969	4,662	2,317
Charge-offs, net of recoveries	2,121	(194)	(2,340)	(281)
Balance at end of period	$132,386	130,071	129,697	130,519
ALLL as a percentage of total loans	2.46 %	2.50 %	2.55 %	2.71 %
Net (recoveries) charge-offs as a percentage of total loans	(0.04)%	— %	0.05 %	0.01 %

The allowance as a percent of total loans outstanding at June 30, 2016 was 2.46 percent, a decrease of 9 basis points from 2.55 percent at December 31, 2015 which was driven by loan growth combined with stabilized credit quality. The allowance as a percent of total loans in the current quarter decreased 25 basis points from 2.71 percent at June 30, 2015 which was also the result of loan growth and stabilizing credit quality.

The Company’s ALLL of $132 million is considered adequate to absorb losses from any class of its loan portfolio. For the periods ended June 30, 2016 and 2015, the Company believes the ALLL 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 2016, the provision for loan losses exceeded loan charge-offs, net of recoveries, by $2.7 million. During the same period in 2015, the provision for loan losses exceeded loan charge-offs, net of recoveries, by $766 thousand.

The Company provides commercial services to individuals, small to medium-sized businesses, community organizations and public entities from 143 locations, including 134 branches, across Montana, Idaho, Wyoming, Colorado, Utah, and Washington. The Rocky Mountain states in which the Company operates have 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.

Overall, there continues to be slow improvements in the economic environment compared to the past several years and the housing market is slowly recovering. Home prices continue to increase within the Company's footprint. Colorado and Washington are experiencing the strongest pricing pressures, while Montana and Wyoming continue to lag behind the national trend. The level of house price appreciation increased across every state within the Company's footprint except Idaho and Wyoming, and every state except Idaho is now above their 2007 highs. Home ownership in the United States increased during the second half of 2015 for the first time since 2013; however, home ownership fell slightly during the first quarter of 2016. The long-term average for the United States homeownership rate is at 64 percent. Annual personal income growth remains in positive territory for each of the Company's states and Washington, Colorado and Utah all exceed the national average. The Federal Reserve Bank of Philadelphia's composite state coincident indices projects steady growth during the next six months in all of the Company's footprint, except Wyoming. Wyoming has been adversely impacted by the reduced prices of oil and natural gas. Consumer sentiment ended 2015 with a positive trend and this trend has continued into 2016. The unemployment rate trends are down in each of the Company's states, except Wyoming. The Company's footprint reflects a stronger employment situation than the rest of the United States. Crude oil, natural gas and base metal prices continue to be stressed and certain agriculture commodities within the Company's footprint remain volatile. The tourism industry and related lodging activity 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. Overall, the Company sees positive signs in the various economic indices; however, given the significant recession experienced during 2008 and 2009, the Company is cautiously optimistic about the recovery of the housing industry. The Company will continue to actively monitor the economy's impact on its lending portfolio.

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 were 11 percent of the Company's total loan portfolio and accounted for 26 percent and 34 percent of the Company's non-accrual loans at June 30, 2016 and December 31, 2015, respectively. Collateral securing construction loans includes residential buildings (e.g., single/multi-family and condominiums), commercial buildings, and associated land (e.g., multi-acre parcels and individual lots, with and without shorelines).

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

(Dollars in thousands)	June 30, 2016	March 31, 2016	December 31, 2015	June 30, 2015
Specific valuation allowance	$4,365	8,440	8,124	7,254
General valuation allowance	128,021	121,631	121,573	123,265
Total ALLL	$132,386	130,071	129,697	130,519

During 2016, the ALLL increased by $2.7 million, the net result of a $3.8 million decrease in the specific valuation allowance and a $6.4 million increase in the general valuation allowance. The specific valuation allowance decreased compared to the prior year end due to a decrease in loans individually reviewed for impairment with a specific impairment. The increase in the general valuation allowance since the prior year end was a result of an increase of $310 million in loans collectively evaluated for impairment which was partially offset by an improvement in credit quality metrics.

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.”

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:

	Loans Receivable, by Loan Type				% Change from		
(Dollars in thousands)	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Jun 30, 2015	Mar 31, 2016	Dec 31, 2015	Jun 30, 2015
Custom and owner occupied construction	$78,525	$68,893	$75,094	$56,460	14 %	5 %	39 %
Pre-sold and spec construction	59,530	59,220	50,288	45,063	1 %	18 %	32 %
Total residential construction	138,055	128,113	125,382	101,523	8 %	10 %	36 %
Land development	61,803	59,539	62,356	78,059	4 %	(1)%	(21)%
Consumer land or lots	95,247	93,922	97,270	98,365	1 %	(2)%	(3)%
Unimproved land	70,396	73,791	73,844	76,726	(5)%	(5)%	(8)%
Developed lots for operative builders	13,845	12,973	12,336	13,673	7 %	12 %	1 %
Commercial lots	26,084	23,558	22,035	20,047	11 %	18 %	30 %
Other construction	206,343	166,378	156,784	126,966	24 %	32 %	63 %
Total land, lot, and other construction	473,718	430,161	424,625	413,836	10 %	12 %	14 %
Owner occupied	927,237	944,411	938,625	874,651	(2)%	(1)%	6 %
Non-owner occupied	835,272	806,856	774,192	718,024	4 %	8 %	16 %
Total commercial real estate	1,762,509	1,751,267	1,712,817	1,592,675	1 %	3 %	11 %
Commercial and industrial	705,011	664,855	649,553	635,259	6 %	9 %	11 %
Agriculture	421,097	372,616	367,339	374,258	13 %	15 %	13 %
1st lien	867,918	841,848	856,193	802,152	3 %	1 %	8 %
Junior lien	64,248	63,162	65,383	67,019	2 %	(2)%	(4)%
Total 1-4 family	932,166	905,010	921,576	869,171	3 %	1 %	7 %
Multifamily residential	198,583	197,267	201,542	195,674	1 %	(1)%	1 %
Home equity lines of credit	388,939	379,866	372,039	356,077	2 %	5 %	9 %
Other consumer	156,568	150,047	150,469	147,427	4 %	4 %	6 %
Total consumer	545,507	529,913	522,508	503,504	3 %	4 %	8 %
Other	276,111	258,475	209,853	174,732	7 %	32 %	58 %
Total loans receivable, including loans held for sale	5,452,757	5,237,677	5,135,195	4,860,632	4 %	6 %	12 %
Less loans held for sale [1]	(74,140)	(40,484)	(56,514)	(53,201)	83 %	31 %	39 %
Total loans receivable	$5,378,617	$5,197,193	$5,078,681	$4,807,431	3 %	6 %	12 %

[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 of the Company’s non-performing assets.

(Dollars in thousands)	Non-performing Assets, by Loan Type				Non-Accrual Loans	Accruing Loans 90 Days or More Past Due	Other Real Estate Owned
	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Jun 30, 2015	Jun 30, 2016	Jun 30, 2016	Jun 30, 2016
Custom and owner occupied construction	$ 390	995	1,016	1,079	390	—	—
Pre-sold and spec construction	—	—	—	18	—	—	—
Total residential construction	390	995	1,016	1,097	390	—	—
Land development	12,830	18,190	17,582	20,405	2,128	—	10,702
Consumer land or lots	1,656	1,751	2,250	2,647	823	—	833
Unimproved land	12,147	11,651	12,328	12,580	8,109	—	4,038
Developed lots for operative builders	176	457	488	848	1	—	175
Commercial lots	1,979	1,333	1,521	2,050	217	—	1,762
Other construction	—	—	4,236	4,244	—	—	—
Total land, lot and other construction	28,788	33,382	38,405	42,774	11,278	—	17,510
Owner occupied	10,503	12,130	10,952	13,057	8,620	—	1,883
Non-owner occupied	4,055	4,354	3,446	3,179	3,378	—	677
Total commercial real estate	14,558	16,484	14,398	16,236	11,998	—	2,560
Commercial and industrial	7,123	6,046	3,993	5,805	5,789	1,313	21
Agriculture	3,979	3,220	3,281	2,769	2,544	1,435	—
1st lien	11,332	11,041	10,691	9,867	6,171	1,261	3,900
Junior lien	1,489	1,111	668	739	1,349	—	140
Total 1-4 family	12,821	12,152	11,359	10,606	7,520	1,261	4,040
Multifamily residential	432	432	113	—	432	—	—
Home equity lines of credit	5,413	5,432	5,486	4,742	4,898	382	133
Other consumer	275	280	228	164	168	1	106
Total consumer	5,688	5,712	5,714	4,906	5,066	383	239
Other	1,802	1,800	1,800	29	—	1,802	—
Total	$ 75,581	80,223	80,079	84,222	45,017	6,194	24,370

(Dollars in thousands)	Accruing 30-89 Days Delinquent Loans, by Loan Type				% Change from		
	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Jun 30, 2015	Mar 31, 2016	Dec 31, 2015	Jun 30, 2015
Custom and owner occupied construction	$375	$—	$462	$—	n/m	(19)%	n/m
Pre-sold and spec construction	304	304	181	—	— %	68 %	n/m
Total residential construction	679	304	643	—	123 %	6 %	n/m
Land development	37	198	447	—	(81)%	(92)%	n/m
Consumer land or lots	676	796	166	158	(15)%	307 %	328 %
Unimproved land	879	1,284	774	755	(32)%	14 %	16 %
Developed lots for operative builders	166	—	—	—	n/m	n/m	n/m
Commercial lots	—	—	—	66	n/m	n/m	(100)%
Other construction	—	—	337	—	n/m	(100)%	n/m
Total land, lot and other construction	1,758	2,278	1,724	979	(23)%	2 %	80 %
Owner occupied	2,975	4,552	2,760	4,727	(35)%	8 %	(37)%
Non-owner occupied	5,364	1,466	923	8,257	266 %	481 %	(35)%
Total commercial real estate	8,339	6,018	3,683	12,984	39 %	126 %	(36)%
Commercial and industrial	4,956	4,907	1,968	6,760	1 %	152 %	(27)%
Agriculture	804	659	1,014	353	22 %	(21)%	128 %
1st lien	2,667	5,896	6,272	2,891	(55)%	(57)%	(8)%
Junior lien	1,251	759	1,077	335	65 %	16 %	273 %
Total 1-4 family	3,918	6,655	7,349	3,226	(41)%	(47)%	21 %
Multifamily residential	—	—	662	671	n/m	(100)%	(100)%
Home equity lines of credit	2,253	2,528	1,046	2,464	(11)%	115 %	(9)%
Other consumer	736	607	1,227	996	21 %	(40)%	(26)%
Total consumer	2,989	3,135	2,273	3,460	(5)%	32 %	(14)%
Other	36	40	97	41	(10)%	(63)%	(12)%
Total	$23,479	$23,996	$19,413	$28,474	(2)%	21 %	(18)%

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n/m - not measurable

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	Recoveries
	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Jun 30, 2015	Jun 30, 2016	Jun 30, 2016
Pre-sold and spec construction	$ (37)	(28)	(53)	(23)	—	37
Land development	(2,342)	(100)	(288)	(807)	27	2,369
Consumer land or lots	(351)	(240)	66	(77)	25	376
Unimproved land	(46)	(34)	(325)	(86)	—	46
Developed lots for operative builders	(54)	(12)	(85)	(98)	—	54
Commercial lots	21	23	(26)	(3)	24	3
Other construction	—	—	(1)	(1)	—	—
Total land, lot and other construction	(2,772)	(363)	(659)	(1,072)	76	2,848
Owner occupied	(51)	(27)	247	271	8	59
Non-owner occupied	(3)	(1)	93	109	—	3
Total commercial real estate	(54)	(28)	340	380	8	62
Commercial and industrial	(112)	69	1,389	1,007	590	702
Agriculture	(1)	(1)	50	(7)	—	1
1st lien	245	47	834	(49)	315	70
Junior lien	(56)	(15)	(125)	(129)	68	124
Total 1-4 family	189	32	709	(178)	383	194
Multifamily residential	229	229	(318)	(29)	229	—
Home equity lines of credit	(25)	179	740	206	145	170
Other consumer	149	95	143	(3)	255	106
Total consumer	124	274	883	203	400	276
Other	313	10	(1)	—	846	533
Total	$ (2,121)	194	2,340	281	2,532	4,653

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 also obtains funds from repayment of loans and investment securities, repurchase agreements, wholesale deposits, advances from FHLB and other borrowings. 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, match maturities of longer-term assets or manage interest rate risk.

Deposits

The Company has several 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, savings, money market deposit accounts, fixed rate certificates of deposit with maturities ranging from three months to five years, negotiated-rate jumbo certificates, and individual retirement accounts. These deposits are obtained primarily from individual and business residents in the Bank's geographic market areas. In addition, wholesale deposits are obtained through various programs and include brokered deposits classified as NOW, DDA, money market deposit and certificate accounts. The Company's deposits are summarized below:

	June 30, 2016		December 31, 2015		June 30, 2015	
(Dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent
Non-interest bearing deposits	$1,907,026	27 %	$1,918,310	28 %	$1,731,015	26 %
NOW and DDA accounts	1,495,952	21 %	1,516,026	22 %	1,396,997	21 %
Savings accounts	926,865	13 %	838,274	12 %	751,519	12 %
Money market deposit accounts	1,403,028	20 %	1,382,028	20 %	1,335,625	20 %
Certificate accounts	1,017,681	14 %	1,060,650	15 %	1,146,178	18 %
Wholesale deposits	338,264	5 %	229,720	3 %	197,323	3 %
Total interest bearing deposits	5,181,790	73 %	5,026,698	72 %	4,827,642	74 %
Total deposits	$7,088,816	100 %	$6,945,008	100 %	$6,558,657	100 %

Securities Sold Under Agreements to Repurchase, Federal Home Loan Bank Advances and Other Borrowings

The Company borrows money through repurchase agreements. This process involves the selling of one or more of the securities in the Company's investment portfolio and simultaneously entering into an agreement to repurchase that same securities at an agreed upon later date, typically overnight. A rate of interest is paid for the agreed period of time. Through a policy adopted by the Bank's Board of Directors, the Bank enters into repurchase agreements with local municipalities, and certain customers, and has adopted procedures designed to ensure proper transfer of title and safekeeping of the underlying securities. In addition to retail repurchase agreements, the Company enters into wholesale repurchase agreements as additional funding sources. The Company has not entered into reverse repurchase agreements.

The Bank is a member of the FHLB of Des Moines, which is one of eleven banks that comprise the FHLB system. The Bank is required to maintain a certain level of activity-based stock in order to borrow or to engage in other transactions with the FHLB of Des Moines. Additionally, the Bank is subject to a membership capital stock requirement that is based upon an annual calibration tied to the total assets of the Bank. The borrowings are collateralized by eligible categories of loans and investment securities (principally, securities which are obligations of, or guaranteed by, the U.S. government and its agencies), provided certain standards related to credit-worthiness have been met. Advances are made pursuant to several different credit programs, each of which has its own interest rates and range of maturities. The Bank's maximum amount of FHLB advances is limited to the lesser of a fixed percentage of the Bank's total assets or the discounted value of eligible collateral. FHLB advances fluctuate to meet seasonal and other withdrawals of deposits and to expand lending or investment opportunities of the Company.

Additionally, the Company has other sources of secured and unsecured borrowing lines from various sources that may be used from time to time.

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 Bank’s 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 (“FRB”). FHLB advances and certain other short-term borrowings may be renewed 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 and other risks.

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

(Dollars in thousands)	At or for the Six Months ended June 30, 2016		At or for the Year ended December 31, 2015	
Repurchase agreements				
Amount outstanding at end of period	$414,327		423,414	
Weighted interest rate on outstanding amount	0.31	%	0.31	%
Maximum outstanding at any month-end	$445,960		441,041	
Average balance	$379,271		376,983	
Weighted-average interest rate	0.31	%	0.27	%
FHLB advances				
Amount outstanding at end of period	$120,033		185,091	
Weighted interest rate on outstanding amount	0.90	%	1.02	%
Maximum outstanding at any month-end	$240,050		185,091	
Average balance	$135,325		107,341	
Weighted-average interest rate	0.93	%	3.06	%

Subordinated Debentures

In addition to funds obtained in the ordinary course of business, the Company formed or acquired financing subsidiaries for the purpose of issuing trust preferred securities that entitle the investor to receive cumulative cash distributions thereon. The subordinated debentures outstanding as of June 30, 2016 were $126 million, including fair value adjustments from prior acquisitions.

Contractual Obligations and Off-Balance Sheet Arrangements

In the normal course of business, there may be various outstanding commitments to obtain funding 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.

Off-balance sheet arrangements also include any obligation related to a variable interest held in an unconsolidated entity. The Company does not anticipate any material losses as a result of these transactions. For additional information regarding the Company’s interests in unconsolidated variable interest entities (“VIE”), see Note 5 to the Consolidated Financial Statements in “Part I. Item 1. Financial Statements.”

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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; and
3. Balancing the benefits between providing for adequate liquidity to mitigate potential adverse events and the cost of that liquidity.

The Company has a wide range of versatility in managing the liquidity and asset/liability mix. The Bank’s ALCO 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, including off-balance sheet funding sources. The Company evaluates its potential funding needs across alternative scenarios and maintains contingency funding plans consistent with the Company’s access to diversified sources of contingent funding.

The following table identifies certain liquidity sources and capacity available to the Company as of the dates indicated:

(Dollars in thousands)	June 30, 2016	December 31, 2015
FHLB advances		
Borrowing capacity	$1,521,922	1,494,288
Amount utilized	(328,832)	(394,131)
Amount available	$1,193,090	1,100,157
FRB discount window		
Borrowing capacity	$1,003,445	945,948
Amount utilized	—	—
Amount available	$1,003,445	945,948
Unsecured lines of credit available	$255,000	255,000
Unencumbered investment securities		
U.S. government and federal agency	$43,386	47,451
U.S. government sponsored enterprises	38,769	75,419
State and local governments	854,678	880,866
Corporate bonds	130,183	48,528
Residential mortgage-backed securities	301,894	435,749
Total unencumbered securities	$1,368,910	1,488,013

Capital Resources

Maintaining capital strength continues to be a long-term objective of the Company. 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. The Company has the capacity to issue 117,187,500 shares of common stock of which 76,171,580 have been issued as of June 30, 2016. The Company also has the capacity to issue 1,000,000 shares of preferred stock of which none have been issued as of June 30, 2016. Conversely, the Company may decide to utilize a portion of its strong capital position, as it has done in the past, to repurchase shares of its outstanding common stock, depending on market price and other relevant considerations.

The Federal Reserve has adopted capital adequacy guidelines that are used to assess the adequacy of capital in supervising a bank holding company. In July 2013, the federal banking agencies approved the final rules (“Final Rules”) to establish a new comprehensive regulatory capital framework with a phase-in period beginning on January 1, 2015 and ending on January 1, 2019. The Final Rules implement the third installment of the Basel Accords (“Basel III”) regulatory capital reforms and changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) and substantially amend the regulatory risk-based capital rules applicable to the Company. Basel III redefines the regulatory capital elements and minimum capital ratios, introduces regulatory capital buffers above those minimums, revises rules for calculating risk-weighted assets and adds a new component of Tier 1 capital called Common Equity Tier 1, which includes common equity and retained earnings and excludes preferred equity.

The following table illustrates the Bank’s regulatory ratios and the Federal Reserve’s current capital adequacy guidelines as of June 30, 2016. The Federal Reserve’s fully phased-in guidelines applicable in 2019 are also summarized.

	Total Capital (To Risk-Weighted Assets)		Tier 1 Capital (To Risk-Weighted Assets)		Common Equity Tier 1 (To Risk-Weighted Assets)		Leverage Ratio/ Tier 1 Capital (To Average Assets)	
Glacier Bank’s actual regulatory ratios	16.36	%	15.10	%	15.10	%	11.57	%
Minimum capital requirements	8.00	%	6.00	%	4.50	%	4.00	%
Well capitalized requirements	10.00	%	8.00	%	6.50	%	5.00	%
Minimum capital requirements, including fully-phased in capital conservation buffer (2019)	10.50	%	8.50	%	7.00	%	N/A	

The Company has evaluated the impact of the Final Rules and believes that, as of June 30, 2016, the Company would meet all capital adequacy requirements under the Basel III capital rules on a fully phased-in basis as if all such requirements were currently in effect. There are no conditions or events since June 30, 2016 that management believes have changed the Company’s or the Bank’s risk-based capital category.

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, 7.4 percent in Idaho, 5 percent in Utah and 4.63 percent in Colorado. Wyoming and Washington do not impose a corporate income tax.

Income tax expense for the six months ended June 30, 2016 and 2015 was $19.8 million and $16.4 million, respectively. The Company's effective tax rate for the six months ended June 30, 2016 and 2015 was 25.1 percent and 22.3 percent, respectively. The primary reason for the current and prior year's low effective tax rate is the amount of tax-exempt investment income and federal income tax credits. Tax-exempt investment income was $25.5 million and $25.2 million for the six months ended June 30, 2016 and 2015, respectively. The benefits from federal income tax credits were $1.4 million and $2.2 million for the six months ended June 30, 2016 and 2015, respectively.

The Company has equity investments in Certified Development Entities ("CDE") which have received allocations of NMTCs. Administered by the Community Development Financial Institutions Fund ("CDFI 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 ("LIHTC") 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 of $22.8 million in Qualified Zone Academy and Qualified School Construction bonds whereby the Company receives quarterly federal income tax credits in lieu of taxable interest income. The federal income tax credits on these investment securities are subject to federal and state income tax.

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
2016	$ 1,654	1,079	863	3,596
2017	1,090	1,902	786	3,778
2018	768	2,261	709	3,738
2019	768	2,261	660	3,689
2020	768	2,047	611	3,426
Thereafter	768	7,596	2,494	10,858
	$ 5,816	17,146	6,123	29,085

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 yields; 2) the total dollar amount of interest expense on interest bearing liabilities and the average rates; 3) net interest and dividend income and interest rate spread; and 4) net interest margin (tax-equivalent).

	Three Months ended June 30, 2016			Six Months ended June 30, 2016		
(Dollars in thousands)	Average Balance	Interest & Dividends	Average Yield/ Rate	Average Balance	Interest & Dividends	Average Yield/ Rate
Assets						
Residential real estate loans	$731,432	$ 8,124	4.44 %	$728,851	$16,409	4.50 %
Commercial loans [1]	3,902,007	47,956	4.94 %	3,825,968	93,291	4.90 %
Consumer and other loans	666,212	7,906	4.77 %	660,025	15,616	4.76 %
Total loans [2]	5,299,651	63,986	4.86 %	5,214,844	125,316	4.83 %
Tax-exempt investment securities [3]	1,348,520	19,274	5.72 %	1,350,601	38,656	5.72 %
Taxable investment securities [4]	1,915,740	10,686	2.23 %	1,957,370	22,148	2.26 %
Total earning assets	8,563,911	93,946	4.41 %	8,522,815	186,120	4.39 %
Goodwill and intangibles	153,981			154,385		
Non-earning assets	390,457			390,675		
Total assets	$9,108,349			$9,067,875		
Liabilities						
Non-interest bearing deposits	$1,853,649	$ —	— %	$1,858,519	$—	— %
NOW and DDA accounts	1,494,950	271	0.07 %	1,480,065	564	0.08 %
Savings accounts	901,367	108	0.05 %	882,565	212	0.05 %
Money market deposit accounts	1,398,230	540	0.16 %	1,402,474	1,092	0.16 %
Certificate accounts	1,033,866	1,558	0.61 %	1,052,460	3,123	0.60 %
Wholesale deposits [5]	326,364	2,083	2.57 %	330,745	4,364	2.65 %
FHLB advances	392,835	1,665	1.68 %	350,438	3,317	1.87 %
Repurchase agreements and other borrowed funds	498,643	1,199	0.97 %	510,104	2,427	0.96 %
Total interest bearing liabilities	7,899,904	7,424	0.38 %	7,867,370	15,099	0.39 %
Other liabilities	94,220			95,461		
Total liabilities	7,994,124			7,962,831		
Stockholders' Equity						
Common stock	762			761		
Paid-in capital	736,876			736,637		
Retained earnings	365,385			358,461		
Accumulated other comprehensive income	11,202			9,185		
Total stockholders' equity	1,114,225			1,105,044		
Total liabilities and stockholders' equity	$9,108,349			$9,067,875		
Net interest income (tax-equivalent)		$ 86,522			$171,021	
Net interest spread (tax-equivalent)			4.03 %			4.00 %
Net interest margin (tax-equivalent)			4.06 %			4.04 %

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1 Includes tax effect of $954 thousand and $1.8 million on tax-exempt municipal loan and lease income for the three and six months ended June 30, 2016.

2

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.

3 Includes tax effect of $6.6 million and $13.2 million on tax-exempt investment securities income for the three and six months ended June 30, 2016.

4 Includes tax effect of $352 thousand and $704 thousand on federal income tax credits for the three and six months ended June 30, 2016.

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

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.

	Six Months ended June 30, 2016 vs. 2015 Increase (Decrease) Due to:		
(Dollars in thousands)	Volume	Rate	Net
Interest income			
Residential real estate loans	$1,378	(672)	706
Commercial loans (tax-equivalent)	11,692	651	12,343
Consumer and other loans	1,140	(1,286)	(146)
Investment securities (tax-equivalent)	2,228	652	2,880
Total interest income	16,438	(655)	15,783
Interest expense			
NOW and DDA accounts	64	(26)	38
Savings accounts	38	1	39
Money market deposit accounts	70	(8)	62
Certificate accounts	(316)	(188)	(504)
Wholesale deposits	1,531	(70)	1,461
FHLB advances	643	(1,738)	(1,095)
Repurchase agreements and other borrowed funds	51	296	347
Total interest expense	2,081	(1,733)	348
Net interest income (tax-equivalent)	$14,357	1,078	15,435

Net interest income (tax-equivalent) increased $15.4 million for the six months ended June 30, 2016 compared to the same period in 2015. The interest income for the current year first six months increased over the same period last year primarily from increased growth of the Company’s commercial loan portfolio along with an increased growth in other loan categories and the investment portfolio. Total interest expense remained relatively flat for the first half of 2016 compared to the same period in the prior year, although, there was an increase in expenses related to wholesale deposits which was offset by a decrease in expense on FHLB advances. The increase in the amount of wholesale deposits was driven by an interest rate swap which started interest expense accruals in the fourth quarter of 2015. The decrease in rates on FHLB advances was driven by long-term advances maturing and being replaced by short-term lower cost FHLB advances.

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.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

The Company’s assessment of market risk as of June 30, 2016 indicates there are no material changes in the quantitative and qualitative disclosures from those in the 2015 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 June 30, 2016. 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 of 2016, 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 2015 Annual Report. The risks and uncertainties described in the 2015 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

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

Exhibit 101 - The following financial information from Glacier Bancorp, Inc's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 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.

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.

	GLACIER BANCORP, INC.
August 2, 2016	/s/ Michael J. Blodnick Michael J. Blodnick President and CEO
August 2, 2016	/s/ Ron J. Copher Ron J. Copher Executive Vice President and CFO