GLACIER BANCORP INC
Form 10-K
February 23, 2017

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

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016 or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________
Commission file number 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)
Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.01 par value per share	NASDAQ Global Select Market
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: NONE
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ý Yes ¨ No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ¨ Yes ý No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. ý Yes ¨ No
Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý
Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

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

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

The aggregate market value of the voting common equity held by non-affiliates of the Registrant at June 30, 2016 (the last business day of the most recent second quarter), was $2,002,577,309 (based on the average bid and ask price as quoted on the NASDAQ Global Select Market at the close of business on that date).

The number of shares of Registrant's common stock outstanding on February 13, 2017 was 76,525,402. No preferred shares are issued or outstanding.

Document Incorporated by Reference

Portions of the 2017 Annual Meeting Proxy Statement dated on or about March 15, 2017 are incorporated by reference into Parts I and III of this Form 10-K.

TABLE OF CONTENTS

ABBREVIATIONS/ACRONYMS

ALCO – Asset Liability Committee
ALLL or allowance – allowance for loan and lease losses
ASC – Accounting Standards Codification™
ATM – automated teller machine
Bank – Glacier Bank
Basel III – third installment of the Basel Accords
BHCA – Bank Holding Company Act of 1956, as amended
Board – Glacier Bancorp, Inc.'s Board of Directors
bp or bps – basis point(s)
BSA – Bank Secrecy Act
Cañon – Cañon Bank Corporation and its subsidiary, Cañon National Bank
CB – Montana Community Banks, Inc. and its subsidiary, Community Bank, Inc.
CCP – Core Consolidation Project
CDE – Certified Development Entity
CDFI Fund – Community Development Financial Institutions Fund
CEO – Chief Executive Officer
CET1 – Tier 1 Common Equity
CFO – Chief Financial Officer
CFPB – Consumer Financial Protection Bureau
Company – Glacier Bancorp, Inc.
COSO – Committee of Sponsoring Organizations of the Treadway Commission
CRA – Community Reinvestment Act of 1977
DDA – demand deposit account
DIF – federal Deposit Insurance Fund
DFAST – Dodd-Frank Act stress test
Dodd-Frank Act – Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
EVE – economic value of equity
Fannie Mae – Federal National Mortgage Association
FASB – Financial Accounting Standards Board
FDIC – Federal Deposit Insurance Corporation
FHLB – Federal Home Loan Bank
Final Rules – final rules implemented by the federal banking agencies that amended regulatory risk-based capital rules
GLBA – Gramm-Leach-Bliley Financial Services Modernization Act of 1999
HMDA – Home Mortgage Disclosure Act
Interstate Act – Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994
IRS – Internal Revenue Service
LIBOR – London Interbank Offered Rate
LIHTC – Low-Income Housing Tax Credit
NII – net interest income
NMTC – New Markets Tax Credits
NOW – negotiable order of withdrawal
NRSRO – Nationally Recognized Statistical Rating Organizations
OCI – other comprehensive income
OREO – other real estate owned
Patriot Act – Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001
Proxy Statement – the 2017 Annual Meeting Proxy Statement
Repurchase agreements – securities sold under agreements to repurchase
S&P – Standard and Poor's
SEC – United States Securities and Exchange Commission
SERP – Supplemental Executive Retirement Plan
SOX Act – Sarbanes-Oxley Act of 2002
TSB – Treasure State Bank
TDR – troubled debt restructuring
VIE – variable interest entity

Foothills – TFB Bancorp, Inc. and its subsidiary, The Foothills Bank
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

PART I

Item 1. Business

Glacier Bancorp, Inc. ("Company"), headquartered in Kalispell, Montana, is a Montana corporation incorporated in 2004 as a successor corporation to the Delaware corporation originally incorporated in 1990. The Company is a publicly-traded company and its common stock trades on the NASDAQ Global Select Market under the symbol GBCI. The Company provides commercial banking services from 142 locations 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. For information regarding the Company's lending, investment and funding activities, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Subsidiaries

The Company includes the parent holding company and the Bank. The Bank consists of thirteen bank divisions, a treasury division and an information technology division. The Bank divisions include the following: Glacier Bank, Kalispell; First Security Bank of Missoula; Valley Bank of Helena; Big Sky Western Bank, Bozeman; Western Security Bank, Billings; and First Bank of Montana, Lewistown, all operating in Montana; as well as Mountain West Bank, Coeur d'Alene operating in Idaho, Utah and Washington; Citizens Community Bank, Pocatello, operating in Idaho; 1st Bank, Evanston, operating in Wyoming and Utah; First Bank of Wyoming, Powell and First State Bank, Wheatland, each operating in Wyoming; North Cascades Bank, Chelan, operating in Washington; and Bank of the San Juans, Durango, operating in Colorado. 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 advisory directors. The Company considers the Bank to be its sole operating segment.

The Bank has subsidiary interests in variable interest entities ("VIE") for which the Bank 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. These subsidiary interests are included in the Company's consolidated financial statements. The parent holding company also owns the following non-bank subsidiaries, each of which issued trust preferred securities as Tier 1 capital instruments: Glacier Capital Trust II, Glacier Capital Trust III, Glacier Capital Trust IV, Citizens (ID) Statutory Trust I, Bank of the San Juans Bancorporation Trust I, First Company Statutory Trust 2001, and First Company Statutory Trust 2003. The trust subsidiaries are not included in the Company's consolidated financial statements.

As of December 31, 2016, the Company and its subsidiaries were not engaged in any operations in foreign countries.

Recent and Pending Acquisitions

The Company's strategy is to profitably grow its business through internal growth and selective acquisitions. The Company continues to look for profitable expansion opportunities primarily in existing and new markets in the Rocky Mountain states. During the last five years, the Company has completed the following acquisitions:

- Treasure State Bank ("TSB") on August 31, 2016;
- Cañon Bank Corporation and its subsidiary, Cañon National Bank, on October 31, 2015 (collectively, "Cañon");
- Montana Community Banks, Inc. and its subsidiary, Community Bank, on February 28, 2015 (collectively, "CB");
- FNBR Holding Corporation and its subsidiary, First National Bank of the Rockies, on August 31, 2014;
- North Cascades Bancshares, Inc. and its subsidiary, North Cascades National Bank, on July 31, 2013; and
- Wheatland Bankshares, Inc. and its subsidiary, First State Bank, on May 31, 2013.

On November 15, 2016, the Company announced the signing of a definitive agreement to acquire TFB Bancorp, Inc. and its wholly-owned subsidiary, The Foothills Bank, a community bank based in Yuma, Arizona (collectively, “Foothills”). Foothills provides banking services to individuals and businesses in Arizona, with banking offices located in Yuma, Prescott and Casa Grande, Arizona. As of December 31, 2016, Foothills had total assets of $335 million, gross loans of $280 million and total deposits of $282 million. The acquisition, which has received Foothills’ shareholder approval, is subject to required regulatory approvals and other customary conditions of closing and is expected to be completed during the second quarter of 2017. Foothills will be merged into Glacier Bank and will operate as a separate bank division under its existing name, management team and advisory directors.

Market Area

The Company and the Bank have 142 locations, of which 9 are loan or administration offices, in 48 counties within 6 states including Montana, Idaho, Wyoming, Colorado, Utah, and Washington. The Company and the Bank have 60 locations in Montana, 28 locations in Idaho, 17 locations in Wyoming, 20 locations in Colorado, 4 locations in Utah and 13 locations in Washington.

The market area's economic base primarily focuses on tourism, construction, mining, energy, manufacturing, agriculture, service industry, and health care. The tourism industry is highly influenced by national parks, ski resorts, significant lakes and rural scenic areas.

Competition

Commercial banking is a highly competitive business and operates in a rapidly changing environment. There are a large number of depository institutions including savings and loans, commercial banks, and credit unions in the markets in which the Company has offices. Competition is also increasing for deposit and lending services from internet-based competitors. Non-depository financial service institutions, primarily in the securities, insurance and retail industries, have also become competitors for retail savings, investment funds and lending activities. In addition to offering competitive interest rates, the principal methods used by the Bank to attract deposits include the offering of a variety of services including on-line banking, mobile banking and convenient office locations and business hours. The primary factors in competing for loans are interest rates and rate adjustment provisions, loan maturities, loan fees, and the quality of service to borrowers and brokers.

Based on the Federal Deposit Insurance Corporation ("FDIC") summary of deposits survey as of June 30, 2016, the Bank has approximately 24 percent of the total FDIC insured deposits in the 13 counties that it services in Montana. In Idaho, the Bank has approximately 7 percent of the deposits in the 9 counties that it services. In Wyoming, the Bank has 26 percent of the deposits in the 8 counties it services. In Colorado, the Bank has 5 percent of the deposits in the 9 counties it services. In Utah, the Bank has 11 percent of the deposits in the 3 counties it services. In Washington, the Bank has 4 percent of the deposits in the 6 counties it services.

Employees

As of December 31, 2016, the Company and the Bank employed 2,291 persons, 2,099 of whom were employed full time and none of whom were represented by a collective bargaining group. The Company and the Bank provide their qualifying employees with a comprehensive benefit program, including health, dental and vision insurance, life and accident insurance, long-term disability coverage, vacation and sick leave, 401(k) plan, profit sharing plan, stock-based compensation plan, deferred compensation plans, and a supplemental executive retirement plan. The Company considers its employee relations to be excellent. See Note 13 in the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" for detailed information regarding employee benefit plans and eligibility requirements.

Board of Directors and Committees

The Company's Board of Directors ("Board") has the ultimate authority and responsibility for overseeing risk management at the Company. Some aspects of risk oversight are fulfilled at the Board level, and the Board delegates other aspects of its risk oversight function to its committees. The Board has established, among others, an Audit Committee, a Compensation Committee, a Nominating/Corporate Governance Committee, a Compliance Committee, and a Risk Oversight Committee. Additional information regarding Board committees is set forth under the heading "Meetings and Committees of the Board of Directors - Committee Membership" in the Company's 2017 Annual Meeting Proxy Statement and is incorporated herein by reference.

Website Access

Copies of the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through the Company's website (www.glacierbancorp.com) as soon as reasonably practicable after the Company has filed the material with, or furnished it to, the United States Securities and Exchange Commission ("SEC"). Copies can also be obtained by accessing the SEC's website (www.sec.gov).

Supervision and Regulation

The following discussion provides an overview of certain elements of the extensive regulatory framework applicable to the Company and the Bank. This regulatory framework is primarily designed for the protection of depositors, the federal Deposit Insurance Fund ("DIF") and the banking system as a whole, rather than specifically for the protection of shareholders.

To the extent this section describes statutory and regulatory provisions, it does not purport to be complete and is qualified by reference to those provisions. These statutes and regulations, as well as related policies, continue to be subject to change by Congress, state legislatures and federal and state regulators. Changes in statutes, regulations or regulatory policies applicable to the Company, including the interpretation or implementation thereof cannot be predicted and could have a material effect on the Company's business or operations. Numerous changes to the statutes, regulations or regulatory policies applicable to the Company have been made or proposed in recent years. Continued efforts to monitor and comply with new regulatory requirements add to the complexity and cost of the Company's business.

The Company is subject to regulation and supervision by the Federal Reserve and regulation by the State of Montana as a Montana corporation. The Company is also subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, both as administered by the SEC. The Bank is subject to regulation and supervision by the Montana Department of Administration's Banking and Financial Institutions Division, the FDIC, and, with respect to branches of the Bank outside of Montana, applicable state regulators.

Federal Bank Holding Company Regulation

General. The Company is a bank holding company as defined in the Bank Holding Company Act of 1956, as amended ("BHCA"), due to its ownership of and control over the Bank. As a bank holding company, the Company is subject to regulation, supervision and examination by the Federal Reserve. In general, the BHCA limits the business of bank holding companies to owning or controlling banks and engaging in other activities closely related to banking. The Company must also file reports with and provide additional information to the Federal Reserve.

Holding Company Bank Ownership. The BHCA requires every bank holding company to obtain the prior approval of the Federal Reserve before: 1) acquiring, directly or indirectly, ownership or control of any voting shares of another bank or bank holding company if, after such acquisition, it would own or control more than 5 percent of such shares; 2) acquiring all or substantially all of the assets of another bank or bank holding company; or 3) merging or consolidating with another bank holding company.

Holding Company Control of Non-banks. With some exceptions, the BHCA prohibits a bank holding company from acquiring or retaining direct or indirect ownership or control of more than 5 percent of the voting shares of any company that is not a bank or bank holding company, or from engaging directly or indirectly in activities other than those of banking, managing or controlling banks or providing services for its subsidiaries. The principal exceptions to these prohibitions involve certain non-bank activities that, by federal statute, agency regulation or order, have been identified as activities closely related to the business of banking or of managing or controlling banks.

Transactions with Affiliates. Bank subsidiaries of a bank holding company are subject to restrictions imposed by the Federal Reserve Act on extensions of credit to the holding company or its subsidiaries, on investments in securities, and on the use of securities as collateral for loans to any borrower. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") further extended the definition of an "affiliate" and treats credit exposure arising from derivative transactions, securities lending and borrowing transactions as a covered transaction under the regulations. It also expands the scope of covered transactions required to be collateralized, requires collateral to be maintained at all times for covered transactions required to be collateralized, and places limits on acceptable collateral. These regulations and restrictions may limit the Company's ability to obtain funds from the Bank for its cash needs, including funds for payment of dividends, interest and operational expenses.

Tying Arrangements. The Company is prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, sale or lease of property or furnishing of services. For example, with certain exceptions, neither the Company nor the Bank may condition an extension of credit to a customer on either 1) a requirement that the customer obtain additional services provided by the Company or the Bank or 2) an agreement by the customer to refrain from obtaining other services from a competitor.

Support of Bank Subsidiaries. Under Federal Reserve policy and the Dodd-Frank Act, the Company is expected to act as a source of financial and managerial strength to the Bank. This means that the Company is required to commit, as necessary, capital and resources to support the Bank, including at times when the Company may not be in a financial position to provide such resources, and it may not be in the Company's or the Company's shareholders' best interests to do so. Any capital loans a bank holding company makes to its bank subsidiaries are subordinate to deposits and to certain other indebtedness of the bank subsidiaries.

State Law Restrictions. As a Montana corporation, the Company is subject to certain limitations and restrictions under applicable Montana corporate law. For example, state law restrictions in Montana include limitations and restrictions relating to indemnification of directors, distributions to shareholders, transactions involving directors, officers or interested shareholders, maintenance of books, records and minutes, and observance of certain corporate formalities.

Federal and State Regulation of the Bank

General. Deposits in the Bank, a Montana state-chartered bank with branches in Montana, Colorado, Idaho, Utah, Washington and Wyoming, are insured by the FDIC. The Bank is subject to primary supervision, periodic examination and regulation of the FDIC and the Montana Department of Administration's Banking and Financial Institutions Division as the Bank’s primary regulators. These agencies have the authority to prohibit the Bank from engaging in what they believe constitute unsafe or unsound banking practices. The federal laws that apply to the Bank regulate, among other things, the scope of its business, its investments, its reserves against deposits, the timing of the availability of deposited funds, and the nature, amount of, and collateral for loans. Federal laws also regulate community reinvestment and insider credit transactions and impose safety and soundness standards. In addition to federal law and the laws of the State of Montana described above, with respect to the Bank's branches in Colorado, Idaho, Utah, Washington, and Wyoming, the Bank is also subject to various laws and regulations governing its activities in those states.

Consumer Protection. Although the Bank is not supervised directly by the Consumer Financial Protection Bureau (“CFPB”), its consumer banking activities are subject to regulation by the CFPB. The Bank is subject to a variety of federal and state consumer protection laws and regulations that govern its relationship with consumers including laws and regulations that impose certain disclosure requirements and regulate the manner in which the Bank takes deposits, make and collect loans, and provide other services. In recent years, examination and enforcement by state and federal banking agencies for non-compliance with consumer protection laws and their implementing regulations have increased and become more intense. Failure to comply with these laws and regulations may subject the Bank to various penalties, including but not limited to, enforcement actions, injunctions, fines, civil monetary penalties, criminal penalties, punitive damages, and the loss of certain contractual rights. The Bank has established a comprehensive compliance system to ensure consumer protection.

Community Reinvestment. The Community Reinvestment Act of 1977 (“CRA”) requires that, in connection with examinations of financial institutions within their jurisdiction, federal bank regulators must evaluate the record of financial institutions in meeting the credit needs of its local communities, including low and moderate-income neighborhoods, consistent with the safe and sound operation of those banks. A bank’s community reinvestment record is also considered by the applicable banking agencies in evaluating mergers, acquisitions, and applications to open a branch or facility. In some cases, a bank's failure to comply with the CRA and CRA protests filed by interested parties during applicable comment periods can result in the denial or delay of such applications. The Bank received a “satisfactory” rating in its most recent CRA examination.

Insider Credit Transactions. Banks are also subject to certain restrictions on extensions of credit to executive officers, directors, principal shareholders, and their related interests. Extensions of credit 1) must be made on substantially the same terms, including interest rates and collateral, and follow credit underwriting procedures that are at least as stringent, as those prevailing at the time for comparable transactions with persons not related to the lending bank; and 2) must not involve more than the normal risk of repayment or present other unfavorable features. Banks are also subject to certain lending limits and restrictions on overdrafts to insiders. A violation of these restrictions may result in the assessment of substantial civil monetary penalties, regulatory enforcement actions, and other regulatory sanctions. The Dodd-Frank Act and federal regulations place additional restrictions on loans to insiders, and generally prohibits loans to senior officers other than for certain specified purposes.

Regulation of Management. Federal law 1) sets forth circumstances under which officers or directors of a bank may be removed by the institution's federal supervisory agency; 2) places restraints on lending by a bank to its executive officers, directors, principal shareholders, and their related interests; and 3) generally prohibits management personnel of a bank from serving as directors or in other management positions of another financial institution whose assets exceed a specified amount or which has an office within a specified geographic area.

Safety and Soundness Standards. Certain non-capital safety and soundness standards are also imposed upon banks. These standards cover, among other things, internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, such other operational and managerial standards as the agency determines to be appropriate, and standards for asset quality, earnings and stock valuation. Each insured depository institution must implement a comprehensive written information security program that includes administrative, technical, and physical safeguards appropriate to the institution's size and complexity and the nature and scope of its activities. The information security program must be designed to ensure the security and confidentiality of customer information, protect against unauthorized access to or use of such information and ensure the proper disposal of customer and consumer information. An institution that fails to meet these standards may be required to submit a compliance plan, or submit to regulatory sanctions, including restrictions on growth. The Bank has established comprehensive policies and risk management procedures to ensure the safety and soundness of the Bank.

Interstate Banking and Branching

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Interstate Act") together with the Dodd-Frank Act, relaxed prior interstate branching restrictions under federal law by permitting, subject to regulatory approval, state and federally chartered commercial banks to establish branches in states where the laws permit banks chartered in such states to establish branches. The Interstate Act requires regulators to consult with community organizations before permitting an interstate institution to close a branch in a low-income area. Federal bank regulations prohibit banks from using their interstate branches primarily for deposit production and federal bank regulatory agencies have implemented a loan-to-deposit ratio screen to ensure compliance with this prohibition.

Dividends

A principal source of the Company's cash is from dividends received from the Bank, which are subject to government regulation and limitation on the Bank's ability to pay dividends. Regulatory authorities may prohibit banks and bank holding companies from paying dividends in a manner that would constitute an unsafe or unsound banking practice. In addition, a bank may not pay cash dividends if that payment could reduce the amount of its capital below that necessary to meet minimum applicable regulatory capital requirements. The Bank is subject to Montana state law and cannot declare a dividend greater than the previous two years' net earnings without providing notice to the state regulators. Additionally, current guidance from the Federal Reserve provides, among other things, that dividends per share on the Company's common stock generally should not exceed earnings per share, measured over the previous four fiscal quarters. The third installment of the Basel Accords ("Basel III") introduces additional limitations on a bank's ability to issue dividends by requiring banks to maintain a common equity conservation buffer of at least an additional 2.5 percent of risk-weighted assets over the minimum required capital ratio to avoid restrictions on dividends, redemptions and executive bonus payments. The Federal Reserve has issued a policy statement on the payment of cash dividends by bank holding companies which expresses the view that although no specific regulations restrict dividend payments by bank holding companies other than state corporate laws, a bank holding company should not pay cash dividends unless the company's earnings for the past year are sufficient to cover both the cash dividends and a prospective rate of earnings retention that is consistent with the bank holding company's capital needs, asset quality and overall financial condition.

Capital Adequacy

Regulatory Capital Guidelines. Federal bank regulatory agencies use capital adequacy guidelines in the examination and regulation of bank holding companies and banks. These guidelines are "risk-based," meaning that they are designed to make capital requirements more sensitive to differences in risk profiles among banks and bank holding companies. On July 2, 2013, the federal banking agencies approved the final rules ("Final Rules") implementing the Basel Committee's December 2010 final capital framework (commonly known as Basel III). The Final Rules substantially amended the regulatory risk-based capital rules applicable to the Company and the Bank. The phase-in period for the Final Rules became effective on January 1, 2015, with full compliance with the Final Rules phased in by January 1, 2019.

Generally speaking, effective January 1, 2015, the Final Rules do the following:

- created “Tier 1 Common Equity” (commonly referred to as “CET1”), which is a new measure of regulatory capital closer to pure tangible common equity than the previous Tier 1 definition;
- established a required minimum risk-based capital ratio for Tier 1 Common Equity at 4.5 percent and added a 2.5 percent capital conservation buffer;
- increased the required Tier 1 risk-based capital ratio to 6.0 percent and the required Total risk-based capital ratio to 8.0 percent;
- increased the required leverage ratio to 4 percent; and
- allowed for permanent grandfathering of non-qualifying instruments, such as trust preferred securities, issued prior to May 19, 2010 for depository institution holding companies with less than $15 billion in total assets as of year end 2009, subject to a limit of 25 percent of Tier 1 capital.

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Among other things, the Final Rules require a new capital conservation buffer designed to absorb losses during periods of economic stress.

The Bank is required to meet this new capital conservation buffer requirement by 2019 in order to avoid constraints on capital distributions, such as dividends and equity repurchases, and certain bonus compensation for executive officers. The Final Rules also change the risk-weights of certain assets for purposes of the risk-based capital ratios and phases out certain instruments as qualifying capital. The Final Rules contain revisions to the prompt corrective action framework, which is designed to place restrictions on insured depository institutions, including the Bank, if their capital levels begin to show signs of weakness. Under the prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions will be required to meet the following increased capital level requirements in order to qualify as "well capitalized": 1) a Tier 1 Common Equity capital ratio of at least 6.5%; 2) a Tier 1 capital ratio of at least 8%; 3) a total capital ratio of at least 10%; 4) a Tier 1 leverage ratio of at least 5%; and 5) not be subject to any order or written directive requiring a specific capital level. The FDIC's rules (as amended by the Final Rules) also contain other capital classification categories, such as "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized," which are based on an institution's specific capital ratios. An institution may be downgraded to a capital category that is lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition, or if it receives an unsatisfactory examination rating with respect to certain matters.

The application of the Final Rules may result in lower returns on invested capital, require the raising of additional capital or require regulatory action if the Bank were unable to comply with such requirements. In addition, management may be required to modify its business strategy due to the changes to the asset risk-weights for risk-based capital calculations and the requirement to meet the capital conservation buffers. The imposition of liquidity requirements in connection with Basel III could also cause the Bank to increase its holdings of liquid assets, change its business strategy, and make other changes to the terms of its funding. Management believes that, as of December 31, 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.

Regulatory Oversight and Examination

Inspections. The Federal Reserve conducts periodic inspections of bank holding companies. The supervisory objectives of the inspection program are to ascertain whether the financial strength of a bank holding company is maintained on an ongoing basis and to determine the effects or consequences of transactions between a bank holding company or its non-banking subsidiaries and its bank subsidiaries. For bank holding companies under $10 billion in assets, the inspection type and frequency varies depending on asset size, complexity of the organization, and the bank holding company's rating at its last inspection.

Examinations. Banks are subject to periodic examinations by their primary regulators. Bank examinations have evolved from reliance on transaction testing in assessing a bank's condition to a risk-focused approach. These examinations are extensive and cover the entire breadth of operations of a bank. Generally, safety and soundness examinations occur on an 18-month cycle for banks under $500 million in total assets that are well capitalized and without regulatory issues, and 12-months otherwise. Examinations alternate between the federal and state bank regulatory agency or may occur on a combined schedule. The frequency of consumer compliance and CRA examinations is linked to the size of the institution and its compliance and CRA ratings at its most recent examinations. However, the examination authority of the Federal Reserve and the FDIC allows them to examine supervised banks as frequently as deemed necessary based on the condition of the bank or as a result of certain triggering events.

Commercial Real Estate Ratios. On December 18, 2015, the federal banking regulators issued guidance reminding financial institutions to re examine existing regulations regarding concentrations in commercial real estate lending. The purpose of the guidance is to guide banks in developing risk management practices and capital levels commensurate with the level and nature of real estate concentrations. The banking regulators are directed to examine each bank's exposure to commercial real estate loans that are dependent on cash flow from the real estate held as collateral and to focus their supervisory resources on institutions that may have significant commercial real estate loan concentration risk. The guidance provides that the strength of an institution's lending and risk management practices with respect to such concentrations will be taken into account in evaluating capital adequacy and does not specifically limit a bank's commercial real estate lending to a specified concentration level.

Corporate Governance and Accounting

Sarbanes-Oxley Act of 2002. The Sarbanes-Oxley Act of 2002 ("SOX Act") addresses, among other things, corporate governance, auditing and accounting, enhanced and timely disclosure of corporate information, and penalties for non-compliance. Generally, the SOX Act 1) requires chief executive officers and chief financial officers to certify to the accuracy of periodic reports filed with the SEC; 2) imposes specific and enhanced corporate disclosure requirements; 3) accelerates the time frame for reporting of insider transactions and periodic disclosures by public companies; 4) requires companies to adopt and disclose information about corporate governance practices, including whether or not they have adopted a code of ethics for senior financial officers and whether the audit committee includes at least one "audit committee financial expert"; and 5) requires the SEC, based on certain enumerated factors, to regularly and systematically review corporate filings.

As a publicly reporting company, the Company is subject to the requirements of the SOX Act and related rules and regulations issued by the SEC and NASDAQ. After enactment, the Company updated its policies and procedures to comply with the SOX Act's requirements and has found that such compliance, including compliance with Section 404 relating to the Company's internal control over financial reporting, has resulted in significant additional expense for the Company. The Company will continue to incur additional expense in its ongoing compliance with these requirements.

Anti-Money Laundering and Anti-Terrorism

The Bank Secrecy Act and the Patriot Act. The Bank Secrecy Act ("BSA") requires all financial institutions to (among other requirements) establish a risk-based system of internal controls reasonably designed to prevent money laundering and the financing of terrorism. The BSA sets forth various recordkeeping and reporting requirements (such as reporting suspicious activities that might signal criminal activity), including due diligence and "know your customer" documentation requirements.

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("Patriot Act"), intended to combat terrorism, was renewed with certain amendments in 2006. The Patriot Act, in relevant part, 1) prohibits banks from providing correspondent accounts directly to foreign shell banks; 2) imposes due diligence requirements on banks opening or holding accounts for foreign financial institutions or wealthy foreign individuals; 3) requires financial institutions to establish an anti-money-laundering compliance program; and 4) eliminates civil liability for persons who file suspicious activity reports. The Patriot Act also includes provisions providing the government with power to investigate terrorism, including expanded government access to bank account records. Bank regulators are directed to consider a holding company's and bank's effectiveness in combating money laundering when reviewing and ruling on applications under the BHCA and the Bank Merger Act. The Company and the Bank have established comprehensive compliance programs designed to comply with the BSA and Patriot Act requirements.

Financial Services Modernization

Gramm-Leach-Bliley Act of 1999. The Gramm-Leach-Bliley Financial Services Modernization Act of 1999 ("GLBA") brought about significant changes to the laws affecting banks and bank holding companies. Generally, the GLBA 1) repeals historical restrictions on preventing banks from affiliating with securities firms; 2) provides a uniform framework for the activities of banks, savings institutions and their holding companies; 3) broadens the activities that may be conducted by national banks and banking subsidiaries of bank holding companies; 4) provides an enhanced framework for protecting the privacy of consumer information and requires notification to consumers of bank privacy policies; and 5) addresses a variety of other legal and regulatory issues affecting both day-to-day operations and long-term activities of financial institutions. The Bank is subject to FDIC regulations implementing the privacy protection provisions of the GLBA. These regulations require banks to disclose their privacy policy, including informing consumers of their information sharing practices and informing consumers of their rights to opt out of certain practices.

Deposit Insurance

FDIC Insured Deposits. The Bank's deposits are insured under the Federal Deposit Insurance Act, up to the maximum applicable limits and are subject to deposit insurance assessments by the FDIC designed to tie what banks pay for deposit insurance to the risks they pose. The Dodd-Frank Act redefined the assessment base used for calculating FDIC deposit insurance assessments by requiring the FDIC to determine deposit insurance assessments based on assets instead of deposits. Assessments are now based on the average consolidated total assets less average tangible equity capital of a financial institution. In addition, the Dodd-Frank Act raised the minimum designated reserve ratio (the FDIC is required to set the reserve ratio each year) of the DIF from 1.15 percent to 1.35 percent; requires that the DIF reserve ratio meet 1.35 percent by 2020; and eliminates the requirement that the FDIC pay dividends to insured depository institutions when the reserve ratio exceeds certain thresholds. In October 2015, the FDIC stated that it would offset the effect of the increase in the minimum reserve ratio on insured depository institutions with total consolidated assets of less than $10 billion by imposing a surcharge on insured depository institutions with total consolidated assets of $10 billion or more. No institution may pay a dividend if it is in default on its federal deposit insurance assessment. The FDIC may also prohibit any insured institution from engaging in any activity determined by regulation or order to pose a serious risk to the DIF.

Safety and Soundness. The FDIC may terminate the deposit insurance of any insured depository institution if it determines after a hearing that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, order or any condition imposed by an agreement with the FDIC. Management is not aware of any existing circumstances which would result in termination of the deposit insurance of the Bank.

Insurance of Deposit Accounts. The Dodd-Frank Act permanently increased FDIC deposit insurance from $100,000 to $250,000 per depositor. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category.

The Dodd-Frank Act
On July 21, 2010, the Dodd-Frank Act was signed into law. The Dodd-Frank Act significantly changed the bank regulatory structure and is affecting the lending, deposit, investment, trading and operating activities of financial institutions and the bank holding companies, including the Company and the Bank. Some of the provisions of the Dodd-Frank Act that may impact the Company's business are summarized below. In light of the new Administration in Washington D.C., there is talk of providing some relief from certain provisions of the Dodd-Frank Act. For example, the President signed two directives on February 3, 2017 ordering a review of financial industry regulations, including the Dodd-Frank Act, to ensure that existing laws align with the Administration's goals. At this time, it is too early to predict the likelihood, timing, and scope of any such amendment(s).

Corporate Governance. The Dodd-Frank Act requires publicly traded companies to provide their shareholders with 1) a non-binding shareholder vote on executive compensation; 2) a non-binding shareholder vote on the frequency of such vote; 3) disclosure of "golden parachute" arrangements in connection with specified change in control transactions; and 4) a non-binding shareholder vote on golden parachute arrangements in connection with these change in control transactions. Effective August 5, 2015, the SEC adopted a rule mandated by the Dodd-Frank Act that requires a public company to disclose the ratio of the compensation of its Chief Executive Officer ("CEO") to the median compensation of its employees. This rule is intended to provide shareholders with information that they can use to evaluate a CEO's compensation. Companies will be required to provide disclosure of their pay ratios for their first fiscal year beginning on or after January 1, 2017.

Prohibition Against Charter Conversions of Financial Institutions. The Dodd-Frank Act generally prohibits a depository institution from converting from a state to federal charter, or vice versa, while it is the subject to an enforcement action unless the depository institution seeks prior approval from its primary regulator and complies with specified procedures to ensure compliance with the enforcement action.

Repeal of Demand Deposit Interest Prohibition. The Dodd-Frank Act repeals the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts.

Consumer Financial Protection Bureau. The Dodd-Frank Act established the CFPB and empowered it to exercise broad rulemaking, supervision and enforcement authority for a wide range of consumer protection laws. The Bank is subject to consumer protection regulations issued by the CFPB, but as a financial institution with assets of less than $10 billion, the Bank is generally not subject to supervision and examination by the CFPB. The CFPB has issued and continues to issue numerous regulations under which the Company will continue to incur additional expense in its ongoing compliance with CFPB regulations. Significant recent CFPB developments that may affect the Bank's operations and compliance costs include:

- The issuance of proposals to ban consumer finance companies from including arbitration clauses that block class action lawsuits in their consumer contracts. The proposals under consideration would require that companies that choose to use arbitration clauses for individual disputes submit to the CFPB the arbitration claims filed and awards issued. The current proposals would apply to credit cards, checking and deposit accounts, prepaid cards, money transfer services, certain auto loans and installment loans.
- Positions taken by the CFPB on fair lending, including applying the disparate impact theory which could make it more difficult for lenders to charge different rates or apply different terms to loans to different customers.
- The issuance of a final rule amending Regulation C, which implements the Home Mortgage Disclosure Act ("HMDA"), requiring most lenders to report expanded information in order for the CFPB to more effectively monitor fair lending concerns and other information shortcomings identified by the CFPB.
- Positions taken by the CFPB regarding the Electronic Fund Transfer Act and Regulation E, which require companies to obtain consumer authorizations before automatically debiting a consumer's account for pre-authorized electronic funds transfers.

- Actions taken to regulate and supervise credit bureaus and debt collections.

Proposed Legislation

New Legislation and Compliance Burdens. The economic and political environment of the past several years has led to a number of proposed legislative, governmental and regulatory initiatives that may significantly impact the banking industry, including tax reform. Other regulatory initiatives by federal and state banking agencies may also significantly impact the Bank’s business. The Bank cannot predict whether these or any other proposals will be enacted or the ultimate impact of any such initiatives on its operations, competitive situation, financial conditions, or results of operations. While recent history has demonstrated that new legislation or changes to existing laws or regulations typically result in a greater compliance burden (and therefore increase the general costs of doing business), the new Administration has expressed an attempt to reduce regulatory burden.

Effects of Federal Government Monetary Policy
Government Policies. The Company’s earnings and growth are affected not only by general economic conditions, but also by the fiscal and monetary policies of the federal government, particularly the Federal Reserve. The Federal Reserve implements national monetary policy for such purposes of promoting maximum employment, stable prices and moderate long-term interest rates. Through its open market operations in U.S. government securities, control of the discount rate applicable to borrowings from the Federal Reserve, establishment of reserve requirements against certain deposits, and control of the rate of interest applicable to excess reserve balances and reverse repurchase agreements, the Federal Reserve influences the availability and cost of money and credit, and ultimately, a range of economic variables including employment, output, and prices of goods and services. The nature and impact of future changes in monetary policies and their impact on the Company or the Bank cannot be predicted with certainty.

Heightened Requirements for Bank Holding Companies with $10 Billion or More in Assets
$10 Billion Threshold. Various federal banking laws and regulations impose heightened requirements on certain large banks and bank holding companies. In relevant part, certain rules and requirements (e.g., stress testing, risk committees, CFPB oversight, etc.) also apply to banks and bank holding companies with at least $10 billion in total consolidated assets. Although the Company does not currently have $10 billion or more in total consolidated assets, it is reasonable to assume that the Company's total assets may exceed $10 billion in the foreseeable future, based on the Company's organic growth rates or if the Company engages in any future acquisitions.

Item 1A. Risk Factors

An investment in the Company’s common stock involves certain risks. The following is a discussion of what the Company believes are the most significant risks and uncertainties that may affect the Company’s business, financial condition and future results.

Economic conditions in the market areas the Bank serves may adversely impact its earnings and could increase the credit risk associated with its loan portfolio and the value of its investment portfolio.
Substantially all of the Bank’s loans are to businesses and individuals in Montana, Idaho, Wyoming, Utah, Colorado and Washington, and a softening of the economies in these market areas could have a material adverse effect on its business, financial condition, results of operations and prospects. Although the Company has minimal exposure to the energy industry, a further decline in this sector could have an unfavorable effect on the Company’s performance. Any future deterioration in economic conditions nationally or in the markets the Bank serves could result in the following consequences, any of which could have an adverse impact, which could be material, on the Company’s business, financial condition, results of operations and prospects:

- loan delinquencies may increase;
- problem assets and foreclosures may increase;
- collateral for loans made may decline in value, in turn reducing customers’ borrowing power, reducing the value of assets and collateral associated with existing loans;
- certain securities within the investment portfolio could become other-than-temporarily impaired, requiring a write-down through earnings to fair value, thereby reducing equity;
- low cost or non-interest bearing deposits may decrease; and
- demand for loan and other products and services may decrease.

National and global economic and geopolitical conditions could adversely affect the Company’s future results of operations or market price of its stock.
The Company’s business is impacted by factors such as economic, political and market conditions, broad trends in industry and finance, and changes in government monetary policies, all of which are beyond the Company’s control. National and global economies are constantly in flux, as evidenced by recent market volatility resulting from, among

other things, a new presidential administration and new economic policies associated therewith, the uncertain future relationship of the United Kingdom with the European Union (e.g., Brexit), and the ever-changing landscape of the energy industry. Future economic conditions cannot be predicted, and any renewed deterioration in the economies of the nation as a whole or in the Company’s markets could have an adverse effect, which could be material, on its business, financial condition, results of operations and prospects, and could cause the market price of the Company’s stock to decline.

The Company will be subject to heightened regulatory requirements when the Company exceeds $10 billion in assets. It is reasonable to assume, based on the Company's organic growth rates and if the Company engages in any future acquisitions, that the Company's total consolidated assets may exceed $10 billion in the foreseeable future. The Dodd-Frank Act and its implementing regulations impose additional requirements on bank holding companies with $10 billion or more in total assets, including compliance with specific sections of the Federal Reserve's prudential oversight requirements and annual stress testing requirements. The Durbin Amendment, which was passed as part of Dodd-Frank, instructed the Federal Reserve to establish rules limiting the amount of interchange fees that can be charged to merchants for debit card processing. The Federal Reserve's final rules contained several key pieces, including in relevant part an interchange fee cap, certain fraud prevention adjustments, and, most notably, an exemption from the interchange fee cap for small issuers. Issuers with less than $10 billion in total assets (as of the end of the previous calendar year) are exempt from the Federal Reserve's interchange fee cap. However, if the Company's total assets exceed $10 billion, the interchange fee cap of the Durbin Amendment will negatively affect the interchange income the Bank receives from electronic payment transactions. Banks with $10 billion or more in total assets are also examined by the CFPB. As a fairly new agency with evolving regulations and practices, it is uncertain as to how the CFPB's various examinations may affect the Company's business.

The Company and the Bank operate in a highly regulated environment and changes or increases in, or supervisory enforcement of, banking or other laws and regulations or governmental fiscal or monetary policies could adversely affect the Company.
The Company and the Bank are subject to extensive regulation, supervision and examination by federal and state banking regulators. In addition, as a publicly-traded company, the Company is subject to regulation by the SEC. Any change in applicable regulations or federal, state or local legislation or in policies or interpretations or regulatory approaches to compliance and enforcement, income tax laws and accounting principles could have a substantial impact on the Company and its operations. Changes in laws and regulations may also increase expenses by imposing additional fees or taxes or restrictions on operations. Additional legislation and regulations that could significantly affect powers, authority and operations may be enacted or adopted in the future, which could have a material adverse effect on the Company’s financial condition and results of operations. Failure to appropriately comply with any such laws, regulations or principles could result in sanctions by regulatory agencies or damage to the Company’s reputation, all of which could adversely affect the Company’s business, financial condition or results of operations.

A failure in or breach of the Bank’s operational or security systems, or those of the Bank’s third party service providers, including as a result of cyber attacks, could disrupt business, result in the disclosure or misuse of confidential or proprietary information, damage the Company’s reputation, increase costs and cause losses.
The Bank’s operations rely heavily on the secure processing, storage and transmission of confidential and other information on its computer systems and networks. Any failure, interruption or breach in security or operational integrity of these systems could result in failures or disruptions in the Bank’s online banking system, customer relationship management, general ledger, deposit and loan servicing, financial reporting and other systems. The security and integrity of the Bank’s systems could be threatened by a variety of interruptions or information security breaches, including those caused by computer hacking, cyber attacks, electronic fraudulent activity or attempted theft of financial assets. The Bank cannot assure that any such failures, interruption or security breaches will not occur, or if they do occur, that they will be adequately addressed. While the Bank has certain protective policies and procedures in place, the nature and sophistication of the threats continue to evolve. The Bank may be required to expend significant additional resources in the future to modify and enhance its protective measures.

Additionally, the Bank faces the risk of operational disruption, failure, termination or capacity constraints of any of the third parties that facilitate its business activities, including exchanges, clearing agents, clearing houses or other financial intermediaries. Such parties could also be the source of an attack on, or breach of, the Bank’s operational systems.

Any failures, interruptions or security breaches in the Bank's information systems could damage its reputation, result in a loss of customer business, result in a violation of privacy or other laws, or expose the Company to civil litigation, regulatory fines or losses not covered by insurance.

Regulators have significant discretion and authority to prevent or remedy unsafe or unsound practices or violations of laws or regulations by financial institutions and bank holding companies in the performance of their supervisory and enforcement duties. Existing and proposed federal and state laws and regulations restrict, limit and govern all aspects of the Company's activities and may affect the ability to expand its business over time, may result in an increase in the Company's compliance costs, and may affect its ability to attract and retain qualified executive officers and employees. Recently, these powers have been utilized more frequently due to the challenging national, regional and local economic conditions. The exercise of regulatory authority may have a negative impact on the Company's financial condition and results of operations, including limiting the types of financial services and products the Company may offer or increasing the ability of non-banks to offer competing financial services and products. Additionally, the Company's business is affected significantly by the fiscal and monetary policies of the federal government and its agencies, including the Federal Reserve.

The Company cannot accurately predict the full effects of recent legislation or the various other governmental, regulatory, monetary and fiscal initiatives which have been and may be enacted on the financial markets and on the Company. The terms and costs of these activities, or the failure of these actions to help stabilize the financial markets, asset prices, market liquidity and a continuation or worsening of current financial market and economic conditions could materially and adversely affect the Company’s business, financial condition, results of operations, and the trading price of the Company’s common stock.

The allowance for loan and lease losses may not be adequate to cover actual loan losses, which could adversely affect earnings.
The Bank maintains an allowance for loan and lease losses (“ALLL” or “allowance”) in an amount that it believes is adequate to provide for losses in the loan portfolio. While the Bank strives to carefully manage and monitor credit quality and to identify loans that may become non-performing, at any time there are loans included in the portfolio that will result in losses, but that have not been identified as non-performing or potential problem loans. With respect to real estate loans and property taken in satisfaction of such loans (“other real estate owned” or “OREO”), the Bank can be required to recognize significant declines in the value of the underlying real estate collateral or OREO quite suddenly as values are updated through appraisals and evaluations (new or updated) performed in the normal course of monitoring the credit quality of the loans. There are many factors that can cause the value of real estate to decline, including declines in the general real estate market, changes in methodology applied by appraisers, and/or using a different appraiser than was used for the prior appraisal or evaluation. The Bank’s ability to recover on real estate loans by selling or disposing of the underlying real estate collateral is adversely impacted by declining values, which increases the likelihood the Bank will suffer losses on defaulted loans beyond the amounts provided for in the ALLL. This, in turn, could require material increases in the Bank’s provision for loan losses and ALLL. By closely monitoring credit quality, the Bank attempts to identify deteriorating loans before they become non-performing assets and adjust the ALLL accordingly. However, because future events are uncertain, and if difficult economic conditions occur, there may be loans that deteriorate to a non-performing status in an accelerated time frame. As a result, future additions to the ALLL may be necessary beyond the levels commensurate with any loan growth. Because the loan portfolio contains a number of loans with relatively large balances, the deterioration of one or a few of these loans may cause a significant increase in non-performing loans, requiring an increase to the ALLL. Additionally, future significant additions to the ALLL may be required based on changes in the mix of loans comprising the portfolio, changes in the financial condition of borrowers, which may result from changes in economic conditions, or changes in the assumptions used in determining the ALLL. Additionally, federal and state banking regulators, as an integral part of their supervisory function, periodically review the Bank’s loan portfolio and the adequacy of the ALLL. These regulatory authorities may require the Bank to recognize further loan loss provisions or charge-offs based upon their judgments, which may be different from the Bank’s judgments. Any increase in the ALLL could have an adverse effect, which could be material, on the Company’s financial condition and results of operations.

The Bank has a high concentration of loans secured by real estate, so any future deterioration in the real estate markets could require material increases in the ALLL and adversely affect the Company’s financial condition and results of operations.
The Bank has a high degree of concentration in loans secured by real estate. Any future deterioration in the real estate markets could adversely impact borrowers’ ability to repay loans secured by real estate and the value of real estate collateral, thereby increasing the credit risk associated with the loan portfolio. The Bank’s ability to recover on these loans by selling or disposing of the underlying real estate collateral would be adversely impacted by any decline in real estate values, which increases the likelihood that the Bank will suffer losses on defaulted loans secured by real estate beyond the amounts provided for in the ALLL. This, in turn, could require material increases in the ALLL which would adversely affect the Company’s financial condition and results of operations.

Non-performing assets could increase, which could adversely affect the Company’s results of operations and financial condition.

The Bank may experience increases in non-performing assets in the future. Non-performing assets (which include OREO) adversely affect the Company’s financial condition and results of operations in various ways. The Bank does not record interest income on non-accrual loans or OREO, thereby adversely affecting its earnings. When the Bank takes collateral in foreclosures and similar proceedings, it is required to mark the related asset to the then fair value of the collateral, less estimated cost to sell, which may result in a charge-off of the value of the asset and lead the Bank to increase the provision for loan losses. An increase in the level of non-performing assets also increases the Bank’s risk profile and may impact the capital levels its regulators believe are appropriate in light of such risks. Further decreases in the value of these assets, or the underlying collateral, or in these borrowers’ performance or financial condition, whether or not due to economic and market conditions beyond the Bank’s control, could adversely affect the Company’s business, results of operations and financial condition, perhaps materially. In addition to the carrying costs to maintain OREO, the resolution of non-performing assets increases the Bank’s loan administration costs generally, and requires significant commitments of time from management and the Company’s directors, which reduces the time they have to focus on profitably growing the Company’s business.

The Bank’s loan portfolio mix increases the exposure to credit risks tied to deteriorating conditions.
The loan portfolio contains a high percentage of commercial, commercial real estate, real estate acquisition and development loans in relation to the total loans and total assets. These types of loans have historically been viewed as having more risk of default than residential real estate loans or certain other types of loans or investments. In fact, the FDIC has issued pronouncements alerting banks of its concern about banks with a heavy concentration of commercial real estate loans. These types of loans also typically are larger than residential real estate loans and other commercial loans. Because the Bank’s loan portfolio contains a significant number of commercial and commercial real estate loans with relatively large balances, the deterioration of one or more of these loans may cause a significant increase in non-performing loans. An increase in non-performing loans could result in a loss of earnings from these loans, an increase in the provision for loan losses, or an increase in loan charge-offs, which could have a material adverse impact on results of operations and financial condition.

Competition in the Bank’s market areas may limit future success.
Commercial banking is a highly competitive business and a consolidating industry. The Bank competes with other commercial banks, savings and loans, credit unions, finance, insurance and other non-depository companies operating in its market areas. The Bank is subject to substantial competition for loans and deposits from other financial institutions. Some of its competitors are not subject to the same degree of regulation and restriction as the Bank. Some of the Bank’s competitors have greater financial resources than the Bank. If the Bank is unable to effectively compete in its market areas, the Bank’s business, results of operations and prospects could be adversely affected.

Fluctuating interest rates can adversely affect profitability.
The Bank’s profitability is dependent to a large extent upon net interest income, which is the difference (or “spread”) between the interest earned on loans, investment securities and other interest earning assets and interest paid on deposits, borrowings, and other interest bearing liabilities. Because of the differences in maturities and repricing characteristics of interest earning assets and interest bearing liabilities, changes in interest rates do not produce equivalent changes in interest income earned on interest earning assets and interest paid on interest bearing liabilities. Accordingly, fluctuations in interest rates could adversely affect the Bank’s interest rate spread, and, in turn, profitability. The Bank seeks to manage its interest rate risk within well established policies and guidelines. Generally, the Bank seeks an asset and liability structure that insulates net interest income from large deviations attributable to changes in market rates. However, the Bank’s structures and practices to manage interest rate risk may not be effective in a highly volatile rate environment. Recently, the Federal Reserve increased the federal funds target range by 0.25 percent from 0.50 to 0.75 percent and has indicated further increases could continue depending on economic conditions.

The Company may not be able to continue to grow organically or through acquisitions.
Historically, the Company has expanded through a combination of organic growth and acquisitions. If market and regulatory conditions remain challenging, the Company may be unable to grow organically or successfully complete or integrate potential future acquisitions. The Company has historically used its strong stock currency to complete acquisitions. Downturns in the stock market and the Company’s stock could have an impact on future acquisitions. Furthermore, there can be no assurance that the Company can successfully complete such transactions, since they are subject to regulatory review and approval.

Growth through future acquisitions could, in some circumstances, adversely affect profitability or other performance measures.
During 2016 and in prior years, the Company has been active in acquisitions and may in the future engage in selected acquisitions of additional financial institutions. There are risks associated with any such acquisitions that could adversely affect profitability and other performance measures. These risks include, among other things, incorrectly assessing the asset quality of a financial institution being acquired, discovering compliance or regulatory issues after the acquisition, encountering greater than anticipated cost and use of management time associated with integrating

acquired businesses into the Company’s operations, and being unable to profitably deploy funds acquired in an acquisition. The Company may not be able to continue to grow through acquisitions, and if it does, there is a risk of negative impacts of such acquisitions on the Company’s operating results and financial condition.

Acquisitions may also cause business disruptions that cause the Bank to lose customers or cause customers to remove their accounts from the Bank and move to competing financial institutions. Further, acquisitions may also disrupt the Bank's ongoing businesses or create inconsistencies in standards, controls, procedures, and policies that adversely affect relationships with employees, clients, customers, and depositors. The loss of key employees during acquisitions may also adversely affect the Company's business.

The Company anticipates that it might issue capital stock in connection with future acquisitions. Acquisitions and related issuances of stock may have a dilutive effect on earnings per share, book value per share, or the percentage ownership of current shareholders. In acquisitions involving the use of cash as consideration, there will be an impact on the Company's capital position.

The Company's business is heavily dependent on the services of the senior management team and proposed changes could have an impact on the Company.
The Company believes its success to date has been substantially dependent on the members of the executive management team, in particular Mick Blodnick, the Company's CEO. The unexpected loss of any of these persons could have an adverse effect on the Company's business and future growth prospects. Fortunately, the Company has a decentralized management style with separate Presidents for each of its bank divisions. Notwithstanding this, Mr. Blodnick has been instrumental in the Company's success. As previously announced, Mr. Blodnick retired as CEO at the end of 2016 but remains on the Board. The Company, following a national search, hired Randall Chesler in 2015 to be Mr. Blodnick's successor. Mr. Chesler has served as President of the Bank and a director of the Bank since August 1, 2015, he was elected to the Board of the Company at the Company's annual meeting in 2016, and he assumed the roles of President and CEO of the Company and CEO of the Bank effective January 1, 2017. The objective of this 17-month transition period was to facilitate a smooth succession of management at the President/CEO level.

A decline in the fair value of the Bank's investment portfolio could adversely affect earnings and capital.
The fair value of the Bank's investment securities could decline as a result of factors including changes in market interest rates, tax reform, credit quality and credit ratings, lack of market liquidity and other economic conditions. An investment security is impaired if the fair value of the security is less than the carrying value. When a security is impaired, the Bank determines whether the impairment is temporary or other-than-temporary. If an impairment is determined to be other-than-temporary, an impairment loss is recognized by reducing the amortized cost only for the credit loss associated with the other-than-temporary loss with a corresponding charge to earnings for a like amount. Any such impairment charge would have an adverse effect, which could be material, on the Company's results of operations and financial condition, including its capital.

The size of the investment portfolio has stabilized over the past few years and represents 33 percent of total assets at December 31, 2016 and 36 percent of total assets at December 31, 2015. While the Bank believes that the terms of such investments have been kept relatively short, the Bank is subject to elevated interest rate risk exposure if rates were to increase sharply. Further, the change in the mix of the Bank's assets to more investment securities presents a different type of asset quality risk than the loan portfolio. At December 31, 2016, the investment portfolio consisted of 78 percent available-for-sale and 22 percent held-to-maturity designated investment securities. While the Company believes a relatively conservative management approach has been applied to the investment portfolio, there is always potential loss exposure under changing economic conditions.

Interest rate swaps expose the Bank to certain risks, and may not be effective in mitigating exposure to changes in interest rates.
The Bank has entered into interest rate swap agreements in order to manage a portion of the interest rate volatility risk. The Bank anticipates that it may enter into additional interest rate swaps. These swap agreements involve other risks, such as the risk that the counterparty may fail to honor its obligations under these arrangements, leaving the Bank vulnerable to interest rate movements. The Bank's current interest rate swap agreements include bilateral collateral agreements whereby the net fair value position is collateralized by the party in a net liability position. The bilateral collateral agreements reduce the Bank's counterparty risk exposure. There can be no assurance that these arrangements will be effective in reducing the Bank's exposure to changes in interest rates.

If goodwill recorded in connection with acquisitions becomes additionally impaired, it could have an adverse impact on earnings and capital.
Accounting standards require the Company to account for acquisitions using the acquisition method of accounting. Under acquisition accounting, if the purchase price of an acquired company exceeds the fair value of its net assets, the excess is carried on the acquirer's balance sheet as goodwill. In accordance with accounting principles generally accepted in the United States of America ("GAAP"), goodwill is not amortized but rather is evaluated for impairment on

an annual basis or more frequently if events or circumstances indicate that a potential impairment exists. The Company's goodwill was not considered impaired as of December 31, 2016 and 2015; however, there can be no assurance that future evaluations of goodwill will not result in findings of impairment and write-downs, which could be material. While a non-cash item, impairment of goodwill could have a material adverse effect on the Company’s business, financial condition and results of operations. Furthermore, impairment of goodwill could subject the Company to regulatory limitations, including the ability to pay dividends on its common stock.

There can be no assurance the Company will be able to continue paying dividends on the common stock at recent levels.
The Company may not be able to continue paying quarterly dividends commensurate with recent levels given that the ability to pay dividends on the Company's common stock depends on a variety of factors. The payment of dividends is subject to government regulation in that regulatory authorities may prohibit banks and bank holding companies from paying dividends that would constitute an unsafe or unsound banking practice. This is heavily based on the Company's earnings and capital levels which currently are strong. Current guidance from the Federal Reserve provides, among other things, that dividends per share should not exceed earnings per share measured over the previous four fiscal quarters. The Bank is also subject to Montana state law and cannot declare a dividend greater than the previous two years' net earnings without providing notice to the state. As a result, future dividends will generally depend on the level of earnings at the Bank.

The FDIC has adopted a final rule to increase the federal Deposit Insurance Fund, including additional future premium increases and special assessments.
On March 15, 2016, the FDIC adopted a final rule to increase insurance premiums and has imposed special assessments to rebuild and maintain the federal deposit insurance fund, and any additional future premium increases or special assessments could have a material adverse effect on the Company's business, financial condition, and results of operations. Additional information regarding this matter is set forth under the heading "Supervision and Regulation" in "Item 1. Business."

The Dodd-Frank Act broadened the base for FDIC insurance assessments. In addition, the Dodd-Frank Act established 1.35 percent as the minimum Deposit Insurance Fund reserve ratio. The FDIC has determined that the fund reserve ratio should be 2.0 percent (which is beyond what is required by law) and has adopted a plan under which it will meet the statutory minimum fund reserve ratio of 1.35 percent by the statutory deadline of September 30, 2020. The Dodd-Frank Act made banks with $10 billion or more in total assets responsible for the increase from 1.15 percent to 1.35 percent. As a result, the deposit insurance assessments to be paid by the Bank could increase.

The impact of Basel III is uncertain.
Basel III sets forth more robust global regulatory standards on capital adequacy, qualifying capital instruments, leverage ratios, market liquidity risk, and stress testing, which may be stricter than standards currently in place. The phase-in period for Basel III begins January 1, 2015 and ends on January 1, 2019. The implementation of these new standards could have an adverse impact on the Company's financial position and future earnings due to, among other things, the increased Tier 1 capital ratio requirements that will be implemented. Additional information regarding Basel III is set forth under the heading "Supervision and Regulation" in "Item 1. Business."

The Company has various anti-takeover measures that could impede a takeover.
The Company's articles of incorporation include certain provisions that could make more difficult the acquisition of the Company by means of a tender offer, a proxy contest, merger or otherwise. These provisions include a requirement that any "Business Combination" (as defined in the articles of incorporation) be approved by at least 80 percent of the voting power of the then outstanding shares, unless it is either approved by the Company's Board or certain price and procedural requirements are satisfied. In addition, the authorization of preferred stock, which is intended primarily as a financing tool and not as a defensive measure against takeovers, may potentially be used by management to make more difficult uninvited attempts to acquire control of the Company. These provisions may have the effect of lengthening the time required to acquire control of the Company through a tender offer, proxy contest or otherwise, and may deter any potentially unfriendly offers or other efforts to obtain control of the Company. This could deprive the Company's shareholders of opportunities to realize a premium for their common stock in the Company, even in circumstances where such action is favored by a majority of the Company's shareholders.

The Company's business is subject to the risks of earthquakes, tsunamis, floods, fires, and other natural catastrophes.

With Bank branches located in Montana, Idaho, Wyoming, Utah, Colorado and Washington, the Company's business could be affected by a major natural catastrophe, such as a fire, flood, earthquake, or other natural disaster. The occurrence of any of these natural disasters may result in a prolonged interruption of the Company's business, which could have a material adverse effect on the Company's financial condition and operations.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The following schedule provides information on the Company’s 142 properties as of December 31, 2016:

(Dollars in thousands)	Properties Leased	Properties Owned	Net Book Value
Montana	7	53	$82,116
Idaho	7	21	27,403
Wyoming	2	15	17,063
Colorado	2	18	16,401
Utah	1	3	2,213
Washington	3	10	6,050
	22	120	$151,246

The Company believes that all of its facilities are well maintained, generally adequate and suitable for the current operations of its business, as well as fully utilized. In the normal course of business, new locations and facility upgrades occur as needed.

For additional information regarding the Company’s premises and equipment and lease obligations, see Note 4 to the Consolidated Financial Statements in “Item 8. Financial Statements and Supplementary Data.”

Item 3. 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 4. Mine Safety Disclosures

Not Applicable

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters
and Issuer Purchases of Equity Securities

The Company's stock trades on the NASDAQ Global Select Market under the symbol: GBCI. As of December 31, 2016, there were approximately 1,607 shareholders of record for the Company's common stock. The market range of high and low closing prices for the Company's common stock for the periods indicated are shown below:

	2016		2015	
	High	Low	High	Low
First quarter	$26.34	22.19	27.47	22.27
Second quarter	27.68	24.31	30.08	24.76
Third quarter	29.99	25.49	29.88	24.33
Fourth quarter	37.66	27.50	29.69	25.74

The following table summarizes the Company's dividends declared during the periods indicated:

	Years ended	
	December 31, 2016	December 31, 2015
First quarter	$ 0.20	0.18
Second quarter	0.20	0.19
Third quarter	0.20	0.19
Fourth quarter	0.20	0.19
Special	0.30	0.30
Total	$ 1.10	1.05

Future cash dividends will depend on a variety of factors, including net income, capital, asset quality, general economic conditions and regulatory considerations. Information regarding the regulation considerations is set forth under the heading "Supervision and Regulation" in "Item 1. Business."

Issuer Stock Purchases
The Company made no stock repurchases during 2016.

Stock Performance Graphs

The following graphs compare the yearly cumulative total return of the Company’s common stock over both a five-year and ten-year measurement period with the yearly cumulative total return on the stocks included in 1) the Russell 2000 Index; and 2) the SNL Bank Index comprised of banks and bank holding companies with total assets between $5 billion and $10 billion. Each of the cumulative total returns is computed assuming the reinvestment of dividends at the frequency with which dividends were paid during the applicable years.

Item 6. Selected Financial Data

The following financial data of the Company is derived from the Company's historical audited financial statements and related notes. The information set forth below should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data" contained elsewhere in this Annual Report on Form 10-K.

	December 31,					Compounded Annual Growth Rate	
(Dollars in thousands, except per share data)	2016	2015	2014	2013	2012	1-Year	5-Year
Selected Statements of Financial Condition Information							
Total assets	$9,450,600	$9,089,232	$8,306,507	$7,884,350	$7,747,440	4.0 %	5.6 %
Investment securities	3,101,151	3,312,832	2,908,425	3,222,829	3,683,005	(6.4)%	(0.2)%
Loans receivable, net	5,554,891	4,948,984	4,358,342	3,932,487	3,266,571	12.2 %	10.8 %
Allowance for loan and lease losses	(129,572)	(129,697)	(129,753)	(130,351)	(130,854)	(0.1)%	(1.2)%
Goodwill and intangibles	159,400	155,193	140,606	139,218	112,274	2.7 %	6.9 %
Deposits	7,372,279	6,945,008	6,345,212	5,579,967	5,364,461	6.2 %	8.9 %
Federal Home Loan Bank advances	251,749	394,131	296,944	840,182	997,013	(36.1)%	(25.1)%
Securities sold under agreements to repurchase and other borrowed funds	478,090	430,016	404,418	321,781	299,540	11.2 %	12.2 %
Stockholders' equity	1,116,869	1,076,650	1,028,047	963,250	900,949	3.7 %	5.6 %
Equity per share	14.59	14.15	13.70	12.95	12.52	3.1 %	4.3 %
Equity as a percentage of total assets	11.82 %	11.85 %	12.38 %	12.22 %	11.63 %	(0.3)%	— %

	Years ended December 31,					Compounded Annual Growth Rate	
(Dollars in thousands, except per share data)	2016	2015	2014	2013	2012	1-Year	5-Year
Summary Statements of Operations							
Interest income	$344,153	$319,681	$299,919	$263,576	$253,757	7.7 %	4.2 %
Interest expense	29,631	29,275	26,966	28,758	35,714	1.2 %	(7.8)%
Net interest income	314,522	290,406	272,953	234,818	218,043	8.3 %	5.9 %
Provision for loan losses	2,333	2,284	1,912	6,887	21,525	2.1 %	(48.5)%
Non-interest income	107,318	98,761	90,302	93,047	91,496	8.7 %	6.5 %
Non-interest expense	258,714	236,757	212,679	195,317	193,421	9.3 %	6.1 %
Income before income taxes	160,793	150,126	148,664	125,661	94,593	7.1 %	22.9 %
Income tax expense	39,662	33,999	35,909	30,017	19,077	16.7 %	40.4 %
Net income	$121,131	$116,127	$112,755	$95,644	$75,516	4.3 %	19.3 %
Basic earnings per share	$1.59	$1.54	$1.51	$1.31	$1.05	3.2 %	17.8 %
Diluted earnings per share	$1.59	$1.54	$1.51	$1.31	$1.05	3.2 %	17.8 %

Dividends declared per share [1]	$1.10	$1.05	$0.98	$0.60	$0.53	4.8 %	16.2 %

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	At or for the Years ended December 31,				
(Dollars in thousands)	2016	2015	2014	2013	2012
Selected Ratios and Other Data					
Return on average assets	1.32 %	1.36 %	1.42 %	1.23 %	1.01 %
Return on average equity	10.79 %	10.84 %	11.11 %	10.22 %	8.54 %
Dividend payout ratio [1]	69.18 %	68.18 %	64.90 %	45.80 %	50.48 %
Average equity to average asset ratio	12.27 %	12.52 %	12.81 %	11.99 %	11.84 %
Total capital (to risk-weighted assets)	16.38 %	17.17 %	18.93 %	18.97 %	20.09 %
Tier 1 capital (to risk-weighted assets)	15.12 %	15.91 %	17.67 %	17.70 %	18.82 %
Common Equity Tier 1 (to risk-weighted assets)	13.42 %	14.06 %	N/A	N/A	N/A
Tier 1 capital (to average assets)	11.90 %	12.01 %	12.45 %	12.11 %	11.31 %
Net interest margin on average earning assets (tax-equivalent)	4.02 %	4.00 %	3.98 %	3.48 %	3.37 %
Efficiency ratio [2]	55.88 %	55.40 %	54.31 %	54.51 %	54.02 %
Allowance for loan and lease losses as a percent of loans	2.28 %	2.55 %	2.89 %	3.21 %	3.85 %
Allowance for loan and lease losses as a percent of nonperforming loans	257 %	244 %	209 %	158 %	133 %
Non-performing assets as a percentage of subsidiary assets	0.76 %	0.88 %	1.08 %	1.39 %	1.87 %
Non-performing assets	$71,385	80,079	89,900	109,420	143,527
Loans originated and acquired	$3,474,000	3,000,830	2,404,299	2,477,804	2,237,977
Number of full time equivalent employees	2,222	2,149	1,943	1,837	1,677
Number of locations	142	144	129	118	108

[1] Includes a special dividend declared of $0.30 per share for 2016, 2015 and 2014.

[2] Non-interest expense before OREO expenses, core deposit intangibles amortization, goodwill impairment charges, and non-recurring expense items as a percentage of tax-equivalent net interest income and non-interest income, excluding gains or losses on sale of investments, OREO income, and non-recurring income items.

Item 7. 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 Company’s 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 “Item 8. Financial Statements and Supplementary Data.”

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 the Company’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”, negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are based on current beliefs and expectations of management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company’s control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. The following factors, among others, could cause actual results to differ materially from the anticipated results (express or implied) or other expectations in the forward-looking statements, including those set forth in this Annual Report on Form 10-K, or the documents incorporated by reference:

- 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;
- changes in the cost and scope of insurance from the FDIC and other third parties;
- 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 reputation of banks and the financial services industry could deteriorate, which could adversely affect the Company's ability to obtain (and maintain) customers;
- competition among financial institutions in the Company's markets may increase significantly;
- 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;
- the projected business and profitability of an expansion or the opening of a new branch could be lower than expected;
- 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 CEO, the senior management team and the Presidents of Glacier Bank divisions;
- material failure, potential interruption or breach in security of the Company’s systems and technological changes which could expose us to new risks (e.g., cybersecurity), fraud or system failures;
- natural disasters, including fires, floods, earthquakes, and other unexpected events;
- the Company’s success in managing risks involved in the foregoing; and
- the effects of any reputational damage to the Company resulting from any of the foregoing.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in “Item 1A. Risk Factors.” Please take into account that forward-looking statements speak only as of the date of this Annual Report on Form 10-K (or documents incorporated by reference, if applicable). Given the described uncertainties and risks, the Company cannot guarantee its future performance or results of operations and you should not place undue reliance on these forward-looking statements. The Company does not undertake any obligation to publicly correct, revise, 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, except as required under federal securities laws.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 2016 COMPARED TO DECEMBER 31, 2015

Highlights and Overview

During the current year, the Company completed a two year project to consolidate the Company's thirteen core bank division database systems into one core database system (Core Consolidation Project or "CCP"). The primary reasons for the project were to increase efficiencies and prepare the Company for the future, including reaching $10 billion in asset size and complying with the Dodd-Frank Act stress tests ("DFAST"). The Bank divisions continue to operate as separate divisions with their own management teams, which has been a cornerstone of the Company's success. During 2015, the Company focused on the planning phase of the CCP project and during 2016 the Company converted the thirteen core bank division databases during various phases throughout the year. The employees of the Company worked diligently on the project which contributed to the success of the conversions while the minimally impacting the Company's customers. As a result of the successful completion of the project, the Company is well positioned to begin taking advantage of efficiencies and continue planning for DFAST in the coming years.

During the third quarter of 2016, the Company completed the acquisition of TSB, a bank based in Missoula, Montana. TSB became a part of the First Security Bank of Missoula bank division. During the fourth quarter of 2016, the Company also successfully completed the data processing system conversion for this acquisition. During the fourth quarter of 2016, the Company announced the acquisition of The Foothills Bank, a community bank based in Yuma, Arizona. Foothills provides banking services to individuals and businesses in Arizona, with four banking offices located in Yuma, Prescott, and Casa Grande Arizona. The branches of Foothills will become the Company's fourteenth Bank division. As of December 31, 2016, Foothills had total assets of $335 million, gross loans of $280 million and total deposits of $282 million.

At year end, Mick Blodnick retired and effective January 1, 2017, Randy Chesler became the Company's President and Chief Executive Officer of the Company after a seventeen month succession period. Mr. Chesler brings to the Company more than 30 years of experience in the financial services industry, most recently as President of CIT Bank, the Salt Lake City-based banking subsidiary of CIT Group.

The Company experienced another strong year for organic loan growth, which allowed the Company to redeploy cash flows from investment securities to the loan portfolio. Deposit growth was another bright spot which funded the loan growth and allowed the Company to reduce borrowings. Excluding the acquisition, the loan portfolio increased $554 million, or 11 percent, during the current year, with the primary increases in commercial real estate loans and commercial loans which increased $331 million and $235 million, respectively. Excluding the acquisition and wholesale deposits, the Company's non-interest bearing deposits increased $111 million, or 6 percent, during the current year, while interest bearing deposits increased $155 million, or 3 percent. Tangible stockholders' equity increased $36 million, or $0.40 per share, as a result of earnings retention and Company stock issued in connection with the current year acquisition, both of which offset the decrease in accumulated other comprehensive income and increases in goodwill and intangibles from the acquisition. The Company increased its total dividends declared from $1.05 per share during 2015 to $1.10 per share in 2016.

The Company continued to reduce its non-performing assets and ended the year at $71.4 million which was a decrease of $8.7 million or, 11 percent, from the prior year end. The provision for loan losses for the current year remained flat with prior year at $2.3 million, while net charge offs were $2.5 million in 2016 and $2.3 million in 2015. Loan portfolio growth, composition, average loan size, credit quality considerations, and other environmental factors will continue to determine the provision for loan losses.

The Company had record earnings of $121 million for 2016, which was an increase of $5.0 million, or 4 percent, over the 2015 net income of $116 million. Diluted earnings per share for 2016 was $1.59, an increase of $0.05, or 3 percent, from the prior year diluted earnings per share of $1.54. The net income improvement for 2016 over 2015 was principally due to an increase in interest income from the commercial loan portfolio and an increase in non-interest income which outpaced the increase in non-interest expense.

Looking forward, the Company’s future performance will depend on many factors including economic conditions in the markets the Company serves, interest rate changes, increasing competition for deposits and loans, loan quality and growth, the impact and successful integration of acquisitions, and regulatory burden.

Financial Highlights

(Dollars in thousands, except per share data)	At or for the Years ended December 31, 2016	December 31, 2015
Operating results		
Net income	$121,131	116,127
Basic earnings per share	$1.59	1.54
Diluted earnings per share	$1.59	1.54
Dividends declared per share	$1.10	1.05
Market value per share		
Closing	$36.23	26.53
High	$37.66	30.08
Low	$22.19	22.27
Selected ratios and other data		
Number of common stock shares outstanding	76,525,402	76,086,288
Average outstanding shares - basic	76,278,463	75,542,455
Average outstanding shares - diluted	76,341,836	75,595,581
Return on average assets (annualized)	1.32 %	1.36 %
Return on average equity (annualized)	10.79 %	10.84 %
Efficiency ratio	55.88 %	55.40 %
Dividend payout ratio	69.18 %	68.18 %
Loan to deposit ratio	78.10 %	73.94 %
Number of full time equivalent employees	2,222	2,149
Number of locations	142	144
Number of ATMs	166	158

Acquisitions

On August 31, 2016, the Company completed the acquisition of TSB, which resulted in goodwill of $6.4 million. On October 31, 2015, the Company completed the acquisition of Cañon, which resulted in goodwill of $9.8 million. On February 28, 2015, the Company completed the acquisition of CB, which resulted in goodwill of $1.1 million. The Company’s results of operations and financial condition include the acquisitions of TSB, Cañon and CB from the acquisition dates. For additional information regarding acquisitions, see Note 22 to the Consolidated Financial Statements in “Item 8. Financial Statements and Supplementary Data.”

The following table provides information on the fair value of selected classifications of assets and liabilities acquired:

(Dollars in thousands)	TSB August 31, 2016	Cañon October 31, 2015	CB February 28, 2015
Total assets	$ 76,165	270,121	175,774
Investment securities	—	68,486	42,350
Loans receivable	51,875	159,759	84,689
Non-interest bearing deposits	13,005	89,083	41,779
Interest bearing deposits	45,359	148,243	105,041
Federal Home Loan Bank advances and securities sold under agreements to repurchase	3,260	—	3,292

Financial Condition Analysis

Assets

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

(Dollars in thousands)	December 31, 2016	December 31, 2015	$ Change	% Change
Cash and cash equivalents	$152,541	$193,253	$(40,712)	(21)%
Investment securities, available-for-sale	2,425,477	2,610,760	(185,283)	(7)%
Investment securities, held-to-maturity	675,674	702,072	(26,398)	(4)%
Total investment securities	3,101,151	3,312,832	(211,681)	(6)%
Loans receivable				
Residential real estate	674,347	688,912	(14,565)	(2)%
Commercial real estate	2,990,141	2,633,953	356,188	14 %
Other commercial	1,342,250	1,099,564	242,686	22 %
Home equity	434,774	420,901	13,873	3 %
Other consumer	242,951	235,351	7,600	3 %
Loans receivable	5,684,463	5,078,681	605,782	12 %
Allowance for loan and lease losses	(129,572)	(129,697)	125	— %
Loans receivable, net	5,554,891	4,948,984	605,907	12 %
Other assets	642,017	634,163	7,854	1 %
Total assets	$9,450,600	$9,089,232	$361,368	4 %

Total investment securities decreased $212 million, or 6 percent, from the prior year end. The Company continues to selectively purchase investments securities when the Company has excess liquidity, although, the overall trend is a reduction in the investment securities portfolio since the Company has successfully been able to redeploy the securities portfolio cash flow into the Company’s higher yielding loan portfolio. Investment securities represented 33 percent of total assets at December 31, 2016 compared to 36 percent of total assets at December 31, 2015.

Excluding the acquisition of TSB, the loan portfolio increased $554 million, or 11 percent, since December 31, 2015 with $331 million and $235 million of the increase coming from growth in commercial real estate and other commercial loans, respectively. This compares to the prior year organic growth of $346 million, or 8 percent, with the primary growth in commercial loans as well. The Company was pleased by the organic growth over the past few years as many of the Company’s market areas are demonstrating stronger economic conditions. The Company continues to originate loans under conservative underwriting standards and monitors the loan portfolio to maintain the risk profile within the Company’s policy limits.

Liabilities

The following table summarizes the liability balances as of the dates indicated, and the amount of change from December 31, 2015:

(Dollars in thousands)	December 31, 2016	December 31, 2015	$ Change	% Change
Deposits				
Non-interest bearing deposits	$2,041,852	$1,918,310	$123,542	6 %
NOW and DDA accounts	1,588,550	1,516,026	72,524	5 %
Savings accounts	996,061	838,274	157,787	19 %
Money market deposit accounts	1,464,415	1,382,028	82,387	6 %
Certificate accounts	948,714	1,060,650	(111,936)	(11)%
Core deposits, total	7,039,592	6,715,288	324,304	5 %
Wholesale deposits	332,687	229,720	102,967	45 %
Deposits, total	7,372,279	6,945,008	427,271	6 %
Securities sold under agreements to repurchase	473,650	423,414	50,236	12 %
Federal Home Loan Bank advances	251,749	394,131	(142,382)	(36)%
Other borrowed funds	4,440	6,602	(2,162)	(33)%
Subordinated debentures	125,991	125,848	143	— %
Other liabilities	105,622	117,579	(11,957)	(10)%
Total liabilities	$8,333,731	$8,012,582	$321,149	4 %

Excluding the TSB acquisition, non-interest bearing deposits increased $111 million, or 6 percent, from December 31, 2015. Excluding the TSB acquisition, core interest bearing deposits increased $155 million, or 3 percent, from December 31, 2015. Wholesale deposits (i.e., brokered deposits classified as NOW, DDA, money market deposit and certificate accounts) of $333 million at December 31, 2016 increased $103 million since December 31, 2015, the majority of the increase was driven by a need to obtain wholesale deposits necessary for an interest rate swap. In addition to increasing deposit balances, the Company was successful in originating and retaining new core deposit accounts during the current and prior year.

Securities sold under agreements to repurchase (“repurchase agreements”) of $474 million at December 31, 2016 increased $50.2 million, or 12 percent, from the prior year end. Repurchase agreements fluctuated as certain customers had significant deposit cash flows. Federal Home Loan Bank (“FHLB”) advances of $252 million at December 31, 2016, decreased $142 million, or 36 percent, as a result of long-term advances maturing and not being replaced due to the increase in core deposits which were sufficient to fund loan growth.

Stockholders’ Equity

The following table summarizes the stockholders’ equity balances as of the dates indicated and the amount of change from December 31, 2015:

(Dollars in thousands, except per share data)	December 31, 2016	December 31, 2015	$ Change	% Change
Common equity	$1,124,251	$1,074,661	$49,590	5 %
Accumulated other comprehensive (loss) income	(7,382)	1,989	(9,371)	(471)%
Total stockholders’ equity	1,116,869	1,076,650	40,219	4 %
Goodwill and core deposit intangible, net	(159,400)	(155,193)	(4,207)	3 %
Tangible stockholders’ equity	$957,469	$921,457	$36,012	4 %
Stockholders’ equity to total assets	11.82 %	11.85 %		— %
Tangible stockholders’ equity to total tangible assets	10.31 %	10.31 %		— %
Book value per common share	$14.59	$14.15	$0.44	3 %
Tangible book value per common share	$12.51	$12.11	$0.40	3 %

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Tangible stockholders’ equity increased $36.0 million, or 4 percent, from a year ago, the result of earnings retention and $10.5 million of Company stock issued in connection with the TSB acquisition; such increases more than offset the increase in goodwill and other intangibles from the acquisition and the decrease in accumulated other comprehensive income. Tangible book value per common share increased $0.40 per share from a year ago and was principally due to earnings retention.

Results of Operations

Income Summary

The following table summarizes revenue for the periods indicated, including the amount and percentage changes from December 31, 2015:

(Dollars in thousands)	Years ended December 31, 2016	December 31, 2015	$ Change	% Change
Net interest income				
Interest income	$344,153	$319,681	$24,472	8 %
Interest expense	29,631	29,275	356	1 %
Total net interest income	314,522	290,406	24,116	8 %
Non-interest income				
Service charges and other fees	62,405	59,286	3,119	5 %
Miscellaneous loan fees and charges	4,613	4,276	337	8 %
Gain on sale of loans	33,606	26,389	7,217	27 %
(Loss) gain on sale of investments	(1,463)	19	(1,482)	(7,800)%
Other income	8,157	8,791	(634)	(7)%
Total non-interest income	107,318	98,761	8,557	9 %
	$421,840	$389,167	$32,673	8 %
Net interest margin (tax-equivalent)	4.02 %	4.00 %		

Net Interest Income

Net interest income for the the current year was $315 million, an increase of $24.1 million, or 8 percent, over the same period last year. Interest income for the the current year increased $24.5 million, or 8 percent, from the prior year and was principally due to a $24.0 million increase in income from commercial loans. Additional increases included a $1.3 million in interest income from residential loans.

Interest expense of $29.6 million for the current year increased $356 thousand, or 1 percent, over the the same period in the prior year. Deposit interest expense for the current year increased $2.3 million, or 14 percent, from the prior year and was driven by an increase in wholesale deposits and the additional interest expense for an interest rate swap with a notional amount of $100 million that began accruing in December 2015. FHLB interest expense decreased $2.6 million, or 30 percent, as the need for wholesale funding has decreased with strong deposit growth. The total funding cost (including non-interest bearing deposits) for 2016 was 37 basis points compared to 40 basis points for 2015.

The net interest margin as a percentage of earning assets, on a tax-equivalent basis, for 2016 was 4.02 percent, a 2 basis point increase from the net interest margin of 4.00 percent for 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 $107.3 million for 2016 increased $8.6 million, or 9 percent, over the same period last year. Service charges and other fees of $62.4 million for 2016 increased $3.1 million, or 5 percent, from the same period last year as a result of an increased number of deposit accounts, both from organic growth and from recent acquisitions. The gain of $33.6 million on the sale of loans for 2016 increased $7.2 million, or 27 percent, from 2015 which was attributable to the stronger housing market and the low interest rate environment. Included in other income was operating revenue of $127 thousand from OREO and gains of $918 thousand from the sales of OREO, which totaled $1.0 million for 2016 compared to $1.1 million for the prior year.

Non-interest Expense

The following table summarizes non-interest expense for the periods indicated, including the amount and percentage changes from December 31, 2015:

(Dollars in thousands)	Years ended December 31, 2016	December 31, 2015	$ Change	% Change
Compensation and employee benefits	$151,697	$ 134,409	$17,288	13 %
Occupancy and equipment	25,979	25,505	474	2 %
Advertising and promotions	8,433	8,661	(228)	(3)%
Data processing	14,800	11,477	3,323	29 %
Other real estate owned	2,895	3,693	(798)	(22)%
Regulatory assessments and insurance	4,780	5,283	(503)	(10)%
Core deposit intangible amortization	2,970	2,964	6	— %
Other expenses	47,160	44,765	2,395	5 %
Total non-interest expense	$258,714	$ 236,757	$21,957	9 %

Non-interest expense of $259 million increased $22.0 million, or 9 percent, over the prior year. Included in current year non-interest expense was $4.3 million of CCP related expenses. Compensation and employee benefits for 2016 increased $17.3 million, or 13 percent, from the same period due to the increased number of employees including from the acquired banks and annual salary increases. Occupancy and equipment expense of $26.0 million for 2016 increased $474 thousand, or 2 percent, over the prior year. Outsourced data processing expense increased $3.3 million, or 29 percent, from the prior year primarily the result of additional costs from CCP. OREO expense of $2.9 million in the current year decreased $798 thousand, or 22 percent, from the the prior year. OREO expense for 2016 included $761 thousand of operating expenses, $1.8 million of fair value write-downs, and $314 thousand of loss from the sales of OREO. Current year other expenses of $47.2 million increased $2.4 million, or 5 percent, from the prior year and was driven by increases from costs associated with CCP.

Efficiency Ratio

The efficiency ratio was 55.88 percent for 2016 compared to 55.40 percent for 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 following table summarizes the provision for loan losses, net charge-offs and other select ratios for the previous eight quarters:

(Dollars in thousands)	Provision for Loan Losses	Net Charge-Offs (Recoveries)	ALLL as a Percent of Loans	Accruing Loans 30-89 Days Past Due as a Percent of Loans	Non-Performing Assets to Total Sub-sidiary Assets
Fourth quarter 2016	$ 1,139	$ 4,101	2.28 %	0.45 %	0.76 %
Third quarter 2016	626	478	2.37 %	0.49 %	0.84 %
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 %

The provision for loan losses was $2.3 million for 2016, an increase of $49 thousand, or 2 percent, from the same period in the prior year. Net charge-offs during 2016 was $2.5 million which was relatively flat compared to the net charge-offs of $2.3 million for 2015, although the quarterly net charge-offs continue to experience a fair amount of volatility.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE RESULTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 2015 COMPARED TO DECEMBER 31, 2014

Income Summary
The following table summarizes revenue for the periods indicated, including the amount and percentage changes from December 31, 2014:

(Dollars in thousands)	Years ended December 31, 2015	December 31, 2014	$ Change	% Change
Net interest income				
Interest income	$319,681	$299,919	$19,762	7 %
Interest expense	29,275	26,966	2,309	9 %
Total net interest income	290,406	272,953	17,453	6 %
Non-interest income				
Service charges and other fees	59,286	56,043	3,243	6 %
Miscellaneous loan fees and charges	4,276	4,696	(420)	(9)%
Gain on sale of loans	26,389	19,797	6,592	33 %
Gain (loss) on sale of investments	19	(188)	207	(110)%
Other income	8,791	9,954	(1,163)	(12)%
Total non-interest income	98,761	90,302	8,459	9 %
	$389,167	$363,255	$25,912	7 %
Net interest margin (tax-equivalent)	4.00 %	3.98 %		

Net Interest Income
Interest income for 2015 increased $19.8 million, or 7 percent, from the prior year and was principally due to an increase in interest income from commercial loans. Interest income of $165 million from commercial loans increased $19.3 million, or 13 percent, from the prior year and was primarily the result of an increased volume of commercial loans. Interest income of $91.1 million on investment securities decreased $2.0 million, or 2 percent, over the same period last year. On a tax-equivalent basis, interest income for 2015 of $118.8 million on investment securities increased $2.8 million, or 2 percent, over the prior year.

Interest expense for 2015 increased $2.3 million, or 9 percent, from the prior year and was primarily due to the interest expense associated with the interest rate swaps undertaken to reduce the Company's sensitivity to rising interest rates. At December 31, 2015, the Company had interest rate swaps with total notional amounts of $260 million, such interest rate swaps including two separate contracts with delayed start accrual periods that began in October 2014 and November 2015. The Company designated wholesale deposits as the cash flow hedge for its interest rate swaps and the related interest expense is included in wholesale deposits. Excluding the impact of the interest rate swaps, interest expense for 2015 decreased by $1.7 million, or 7 percent, from the prior year. The total funding cost (including non-interest bearing deposits) for 2015 was 40 basis points compared to 39 basis points for the prior year.

The net interest margin as a percentage of earning assets, on a tax-equivalent basis, for 2015 was 4.00 percent, an increase of 2 basis points from the prior year net interest margin of 3.98 percent. The 2 basis points increase was attributable to a combination of items including a shift in earning assets to the higher yielding loan portfolio and an increased yield on the investment securities portfolio. In addition, the lower yield on core deposits offset the increased interest expense from the interest rate swaps. Excluding the effects of the interest rate swaps, the cost of funds for 2015 was 33 basis points compared to 38 basis points in the prior year.

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Non-interest Income
Non-interest income of $98.8 million for 2015 increased $8.5 million, or 9 percent, over the same period in the prior year. Service charges and other fees of $61.6 million for 2015 increased $2.8 million, or 5 percent, from 2014 and was driven by the increased number of deposit accounts and higher usage of deposit services by customers. The gain of $26.4 million on the sale of residential loans for 2015 increased $6.6 million, or 33 percent, from the prior year which was attributable to an increase in mortgage refinancing and purchase activity. Other income of $10.8 million for 2015 decreased $1.2 million, or 10 percent, over the prior year due to a decrease in gain on sale of OREO and insurance proceeds recognized in the prior year fourth quarter from a bank-owned life insurance policy. Included in other income was operating revenue of $123 thousand from OREO and gains of $986 thousand from the sales of OREO, which totaled $1.1 million for 2015, compared to $2.3 million for the same period in the prior year.

Non-interest Expense
The following table summarizes non-interest expense for the periods indicated, including the amount and percentage changes from December 31, 2014:

(Dollars in thousands)	Years ended December 31, 2015	December 31, 2014	$ Change	% Change
Compensation and employee benefits	$134,409	$ 118,571	$15,838	13 %
Occupancy and equipment	25,505	22,718	2,787	12 %
Advertising and promotions	8,661	7,912	749	9 %
Data processing	11,477	11,387	90	1 %
Other real estate owned	3,693	2,568	1,125	44 %
Regulatory assessments and insurance	5,283	5,064	219	4 %
Core deposit intangible amortization	2,964	2,811	153	5 %
Other expenses	44,765	41,648	3,117	7 %
Total non-interest expense	$236,757	$ 212,679	$24,078	11 %

Compensation and employee benefits expense for 2015 increased $15.8 million, or 13 percent, from 2014 due to the increased number of employees, primarily from the acquired banks, additional benefit costs and annual salary increases. Occupancy and equipment expense increased $2.8 million, or 12 percent, as a result of increased costs associated with acquisitions and equipment expense related to additional information technology infrastructure. OREO expense of $3.7 million in 2015 increased $1.1 million, or 44 percent, from the prior year. OREO expenses continued to fluctuate based on the level of activity in various quarters. OREO expense for 2015 included $1.8 million of operating expenses, $1.6 million of fair value write-downs, and $349 thousand of loss from the sales of OREO. OREO expense for 2014 included $1.4 million of operating expenses, $691 thousand of fair value write-downs, and $442 thousand of loss from the sales of OREO. Other expense of $44.8 million for 2015 increased by $3.1 million, or 7 percent, from the prior year primarily due to increases in conversion- and acquisition-related expenses.

Efficiency Ratio
The efficiency ratio was 55.40 percent for 2015 compared to 54.31 percent for 2014. The increase in the efficiency ratio resulted primarily from compensation expense from increased acquired bank employees and salary increases outpacing the increase in net interest income primarily from commercial loans and non-interest income principally from the increase in gain on sale of loans.

Provision for Loan Losses
The provision for loan losses was $2.3 million for 2015, an increase of $372 thousand, or 19 percent, from the same period in the prior year. Net charged-off loans during 2015 were $2.3 million, a decrease of $170 thousand from 2014.

ADDITIONAL MANAGEMENT'S DISCUSSION AND ANALYSIS

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:

	December 31, 2016		December 31, 2015		December 31, 2014		December 31, 2013		December 31, 2012	
(Dollars in thousands)	Carrying Amount	Percent	Carrying Amount	Percent	Carrying Amount	Percent	Carrying Amount	Percent	Carrying Amount	Percent
Available-for-sale										
U.S. government and federal agency	$39,407	1 %	$47,451	1 %	$44	— %	$—	— %	$202	— %
U.S. government sponsored enterprises	19,570	1 %	93,167	3 %	21,945	1 %	10,628	— %	17,480	— %
State and local governments	786,373	25 %	885,019	27 %	997,969	34 %	1,385,078	43 %	1,214,518	33 %
Corporate bonds	471,951	15 %	384,163	12 %	314,854	11 %	442,501	14 %	288,795	8 %
Collateralized debt obligations	—	— %	—	— %	—	— %	—	— %	1,708	— %
Mortgage-backed securities	1,108,176	36 %	1,200,960	36 %	1,052,616	36 %	1,384,622	43 %	2,160,302	59 %
Total available-for-sale	2,425,477	78 %	2,610,760	79 %	2,387,428	82 %	3,222,829	100 %	3,683,005	100 %
Held-to-maturity										
State and local governments	675,674	22 %	702,072	21 %	520,997	18 %	—	— %	—	— %
Total held-to-maturity	675,674	22 %	702,072	21 %	520,997	18 %	—	— %	—	— %
Total investment securities	$3,101,151	100 %	$3,312,832	100 %	$2,908,425	100 %	$3,222,829	100 %	$3,683,005	100 %

The Company's investment portfolio is primarily comprised of state and local government securities and 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. Mortgage-backed securities are primarily short, weighted-average life U.S. agency guaranteed residential mortgage pass-through securities. To a lesser extent, mortgage-backed securities also consist of short, weighted-average life U.S. agency guaranteed residential collateralized mortgage obligations and U.S. agency guaranteed commercial mortgage-backed securities. Combined, the mortgage-backed securities 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)	December 31, 2016 Amortized Cost	December 31, 2016 Fair Value	December 31, 2015 Amortized Cost	December 31, 2015 Fair Value
S&P: AAA / Moody's: Aaa	$345,527	346,301	366,961	374,470
S&P: AA+, AA, AA- / Moody's: Aa1, Aa2, Aa3	879,271	894,652	936,947	971,717
S&P: A+, A, A- / Moody's: A1, A2, A3	209,217	216,589	239,371	252,292
S&P: BBB+, BBB, BBB- / Moody's: Baa1, Baa2, Baa3	2,270	2,352	2,858	3,017
Not rated by either entity	13,934	14,694	12,673	13,036
Below investment grade	850	874	—	—
Total	$1,451,069	1,475,462	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)	December 31, 2016 Amortized Cost	December 31, 2016 Fair Value	December 31, 2015 Amortized Cost	December 31, 2015 Fair Value
General obligation - unlimited	$805,779	819,990	831,518	862,863
General obligation - limited	221,099	228,218	262,803	274,177
Revenue	389,506	391,615	423,171	434,610
Certificate of participation	23,590	24,603	28,245	29,634
Other	11,095	11,036	13,073	13,248
Total	$1,451,069	1,475,462	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)	December 31, 2016 Amortized Cost	December 31, 2016 Fair Value	December 31, 2015 Amortized Cost	December 31, 2015 Fair Value
Texas	$193,652	196,641	211,023	218,051
Washington	188,778	193,035	179,173	187,949
Michigan	173,400	177,305	156,426	162,862
Montana	94,168	97,259	90,272	95,644
California	93,441	94,275	105,510	108,235
All other states	707,630	716,947	816,406	841,791
Total	$1,451,069	1,475,462	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 December 31, 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		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	$—	— %	$1,299	1.21%	$11,913	0.71%	$26,195	1.18%	$—	— %	$39,407
U.S. government sponsored enterprises	430	2.23%	19,140	1.96%	—	— %	—	— %	—	— %	19,570
State and local governments	43,469	2.00%	52,011	2.15%	188,741	3.43%	502,152	4.22%	—	— %	786,373
Corporate bonds	105,751	2.00%	366,200	2.08%	—	— %	—	— %	—	— %	471,951
Mortgage-backed securities	—	— %	—	— %	—	— %	—	— %	1,108,176	1.90%	1,108,176
Total available-for-sale	149,650	2.00%	438,650	2.08%	200,654	3.26%	528,347	4.06%	1,108,176	1.90%	2,425,477
Held-to-maturity											
State and local governments	—	— %	594	1.84%	55,310	2.94%	619,770	4.08%	—	— %	675,674
Total held-to-maturity	—	— %	594	1.84%	55,310	2.94%	619,770	4.08%	—	— %	675,674
Total investment securities	$149,650	2.00%	$439,244	2.08%	$255,964	3.19%	$1,148,117	4.07%	$1,108,176	1.90%	$3,101,151

Interest income from investment securities consisted of the following:

	Years ended		
(Dollars in thousands)	December 31, 2016	December 31, 2015	December 31, 2014
Taxable interest	$40,366	40,200	45,920
Tax-exempt interest	50,026	50,886	47,132
Total interest income	$90,392	91,086	93,052

For additional information on investment securities, see Notes 1 and 2 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

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 December 31, 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 November 2016, S&P reaffirmed its AA+ rating of U.S. government long-term debt, and the outlook remains stable. In November 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 investment securities with an unrealized loss position at December 31, 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.

(Dollars in thousands)	December 31, 2016 Fair Value	Unrealized Loss	Unrealized Loss as a Percent of Fair Value	December 31, 2015 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	$32,957	$(162)	— %	$39,773	$(401)	(1)%
U.S. government sponsored enterprises	2,624	(1)	— %	2,604	(14)	(1)%
State and local governments	435,025	(15,849)	(4)%	448,065	(6,089)	(1)%
Corporate bonds	92,456	(170)	— %	94,255	(840)	(1)%
Mortgage-backed securities	604,361	(7,052)	(1)%	783,522	(7,565)	(1)%
Total	$1,167,423	$(23,234)	(2)%	$1,368,219	$(14,909)	(1)%
Temporarily impaired securities purchased during 2016						
U.S. government sponsored enterprises	$3,425	$(41)	(1)%			
State and local governments	73,971	(2,099)	(3)%			
Corporate bonds	88,506	(623)	(1)%			
Mortgage-backed securities	203,705	(4,273)	(2)%			
Total	$369,607	$(7,036)	(2)%			
Temporarily impaired securities						
U.S. government and federal agency	$32,957	$(162)	— %			
U.S. government sponsored enterprises	6,049	(42)	(1)%			
State and local governments	508,996	(17,948)	(4)%			
Corporate bonds	180,962	(793)	— %			
Mortgage-backed securities	808,066	(11,325)	(1)%			
Total	$1,537,030	$(30,270)	(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 December 31, 2016:

(Dollars in thousands)	Number of Debt Securities	Unrealized Loss
5.1% to 10.0%	89	$(11,029)
0.1% to 5.0%	689	(19,241)
Total	778	$(30,270)

With respect to the duration of the impaired debt securities, the Company identified 163 securities which have been continuously impaired for the twelve months ending December 31, 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.

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The following table provides details of the 163 debt securities which have been continuously impaired for the twelve months ended December 31, 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	22	$ (138)	$ (22)
State and local governments	117	(11,287)	(1,224)
Corporate bonds	3	(19)	(10)
Mortgage-backed securities	21	(668)	(214)
Total	163	$ (12,112)	

Based on the Company's analysis of its impaired debt securities as of December 31, 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 December 31, 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 December 31, 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 “Item 7. 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 “Item 7. 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:

	December 31, 2016		December 31, 2015		December 31, 2014		December 31, 2013		December 31, 2012	
(Dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Residential real estate loans	$674,347	12 %	$688,912	14 %	$611,463	14 %	$577,589	15 %	$516,467	16 %
Commercial loans										
Real estate	2,990,141	54 %	2,633,953	53 %	2,337,548	54 %	2,049,247	52 %	1,655,508	51 %
Other commercial	1,342,250	24 %	1,099,564	22 %	925,900	21 %	852,036	22 %	623,397	19 %
Total	4,332,391	78 %	3,733,517	75 %	3,263,448	75 %	2,901,283	74 %	2,278,905	70 %
Consumer and other										

loans										
Home equity	434,774	8 %	420,901	9 %	394,670	9 %	366,465	9 %	403,925	12 %
Other consumer	242,951	4 %	235,351	5 %	218,514	5 %	217,501	5 %	198,128	6 %
Total	677,725	12 %	656,252	14 %	613,184	14 %	583,966	14 %	602,053	18 %
Loans receivable	5,684,463	102 %	5,078,681	103 %	4,488,095	103 %	4,062,838	103 %	3,397,425	104 %
Allowance for loan and lease losses	(129,572)	(2)%	(129,697)	(3)%	(129,753)	(3)%	(130,351)	(3)%	(130,854)	(4)%
Loans receivable, net	$5,554,891	100 %	$4,948,984	100 %	$4,358,342	100 %	$3,932,487	100 %	$3,266,571	100 %

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The stated maturities or first repricing term (if applicable) for the loan portfolio at December 31, 2016 was as follows:

(Dollars in thousands)	Residential Real Estate	Commercial	Consumer and Other	Total
Variable rate maturing or repricing				
In one year or less	$ 230,469	1,142,540	312,502	1,685,511
After one year through five years	140,706	1,424,252	97,457	1,662,415
Thereafter	3,177	228,446	5,779	237,402
Fixed rate maturing				
In one year or less	158,052	467,877	125,996	751,925
After one year through five years	131,297	679,500	133,015	943,812
Thereafter	10,646	389,776	2,976	403,398
Total	$ 674,347	4,332,391	677,725	5,684,463

Residential Real Estate Lending
The Company's lending activities consist of the origination of both construction and permanent loans on residential real estate. The Company actively solicits residential real estate loan applications from real estate brokers, contractors, existing customers, customer referrals, and on-line applications. The Company's lending policies generally limit the maximum loan-to-value ratio on residential mortgage loans to 80 percent of the lesser of the appraised value or purchase price. Policies allow for higher loan-to-values with appropriate risk mitigation such as documented compensating factors, credit enhancement, etc. For loans held for sale, the Company complies with the investor's loan-to-value guidelines. The Company also provides interim construction financing for single-family dwellings. These loans are supported by a term take-out commitment.

Consumer Land or Lot Loans
The Company originates land and lot acquisition loans to borrowers who intend to construct their primary residence on the respective land or lot. These loans are generally for a term of three to five years and are secured by the developed land or lot with the loan-to-value limited to the lesser of 75 percent of the appraised value or 75 percent of the cost.

Unimproved Land and Land Development Loans
Although the Company has originated very few unimproved land and land development loans since the economic downturn in 2008, the Company may originate such loans on properties intended for residential and commercial use where improved real estate market conditions have occurred. These loans are typically made for a term of 18 months to two years and are secured by the developed property with a loan-to-value not to exceed the lesser of 75 percent of cost or 65 percent of the appraised discounted bulk sale value upon completion of the improvements. The projects under development are inspected on a regular basis and advances are made on a percentage-of-completion basis. The loans are made to borrowers with real estate development experience and appropriate financial strength. Generally, the Company requires that a certain percentage of the development be pre-sold or that construction and term take-out commitments are in place prior to funding the loan. Loans made on unimproved land are generally made for a term of five to ten years with a loan-to-value not to exceed the lesser of 50 percent of appraised value or 50 percent of cost.

Residential Builder Guidance Lines
The Company provides Builder Guidance Lines that are comprised of pre-sold and spec-home construction and lot acquisition loans. The spec-home construction and lot acquisition loans are limited to a specific number and maximum amount. Generally, the individual loans will not exceed a one year maturity. The homes under construction are inspected on a regular basis and advances made on a percentage-of-completion basis.

Commercial Real Estate Loans

Loans are made to purchase, construct and finance commercial real estate properties. These loans are generally made to borrowers who own and will occupy the property and generally have a loan-to-value up to the lesser of 75 percent of the appraised value or 75 percent of the cost and require a minimum 1.2 times debt service coverage margin. Loans to finance investment or income properties are made but require additional equity and generally have a loan-to-value up to the lesser of 75 percent of appraised value or 75 percent of cost and require a higher debt service coverage margin commensurate with the specific property and projected income.

Construction Loans
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.

Consumer Lending
The majority of consumer loans are secured by real estate, automobiles, or other assets. The Company intends to continue making such loans because of their short-term nature, generally between three months and five years. Moreover, interest rates on consumer loans are generally higher than on residential mortgage loans. The Company also originates second mortgage and home equity loans, especially to existing customers in instances where the first and second mortgage loans are less than 80 percent of the current appraised value of the property.

Home Equity Loans
The Company's home equity loans of $435 million and $421 million as of December 31, 2016 and 2015, respectively, consist of 1-4 family junior lien mortgages and first and junior lien lines of credit secured by residential real estate. At December 31, 2016, the home equity loan portfolio consisted of 85 percent variable interest rate and 15 percent fixed interest rate loans. Approximately 54 percent of the home equity loans were in a first lien status with the remaining 46 percent in junior lien status. Approximately 12 percent of the home equity loans were closed-end amortizing loans and 88 percent were open-end, revolving home equity lines of credit. At December 31, 2015, the home equity loan portfolio consisted of 78 percent variable interest rate and 22 percent fixed interest rate loans. Approximately 53 percent of the home equity loans were in a first lien status with the remaining 47 percent in junior lien status. Approximately 15 percent of the home equity loans were closed-end amortizing loans and 85 percent were open-end, revolving home equity lines of credit.

Prior to 2014, home equity lines of credit were generally originated with maturity terms from 10 to 15 years. At origination, borrowers chose a variable interest rate or fixed interest rate for the full term of the line of credit, or a fixed interest rate for the first 3 or 5 years from the origination date which then converts to a variable interest rate for the remaining term of such home equity lines of credit. During the draw period, a borrower with a variable interest rate term had the option of converting to a fixed interest rate for all or a portion of the remaining term to maturity. Beginning in 2014, home equity lines of credit are originated with maturity terms of 15 years. At origination, borrowers can choose a variable interest rate that changes quarterly, or after the first 3, 5 or 10 years from the origination date.

The draw period for home equity lines of credit usually exists from origination to maturity. During the draw period, the Company has home equity lines of credit where the borrowers pay interest only and home equity lines of credit where borrowers pay principal and interest.

Credit Risk Management
The Company is committed to a conservative management of the credit risk within the loan portfolio, including the early recognition of problem loans. The Company's credit risk management includes stringent credit policies, individual loan approval limits, limits on concentrations of credit, and committee approval of larger loan requests. Management practices also include regular internal and external credit examinations, identification and review of individual loans and leases experiencing deterioration of credit quality, procedures for the collection of non-performing assets, quarterly monitoring of the loan portfolio, semi-annual review of loans by industry, and

periodic stress testing of the loans secured by real estate. Federal and state regulatory safety and soundness examinations are conducted annually.

The Company’s loan policy and credit administration practices establish standards and limits for all extensions of credit that are secured by interests in or liens on real estate, or made for the purpose of financing the construction of real property or other improvements. Ongoing monitoring and review of the loan portfolio is based on current information, including: the borrowers’ and guarantors’ creditworthiness, value of the real estate and other collateral, the project’s performance against projections, and monthly inspections by Company employees or external parties until the real estate project is complete.

Monitoring of the junior lien and home equity lines of credit portfolios includes evaluating payment delinquency, collateral values, bankruptcy notices and foreclosure filings. Additionally, the Company places junior lien mortgages and junior lien home equity lines of credit on non-accrual status when there is evidence that the associated senior lien is 90 days past due or is in the process of foreclosure, regardless of the junior lien delinquency status.

Loan Approval Limits
Individual loan approval limits have been established for each lender based on the loan types and experience of the individual. Each bank division has an Officer Loan Committee consisting of senior lenders and members of senior management. Each of the Bank divisions’ Officer Loan Committees has loan approval authority between $250,000 and $1,000,000. Each of the Bank divisions’ Advisory Boards has loan approval authority up to $2,000,000. Loans, or a combination of loans, including new and renewed, exceeding these limits and up to $10,000,000 are subject to approval by the Company’s Executive Loan Committee consisting of the Bank divisions’ senior loan officers and the Company’s Chief Credit Administrator. Loans, or a combination of loans, including new and renewed, greater than $10,000,000 are subject to approval by the Bank’s Board of Directors. Under banking laws, loans to one borrower and related entities are limited to a prescribed percentage of the unimpaired capital and surplus of the Bank.

Interest Reserves
Interest reserves are used to periodically advance loan funds to pay interest charges on the outstanding balance of the related loan. As with any extension of credit, the decision to establish a loan-funded interest reserve upon origination of construction loans, including residential construction and land, lot and other construction loans, is based on prudent underwriting, including the feasibility of the project, expected cash flow, creditworthiness of the borrower and guarantors, and the protection provided by the real estate and other underlying collateral. Interest reserves provide an effective means for addressing the cash flow characteristics of construction loans. In response to the downturn in the housing market and potential impact upon construction lending, the Company discourages the creation or continued use of interest reserves.

Interest reserves are advanced provided the related construction loan is performing as expected. Loans with interest reserves may be extended, renewed or restructured only when the related loan continues to perform as expected and meets the prudent underwriting standards identified above. Such renewals, extension or restructuring are not permitted in order to keep the related loan current.

In monitoring the performance and credit quality of a construction loan, the Company assesses the adequacy of any remaining interest reserve, and whether the use of an interest reserve remains appropriate in the presence of emerging weakness and associated risks in the construction loan.

The ongoing accrual and recognition of uncollected interest as income continues only when facts and circumstances continue to reasonably support the contractual payment of principal or interest. Loans are typically designated as non-accrual when the collection of the contractual principal or interest is unlikely and has remained unpaid for ninety days or more. For such loans, the accrual of interest and its capitalization into the loan balance will be discontinued.

The Company had $111 million and $65.2 million of loans with remaining interest reserves of $1.2 million and $1.5 million as of December 31, 2016 and 2015, respectively. The Company did not extend, renew or restructure any loans with interest reserves during 2016. During 2015, the Company extended, renewed or restructured 3 loans with interest reserves, such loans having an aggregate outstanding principal balance of $2.2 million as of December 31, 2015. Such actions were based on prudent underwriting standards and not to keep the loans current. As of December 31, 2016, the Company had no construction loans with interest reserves that are currently non-performing or which are potential problem loans.

Loan Purchases and Sales

Fixed rate, long-term mortgage loans are generally sold in the secondary market. The Company is active in the secondary market, primarily through the origination of conventional, Rural Development, Federal Housing Administration and Department of Veterans Affairs residential mortgages. The sale of loans in the secondary mortgage market reduces the Company’s risk of holding long-term, fixed rate loans during periods of rising interest rates. In connection with conventional loan sales, the Company typically sells the majority of mortgage loans originated with servicing released. The Company has also been very active in generating commercial Small Business Administration loans, and other commercial loans, with a portion of those loans sold to investors. The Company has not originated any type of subprime mortgages, either for the loan portfolio or for sale to investors. In addition, the Company has not purchased investment securities collateralized with subprime mortgages. The Company does not actively purchase loans from other financial institutions, and substantially all of the Company’s loans receivable are with customers in the Company’s geographic market areas.

Loan Origination and Other Fees

In addition to interest earned on loans, the Company receives fees for originating loans. Loan fees generally are a percentage of the principal amount of the loan and are charged to the borrower, and are normally deducted from the proceeds of the loan. Loan origination fees are generally 1.0 percent to 1.5 percent on residential mortgages and 0.5 percent to 1.5 percent on commercial loans. Consumer loans require a fixed fee amount as well as a minimum interest amount. The Company also receives other fees and charges relating to existing loans, which include charges and fees collected in connection with loan modifications.

Appraisal and Evaluation Process

The Company's loan policy and credit administration practices have adopted and implemented the applicable legal and regulatory requirements, which establishes criteria for obtaining appraisals or evaluations (new or updated), including transactions that are otherwise exempt from the appraisal requirements.

Each of the Bank divisions monitor conditions, including supply and demand factors, in the real estate markets served so they can react quickly to changing market conditions to mitigate potential losses from specific credit exposures within the loan portfolio. Evidence of the following real estate market conditions and trends is obtained from lending personnel and third party sources:

- demographic indicators, including employment and population trends;
- foreclosures, vacancy, construction and absorption rates;
- property sales prices, rental rates, and lease terms;
- current tax assessments;
- economic indicators, including trends within the lending areas; and
- valuation trends, including discount and capitalization rates.

Third party information sources include federal, state, and local governments and agencies thereof, private sector economic data vendors, real estate brokers, licensed agents, sales, rental and foreclosure data tracking services.

The time between ordering an appraisal or evaluation and receipt from third party vendors is typically two to six weeks for residential property depending on geographic market and four to six weeks for non-residential property. For real estate properties that are of highly specialized or limited use, significantly complex or large, additional time beyond the typical times may be required for new appraisals or evaluations (new or updated).

As part of the Company's credit administration and portfolio monitoring practices, the Company's regular internal and external credit examinations review a significant number of individual loan files. Appraisals and evaluations (new or updated) are reviewed to determine whether the timeliness, methods, assumptions, and findings are reasonable and in compliance with the Company's loan policy and credit administration practices. Such reviews include the adequacy of the steps taken by the Company to ensure that the individuals who perform appraisals and evaluations (new or updated) are appropriately qualified and are not subject to conflicts of interest. If there are any deficiencies noted in the reviews, they are reported to Bank management and prompt corrective action is taken.

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

(Dollars in thousands)	At or for the Years ended December 31, 2016		December 31, 2015		December 31, 2014		December 31, 2013		December 31, 2012	
Other real estate owned	$20,954		26,815		27,804		26,860		45,115	
Accruing loans 90 days or more past due										
Residential real estate	266		—		35		429		451	
Commercial	428		2,051		105		160		791	
Consumer and other	405		80		74		15		237	
Total	1,099		2,131		214		604		1,479	
Non-accrual loans										
Residential real estate	4,528		8,073		6,798		10,702		14,237	
Commercial	39,033		36,510		48,138		61,577		68,887	
Consumer and other	5,771		6,550		6,946		9,677		13,809	
Total	49,332		51,133		61,882		81,956		96,933	
Total non-performing assets [1]	$71,385		80,079		89,900		109,420		143,527	
Non-performing assets as a percentage of subsidiary assets	0.76	%	0.88	%	1.08	%	1.39	%	1.87	%
Allowance for loan and lease losses as a percentage of non-performing loans	257	%	244	%	209	%	158	%	133	%
Accruing loans 30-89 days past due	$25,617		19,413		25,904		32,116		27,097	
Accruing troubled debt restructurings	$52,077		63,590		69,129		81,110		100,151	
Non-accrual troubled debt restructurings	$21,693		27,057		33,714		42,461		50,925	
Interest income [2]	$2,364		2,471		3,005		4,122		5,161	

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1 As of December 31, 2016, non-performing assets have not been reduced by U.S. government guarantees of $1.7 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.

The Company continued to benefit from the gradual improvement in asset quality during the current year. Non-performing assets at December 31, 2016 were $71.4 million, a decrease of $8.7 million, or 11 percent, from a year ago. Non-performing assets as a percentage of assets at December 31, 2016 was 0.76 percent which was a decrease of 12 basis points form the prior year end of 0.88 percent. Early stage delinquencies (accruing loans 30-89 days past due) of $25.6 million at December 31, 2016 increased $6.2 million from the prior year.

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.

In prior years, construction loans, a regulatory classification, accounted for a significant portion of the Company's non-accrual loans. As a result of the gradual economic recovery and the Company's diligent focus on this category of non-performing loans, construction loans only accounted for 20 percent of the Company's non-accrual loans as of December 31, 2016. 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 "Item 8. Financial Statements and Supplementary Data."

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 $130 million and $141 million as of December 31, 2016 and 2015, respectively. The ALLL includes specific valuation allowances of $6.9 million and $8.1 million of impaired loans as of December 31, 2016 and 2015, respectively. Of the total impaired loans at December 31, 2016, there were 18 significant commercial real estate and other commercial loans that accounted for $58.9 million, or 45 percent, of the impaired loans. The 18 loans were collateralized by 143 percent of the loan value, the majority of which had appraisals or evaluations (new or updated) during the last year, such appraisals reviewed at least quarterly taking into account current market conditions. Of the total impaired loans at December 31, 2016, there were 134 loans aggregating $79.2 million, or 61 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 $73.8 million and $90.6 million as of December 31, 2016 and 2015, respectively. The Company's TDR loans are considered impaired loans of which $21.7 million and $27.1 million as of December 31, 2016 and 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 of loans prior to the acquisition of collateral and transfer of the loans into OREO during 2016 was $5.3 million. The fair value of the loan collateral acquired in foreclosure during 2016 was $5.2 million. The following table sets forth the changes in OREO for the periods indicated:

(Dollars in thousands)	Years ended December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Balance at beginning of period	$26,815	27,804	26,860	45,115	78,354
Acquisitions	882	974	3,928	1,203	—
Additions	5,198	7,989	11,493	15,266	27,536
Capital improvements	149	1,710	1,661	79	—
Write-downs	(1,821)	(1,575)	(691)	(3,639)	(13,258)
Sales	(10,269)	(10,087)	(15,447)	(31,164)	(47,517)
Balance at end of period	$20,954	26,815	27,804	26,860	45,115

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 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. See additional risk factors in "Item 1A. Risk Factors."

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

	December 31, 2016			December 31, 2015			December 31, 2014			December 31, 2013			December 31, 2012		
(Dollars in thousands)	ALLL	Percent of Loans in Category		ALLL	Percent of Loans in Category		ALLL	Percent of Loans in Category		ALLL	Percent of Loans in Category		ALLL	Percent of Loans in Category	
Residential real estate	$12,436	12	%	$14,427	13	%	$14,680	13	%	$14,067	14	%	$15,482	15	%
Commercial real estate	65,773	52	%	67,877	52	%	67,799	52	%	70,332	51	%	74,398	49	%
Other commercial	37,823	24	%	32,525	22	%	30,891	21	%	28,630	21	%	21,567	18	%
Home equity	7,572	8	%	8,998	8	%	9,963	9	%	9,299	9	%	10,659	12	%
Other consumer	5,968	4	%	5,870	5	%	6,420	5	%	8,023	5	%	8,748	6	%
Total	$129,572	100	%	$129,697	100	%	$129,753	100	%	$130,351	100	%	$130,854	100	%

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

(Dollars in thousands)	Years ended December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Balance at beginning of period	$129,697	129,753	130,351	130,854	137,516
Provision for loan losses	2,333	2,284	1,912	6,887	21,525
Charge-offs					
Residential real estate	(464)	(985)	(431)	(793)	(5,267)
Commercial loans	(4,226)	(4,242)	(4,860)	(8,407)	(21,578)
Consumer and other loans	(6,806)	(1,775)	(2,312)	(4,443)	(7,827)
Total charge-offs	(11,496)	(7,002)	(7,603)	(13,643)	(34,672)
Recoveries					
Residential real estate	207	92	328	299	643
Commercial loans	5,271	3,620	3,757	4,803	4,088
Consumer and other loans	3,560	950	1,008	1,151	1,754
Total recoveries	9,038	4,662	5,093	6,253	6,485
Charge-offs, net of recoveries	(2,458)	(2,340)	(2,510)	(7,390)	(28,187)
Balance at end of period	$129,572	129,697	129,753	130,351	130,854
ALLL as a percentage of total loans	2.28%	2.55%	2.89%	3.21%	3.85%
Net charge-offs as a percentage of average loans	0.05%	0.05%	0.06%	0.20%	0.80%

The allowance as a percent of total loans outstanding at December 31, 2016 was 2.28 percent, a decrease of 27 basis points from 2.55 percent at December 31, 2015 which was driven by loan growth combined with stabilized credit quality.

The Company’s ALLL of $130 million is considered adequate to absorb losses from any class of its loan portfolio. For the periods ended December 31, 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, loan charge-offs, net of recoveries, exceeded the provision for loan losses by $125 thousand. During the same period in 2015, loan charge-offs, net of recoveries, exceeded the provision for loan losses by $56 thousand.

The Company provides commercial services to individuals, small to medium-sized businesses, community organizations and public entities from 142 locations, including 133 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 in all of the states within the Company’s footprint, except Wyoming. Colorado and Washington are experiencing the strongest pricing pressures, while Wyoming and Montana continue to lag behind the national trend. Four of the Company’s states are ranked in the top 10 nationally for house price appreciation. Home ownership in the United States has continually declined since 2008; however, there have been recent periods of increased home ownership during the second half of 2015 and the second half of 2016. The long-term average for the United States homeownership rate is at 65 percent. Annual personal income growth remains in positive territory for each of the Company’s states, while Washington, Colorado and Utah exceed the national average. The Federal Reserve Bank of Philadelphia’s composite state coincident indices projects steady growth during the first half of 2017 throughout the Company’s footprint. The increase in Gross Domestic Product during the prior quarter reflected positive contributions from personal consumption expenditures, exports, private inventory investment and federal government spending and was partly offset by negative contributions from residential fixed investment and state and local government spending. Colorado, Utah, Idaho, Montana and Wyoming all have unemployment rates below 5 percent, which reflects the Federal Reserve’s definition of full employment. Crude oil, natural gas and base metal prices have all increased throughout 2016 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 locations where the Company’s markets include national parks and similar recreational areas. However, Canadian tourism in Washington, Idaho and Montana has been negatively impacted by the weak Canadian dollar. 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 subsequent 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 12 percent and 11 percent of the Company’s total loan portfolio and accounted for 20 percent and 34 percent of the Company’s non-accrual loans at December 31, 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)	December 31, 2016	December 31, 2015
Specific valuation allowance	$ 6,881	8,124
General valuation allowance	122,691	121,573
Total ALLL	$ 129,572	129,697

During 2016, the ALLL decreased by $125 thousand, the net result of a $1.2 million decrease in the specific valuation allowance and a $1.1 million increase in the general valuation allowance. The specific valuation allowance decreased as the result of a $12.6 million 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 $562 million in loans collectively evaluated for impairment, excluding the current year acquisitions. At acquisition date, the assets and liabilities of acquired banks are recorded at their estimated fair values which results in no ALLL carried over on loans from acquired banks.

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 “Item 8. Financial Statements and Supplementary Data.”

Loans by Regulatory Classification

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

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

(Dollars in thousands)	December 31, 2016	December 31, 2015	$ Change	% Change
Custom and owner occupied construction	$ 86,233	$ 75,094	$ 11,139	15 %
Pre-sold and spec construction	66,184	50,288	15,896	32 %
Total residential construction	152,417	125,382	27,035	22 %
Land development	75,078	62,356	12,722	20 %
Consumer land or lots	97,449	97,270	179	— %
Unimproved land	69,157	73,844	(4,687)	(6)%
Developed lots for operative builders	13,254	12,336	918	7 %
Commercial lots	30,523	22,035	8,488	39 %
Other construction	257,769	156,784	100,985	64 %
Total land, lot, and other construction	543,230	424,625	118,605	28 %
Owner occupied	977,932	938,625	39,307	4 %
Non-owner occupied	929,729	774,192	155,537	20 %
Total commercial real estate	1,907,661	1,712,817	194,844	11 %
Commercial and industrial	686,870	649,553	37,317	6 %
Agriculture	407,208	367,339	39,869	11 %
1st lien	877,893	856,193	21,700	3 %
Junior lien	58,564	65,383	(6,819)	(10)%
Total 1-4 family	936,457	921,576	14,881	2 %
Multifamily residential	184,068	201,542	(17,474)	(9)%
Home equity lines of credit	402,614	372,039	30,575	8 %
Other consumer	155,193	150,469	4,724	3 %
Total consumer	557,807	522,508	35,299	7 %
Other	381,672	209,853	171,819	82 %
Total loans receivable, including loans held for sale	5,757,390	5,135,195	622,195	12 %
Less loans held for sale [1]	(72,927)	(56,514)	(16,413)	29 %
Total loans receivable	$ 5,684,463	$ 5,078,681	$ 605,782	12 %

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

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 December 31, 2016	December 31, 2015	Non-Accruing Loans December 31, 2016	Accruing Loans 90 Days or More Past Due December 31, 2016	Other Real Estate Owned December 31, 2016
Custom and owner occupied construction	$—	1,016	—	—	—
Pre-sold and spec construction	226	—	226	—	—
Total residential construction	226	1,016	226	—	—
Land development	9,864	17,582	1,188	—	8,676
Consumer land or lots	2,137	2,250	770	—	1,367
Unimproved land	11,905	12,328	7,852	—	4,053
Developed lots for operative builders	175	488	—	—	175
Commercial lots	1,466	1,521	—	—	1,466
Other construction	—	4,236	—	—	—
Total land, lot and other construction	25,547	38,405	9,810	—	15,737
Owner occupied	18,749	10,952	16,849	92	1,808
Non-owner occupied	3,426	3,446	2,749	—	677
Total commercial real estate	22,175	14,398	19,598	92	2,485
Commercial and industrial	5,184	3,993	4,894	283	7
Agriculture	1,615	3,281	1,615	—	—
1st lien	9,186	10,691	6,734	393	2,059
Junior lien	1,167	668	1,167	—	—
Total 1-4 family	10,353	11,359	7,901	393	2,059
Multifamily residential	400	113	400	—	—
Home equity lines of credit	5,494	5,486	4,737	117	640
Other consumer	391	228	151	214	26
Total consumer	5,885	5,714	4,888	331	666
Other	—	1,800	—	—	—
Total	$71,385	80,079	49,332	1,099	20,954

(Dollars in thousands)	Accruing 30-89 Days Delinquent Loans, by Loan Type December 31, 2016	December 31, 2015	$ Change	% Change
Custom and owner occupied construction	$1,836	$ 462	$1,374	297 %
Pre-sold and spec construction	—	181	(181)	(100)%
Total residential construction	1,836	643	1,193	186 %
Land development	154	447	(293)	(66)%
Consumer land or lots	638	166	472	284 %
Unimproved land	1,442	774	668	86 %
Other construction	—	337	(337)	(100)%
Total land, lot and other construction	2,234	1,724	510	30 %
Owner occupied	2,307	2,760	(453)	(16)%
Non-owner occupied	1,689	923	766	83 %
Total commercial real estate	3,996	3,683	313	8 %
Commercial and industrial	3,032	1,968	1,064	54 %
Agriculture	1,133	1,014	119	12 %
1st lien	7,777	6,272	1,505	24 %
Junior lien	1,016	1,077	(61)	(6)%
Total 1-4 family	8,793	7,349	1,444	20 %
Multifamily residential	10	662	(652)	(98)%
Home equity lines of credit	1,537	1,046	491	47 %
Other consumer	1,180	1,227	(47)	(4)%
Total consumer	2,717	2,273	444	20 %
Other	1,866	97	1,769	1,824 %
Total	$25,617	$ 19,413	$6,204	32 %

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

(Dollars in thousands)	Net Charge-Offs (Recoveries), Years ended, By Loan Type December 31, 2016	December 31, 2015	Charge-Offs December 31, 2016	Recoveries December 31, 2016
Custom and owner occupied construction	$(1)	—	—	1
Pre-sold and spec construction	786	(53)	832	46
Total residential construction	785	(53)	832	47
Land development	(2,661)	(288)	29	2,690
Consumer land or lots	(688)	66	25	713
Unimproved land	(184)	(325)	—	184
Developed lots for operative builders	(27)	(85)	15	42
Commercial lots	27	(26)	33	6
Other construction	—	(1)	—	—
Total land, lot and other construction	(3,533)	(659)	102	3,635
Owner occupied	1,196	247	1,621	425
Non-owner occupied	44	93	60	16
Total commercial real estate	1,240	340	1,681	441
Commercial and industrial	(370)	1,389	1,114	1,484
Agriculture	50	50	105	55
1st lien	487	834	720	233
Junior lien	60	(125)	228	168
Total 1-4 family	547	709	948	401
Multifamily residential	229	(318)	229	—
Home equity lines of credit	611	740	864	253
Other consumer	257	143	554	297
Total consumer	868	883	1,418	550
Other	2,642	(1)	5,067	2,425
Total	$2,458	2,340	11,496	9,038

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 NOW and demand accounts, 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:

	December 31, 2016			December 31, 2015			December 31, 2014			December 31, 2013			December 31, 2012		
(Dollars in thousands)	Amount	Percent		Amount	Percent		Amount	Percent		Amount	Percent		Amount	Percent	
Non-interest bearing deposits	$2,041,852	28	%	$1,918,310	28	%	$1,632,403	26	%	$1,374,419	25	%	$1,191,933	22	%
NOW accounts	1,588,550	22	%	1,516,026	22	%	1,328,130	21	%	1,113,878	20	%	988,984	18	%
Savings accounts	996,061	13	%	838,274	12	%	693,714	11	%	600,998	11	%	478,809	9	%
Money market deposit accounts	1,464,415	20	%	1,382,028	20	%	1,274,525	20	%	1,168,918	21	%	931,370	18	%
Certificate accounts	948,714	13	%	1,060,650	15	%	1,167,228	18	%	1,116,622	20	%	1,015,491	19	%
Wholesale deposits	332,687	4	%	229,720	3	%	249,212	4	%	205,132	3	%	757,874	14	%
Total interest bearing deposits	5,330,427	72	%	5,026,698	72	%	4,712,809	74	%	4,205,548	75	%	4,172,528	78	%
Total deposits	$7,372,279	100	%	$6,945,008	100	%	$6,345,212	100	%	$5,579,967	100	%	$5,364,461	100	%

The following table summarizes the amounts outstanding at December 31, 2016 for deposits of $100,000 and greater, according to the time remaining to maturity. Included in demand deposits are brokered deposits of $333 million.

(Dollars in thousands)	Certificates of Deposit	Demand Deposits	Total
Within three months	$ 137,025	4,221,390	4,358,415
Three months to six months	117,756	—	117,756
Seven months to twelve months	113,354	—	113,354
Over twelve months	172,209	—	172,209
Total	$ 540,344	4,221,390	4,761,734

For additional information on deposits, see Note 7 to the Consolidated Financial Statements in “Item 8. Financial Statements and Supplementary Data.”

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.

For additional information concerning the Company's borrowings, see Note 8 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

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 Years ended December 31, 2016		December 31, 2015		December 31, 2014	
Repurchase agreements						
Amount outstanding at end of period	$473,650		423,414		397,107	
Weighted interest rate on outstanding amount	0.34	%	0.31	%	0.27	%
Maximum outstanding at any month end	$473,650		441,041		397,107	
Average balance	$384,066		376,983		317,745	
Weighted-average interest rate	0.31	%	0.27	%	0.27	%
FHLB advances						

Amount outstanding at end of period	$41,099	185,091	93,979
Weighted interest rate on outstanding amount	0.84 %	1.02 %	2.81 %
Maximum outstanding at any month end	$240,050	185,091	618,084
Average balance	$81,513	107,341	295,422
Weighted-average interest rate	0.93 %	3.06 %	0.24 %

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 December 31, 2016 were $126 million, including fair value adjustments from prior acquisitions. For additional information regarding the subordinated debentures, see Note 9 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

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. For the schedules of outstanding commitments, see Note 21 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

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 VIEs, see Note 6 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

The following table represents the Company's contractual obligations as of December 31, 2016:

		Payments Due by Period						
(Dollars in thousands)	Total	Indeter-minate Maturity [1]	2017	2018	2019	2020	2021	Thereafter
Deposits	$7,372,279	6,423,565	644,881	149,557	69,782	39,756	44,159	579
Repurchase agreements	473,650	—	473,650	—	—	—	—	—
FHLB advances	251,749	—	41,099	70,983	927	1,728	135,000	2,012
Other borrowed funds	4,105	—	97	146	147	148	148	3,419
Subordinated debentures	125,991	—	—	—	—	—	—	125,991
Capital lease obligations	379	—	92	92	92	92	11	—
Operating lease obligations	13,057	—	2,387	2,146	1,960	1,548	1,111	3,905
Total	$8,241,210	6,423,565	1,162,206	222,924	72,908	43,272	180,429	135,906

[1] Represents non-interest bearing deposits and NOW, savings, and money market accounts.

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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)	December 31, 2016	December 31, 2015
FHLB advances		
Borrowing capacity	$ 1,558,527	1,494,288
Amount utilized	(251,749)	(394,131)
Amount available	$ 1,306,778	1,100,157
FRB discount window		
Borrowing capacity	$ 1,226,683	945,948
Amount utilized	—	—
Amount available	$ 1,226,683	945,948
Unsecured lines of credit available	$ 255,000	255,000
Unencumbered investment securities		
U.S. government and federal agency	$ 39,407	47,451
U.S. government sponsored enterprises	12,086	75,419
State and local governments	814,942	880,866
Corporate bonds	19,573	48,528
Mortgage-backed securities	336,404	435,749
Total unencumbered securities	$ 1,222,412	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 76,525,402 have been issued as of December 31, 2016. The Company also has the capacity to issue 1,000,000 shares of preferred stock of which none have been issued as of December 31, 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. The federal banking agencies approved the 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 implemented the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act and substantially amended the regulatory risk-based capital rules applicable to the Company. Under Basel III, the Company must hold a conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer for 2016 is 0.625%.

The following table illustrates the Bank’s regulatory ratios and the Federal Reserve’s current capital adequacy guidelines as of December 31, 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 regulatory ratios	15.76	%	14.50	%	14.50	%	11.45	%
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 December 31, 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 December 31, 2016 that management believes have changed the Company’s or the Bank’s risk-based capital category.

For additional information regarding regulatory capital, see Note 11 to the Consolidated Financial Statements in “Item 8. Financial Statements and Supplementary Data.”

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 years ended December 31, 2016 and 2015 was $39.7 million and $34.0 million, respectively. The Company's effective tax rate for the years ended December 31, 2016 and 2015 was 24.7 percent and 22.6 percent, respectively. The current and prior year's low effective tax rates are due to income from tax-exempt investment securities, municipal loans and leases and benefits from federal income tax credits. The income from tax-exempt investment securities, loans and leases was $58.1 million and $55.9 million for the years ended December 31, 2016 and 2015, respectively. The benefits from federal income tax credits were $3.3 million and $4.2 million for the years ended December 31, 2016 and 2015, respectively.

The Company has equity investments in Certified Development Entities ("CDE") which have received allocations of New Markets Tax Credits ("NMTC"). 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 $22.6 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
2017	$ 1,586	2,637	783	5,006
2018	1,264	3,647	710	5,621
2019	1,364	3,647	661	5,672
2020	1,364	3,432	611	5,407
2021	1,364	2,615	566	4,545
Thereafter	595	13,942	1,929	16,466
	$ 7,537	29,920	5,260	42,717

See Note 15 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" for additional information.

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).

	Years ended December 31, 2016			December 31, 2015			December 31, 2014		
(Dollars in thousands)	Average Balance	Interest & Dividends	Average Yield/ Rate	Average Balance	Interest & Dividends	Average Yield/ Rate	Average Balance	Interest & Dividends	Average Yield/ Rate
Assets									
Residential real estate loans	$741,876	$33,410	4.50 %	$687,013	$32,153	4.68 %	$635,256	$30,721	4.84 %
Commercial loans [1]	3,993,363	193,147	4.84 %	3,459,470	167,587	4.84 %	3,029,733	145,631	4.81 %
Consumer and other loans	668,990	31,402	4.69 %	631,512	31,476	4.98 %	588,452	30,515	5.19 %
Total loans [2]	5,404,229	257,959	4.77 %	4,777,995	231,216	4.84 %	4,253,441	206,867	4.86 %
Tax-exempt investment securities [3]	1,325,810	75,907	5.73 %	1,328,908	77,199	5.81 %	1,208,970	68,643	5.68 %
Taxable investment securities [4]	1,874,240	41,775	2.23 %	1,918,283	41,648	2.17 %	1,974,049	47,407	2.40 %
Total earning assets	8,604,279	375,641	4.37 %	8,025,186	350,063	4.36 %	7,436,460	322,917	4.34 %
Goodwill and intangibles	155,981			143,293			138,928		
Non-earning assets	392,353			389,126			347,138		
Total assets	$9,152,613			$8,557,605			$7,922,526		
Liabilities									
Non-interest bearing deposits	$1,934,543	$—	— %	$1,756,888	$—	— %	$1,463,689	$—	— %
NOW accounts	1,498,928	1,062	0.07 %	1,371,340	1,074	0.08 %	1,141,424	1,148	0.10 %
Savings accounts	920,058	464	0.05 %	758,776	360	0.05 %	660,465	340	0.05 %
Money market deposit accounts	1,420,700	2,183	0.15 %	1,340,967	2,066	0.15 %	1,215,163	2,382	0.20 %
Certificate accounts	1,013,046	5,998	0.59 %	1,131,210	6,891	0.61 %	1,144,485	7,858	0.69 %
Wholesale deposits [5]	335,616	8,695	2.59 %	206,889	5,747	2.78 %	193,514	1,467	0.76 %
FHLB advances	294,952	6,221	2.07 %	319,565	8,841	2.73 %	573,607	9,570	1.65 %
Repurchase agreements and other borrowed funds	515,254	5,008	0.97 %	509,431	4,296	0.84 %	451,458	4,201	0.93 %
Total interest bearing liabilities	7,933,097	29,631	0.37 %	7,395,066	29,275	0.40 %	6,843,805	26,966	0.39 %
Other liabilities	96,392			91,360			63,630		
Total liabilities	8,029,489			7,486,426			6,907,435		
Stockholders' Equity									
Common stock	763			755			746		
Paid-in capital	740,792			720,827			697,344		
Retained earnings	371,925			336,998			297,303		
Accumulated other comprehensive income	9,644			12,599			19,698		
Total stockholders' equity	1,123,124			1,071,179			1,015,091		
	$9,152,613			$8,557,605			$7,922,526		

Total liabilities and stockholders' equity			
Net interest income (tax-equivalent)	$346,010	$320,788	$295,951
Net interest spread (tax-equivalent)	4.00 %	3.96 %	3.95 %
Net interest margin (tax-equivalent)	4.02 %	4.00 %	3.98 %

[1] Includes tax effect of $4.2 million and $2.6 million on tax-exempt municipal loan and lease income for the years ended December 31, 2016 and 2015, respectively. The tax effect for the year ended December 31, 2014 was not significant.

[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 $25.9 million, $26.3 million and $21.5 million on tax-exempt investment securities income for the years ended December 31, 2016, 2015 and 2014, respectively.

[4] Includes tax effect of $1.4 million on federal income tax credits for the years ended December 31, 2016, 2015 and 2014.

[5] Wholesale deposits include brokered deposits classified as NOW, 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 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.

	Year ended December 31, 2016 vs. 2015 Increase (Decrease) Due to:			Year ended December 31, 2015 vs. 2014 Increase (Decrease) Due to:		
(Dollars in thousands)	Volume	Rate	Net	Volume	Rate	Net
Interest income						
Residential real estate loans	$2,568	(1,311)	1,257	2,503	(1,071)	1,432
Commercial loans (tax-equivalent)	26,393	(833)	25,560	20,656	1,300	21,956
Consumer and other loans	1,960	(2,034)	(74)	2,233	(1,272)	961
Investment securities (tax-equivalent)	(1,725)	560	(1,165)	2,340	457	2,797
Total interest income	29,196	(3,618)	25,578	27,732	(586)	27,146
Interest expense						
NOW accounts	103	(115)	(12)	232	(306)	(74)
Savings accounts	78	26	104	51	(31)	20
Money market deposit accounts	129	(12)	117	246	(562)	(316)
Certificate accounts	(703)	(190)	(893)	(91)	(876)	(967)
Wholesale deposits	3,602	(654)	2,948	101	4,179	4,280
FHLB advances	(658)	(1,962)	(2,620)	(4,238)	3,509	(729)
Repurchase agreements and other borrowed funds	61	651	712	539	(444)	95
Total interest expense	2,612	(2,256)	356	(3,160)	5,469	2,309
Net interest income (tax-equivalent)	$26,584	(1,362)	25,222	30,892	(6,055)	24,837

Net interest income (tax-equivalent) increased $25.2 million for the year ended December 31, 2016 compared to the same period in 2015. The interest income for the current year increased over the same period last year primarily from increased growth of the Company's commercial loan portfolio. Total interest expense remained relatively flat for the current year compared to the prior year, although, there was an increase in expenses related to wholesale deposits which was offset by a decrease in expense from FHLB advances. The increase in the amount of wholesale deposits and related expense was driven by a delayed start interest rate swap (i.e., 3.5 years) with a notional amount of $100 million that started interest accruals in November 2015. The Company utilized wholesale deposits as the cash flow hedge which resulted in an increase amount of wholesale deposits and associated interest expense. The decrease in rates on FHLB advances was driven by long-term advances maturing and being replaced by short-term lower cost FHLB advances.

Net interest income (tax-equivalent) increased $24.8 million during 2015 compared to 2014. The increase in interest income primarily resulted from increased growth of the Company's commercial loan portfolio. The increase in interest expense was driven by interest expense associated with delayed start interest rate swaps (i.e., 3 - 3.5 years) the Company previously entered into. The Company had an interest rate swap with a notional amount of $160 million start interest accruals in October 2014 and an interest rate swap with a notional amount of $100 million start interest accruals in November 2015, such interest swaps caused an increase in rates on wholesale deposits over 2014. The increase in interest expense from higher rates on FHLB advances was the result of a decrease in short-term FHLB advances leaving a minimal amount of long-term higher rate 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.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with GAAP often requires management to use significant judgments as well as subjective and/or complex measurements in making estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The Company considers its accounting policies for the ALLL, goodwill and fair value measurements to be critical accounting policies. The application of these policies has a significant impact on the Company's consolidated financial statements and financial results could differ significantly if different judgments or estimates were to be applied.

Allowance for Loan and Lease Losses

For information regarding the ALLL, its relation to the provision for loan losses and risk related to asset quality, see the section captioned "Allowance for Loan and Lease Losses" included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Notes 1 and 3 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Goodwill

For information on goodwill, see Notes 1 and 5 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Fair Value Measurements

For information on fair value measurements, see Note 20 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Impact of Recently Issued Accounting Standards

New authoritative accounting guidance that may possibly have a material impact on the Company that has either been issued during 2015, 2016, and early 2017 or that became effective during 2015 and 2016 includes amendments to:

- Financial Accounting Standards Board ("FASB") Accounting Standards Codification™ ("ASC") Topic 350, Simplifying the Test for Goodwill;
- FASB ASC Topic 250, Accounting Changes and Error Corrections;
- FASB ASC Topic 326, Financial Instruments - Credit Losses;
- FASB ASC Topic 718, Compensation - Stock Compensation;
- FASB ASC Topic 842, Leases;
- FASB ASC Topic 825, Financial Instruments;
- FASB ASC Topic 805, Business Combinations;
- FASB ASC Topic 810, Consolidation; and
- FASB ASC Topic 606, Revenue from Contracts with Customers

For additional information on the topics and the impact on the Company see Note 1 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The disclosures set forth in this item are qualified by the section captioned “Forward-Looking Statements” included in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Market risk is the risk of loss in a financial instrument arising from adverse changes in market rates/prices such as interest rates, foreign currency exchange rates, commodity prices, and equity prices. The Company’s primary market risk exposure is interest rate risk.

Interest Rate Risk

Interest rate risk is the potential for loss of future earnings resulting from adverse changes in the level of interest rates. Interest rate risk results from many factors and could have a significant impact on the Company’s net interest income, which is the Company’s primary source of net income. Net interest income is affected by changes in interest rates, the relationship between rates on interest bearing assets and liabilities, the impact of the interest fluctuations on asset prepayments and the mix of interest bearing assets and liabilities.

Although interest rate risk is inherent in the banking industry, banks are expected to have sound risk management practices in place to measure, monitor and control interest rate exposures. The objective of interest rate risk management is to contain the risks associated with interest rate fluctuations. The process involves identification and management of the sensitivity of net interest income to changing interest rates.

The ongoing monitoring and management of this risk is an important component of the Company’s asset/liability management process which is governed by policies established by the Company’s Board that are reviewed and approved annually. The Board delegates responsibility for carrying out the asset/liability management policies to the Bank’s ALCO. In this capacity, the ALCO develops guidelines and strategies impacting the Company’s asset/liability management related activities based upon estimated market risk sensitivity, policy limits and overall market interest rate levels and trends. The Company’s goal of its asset and liability management practices is to maintain or increase the level of net interest income within an acceptable level of interest rate risk.

In addition to the risk management practices previously described, the Company has entered into forecasted interest rate swap derivative financial instruments to hedge various interest rate exposures. For more information on the Company’s interest rate swaps, see Note 10 to the Consolidated Financial Statements in “Item 8. Financial Statements and Supplementary Data.”

Net interest income simulation

The Company uses a detailed and dynamic simulation model to quantify the estimated exposure of net interest income (“NII”) to sustained interest rate changes. While ALCO routinely monitors simulated NII sensitivity over rolling two-year and five-year horizons, it also utilizes additional tools to monitor potential longer-term interest rate risk. The simulation model captures the impact of changing interest rates on the interest income received and interest expense paid on all assets and liabilities reflected on the Company’s statements of financial condition. This sensitivity analysis is compared to ALCO policy limits which specify a maximum tolerance level for NII exposure over a one year and two year horizon, assuming no balance sheet growth. The ALCO policy rate scenarios include upward and downward shifts in interest rates for 100 basis points (“bps”), 200 bps, 300 bps, and 400 bps scenarios with instantaneous and parallel changes in current market yield curves. The ALCO policy also includes 200 bps and 400 bps rate scenarios with gradual parallel shifts in interest rates over 12-month and 24-month periods, respectively. Given the historically low rate environment, a downward shift in interest rates of only 100 bps is modeled. Since the model assumes that interest rates will not be negative, the 100 bps scenario represents a flattening of market yield curves. Other non-parallel rate movement scenarios are also modeled to determine the potential impact on net interest income. The additional scenarios are adjusted as the economic environment changes and provide ALCO additional interest rate risk monitoring tools to evaluate current market conditions.

The following is indicative of the Company’s overall NII sensitivity analysis as of December 31, 2016 as compared to the ALCO policy limits approved by the Company’s Board. The Company’s interest sensitivity remained within policy limits at December 31, 2016.

Rate Scenarios	One Year Policy Limits	One Year Estimated Sensitivity	Two Years Policy Limits	Two Years Estimated Sensitivity
-100 bps Rate shock	(10.0)%	(3.6)%	(15.0)%	(6.5)%
+100 bps Rate shock	(10.0)%	0.9 %	(15.0)%	3.2 %
+200 bps Rate shock	(10.0)%	2.3 %	(15.0)%	6.6 %
+200 bps Rate ramp	(10.0)%	1.7 %	(15.0)%	4.3 %
+300 bps Rate shock	(20.0)%	1.5 %	(20.0)%	7.9 %
+400 bps Rate shock	(20.0)%	— %	(20.0)%	8.5 %
+400 bps Rate ramp	(10.0)%	2.7 %	(20.0)%	3.7 %

The preceding sensitivity analysis does not represent a forecast and should not be relied upon as being indicative of expected operating results. These hypothetical estimates are based upon numerous assumptions including: the nature and timing of interest rate levels including, but not limited to, yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits and reinvestment/replacement of asset and liability cash flows. While assumptions are developed based upon current economic and local market conditions, the Company cannot make any assurances as to the predictive nature of these assumptions including how customer preferences or competitor influences might change. Also, as market conditions vary from those assumed in the sensitivity analysis, actual results will also differ due to prepayment/refinancing levels likely deviating from those assumed, the varying impact of interest rate caps or floors on adjustable rate assets, the potential effect of changing debt service levels on customers with adjustable rate loans, depositor early withdrawals and product preference changes, and other internal and external variables. Furthermore, the sensitivity analysis does not reflect actions that ALCO might take in responding to or anticipating changes in interest rates.

Economic value of equity

In addition to the NII analyses, the Company calculates the economic value of equity ("EVE") which focuses on longer term interest rate risk. The EVE process models the cash flow of financial instruments to maturity and then discounts those cashflows based on prevailing interest rates in order to develop a baseline EVE. The interest rates used in the model are then shocked for an immediate increase and decrease in interest rates. The results for the shocked model are compared to the baseline results to determine the percentage change in EVE under the various scenarios. The resulting percentage change in the EVE is an indication of the longer term re-pricing risk and option risks embedded in the balance sheet. The measure is not designed to estimate the Company's capital levels, such as tangible, regulatory, or market capitalization.

The following reflects the Company's EVE maximum sensitivity policy limits and EVE analysis as of December 31, 2016:

Rate Scenarios	Policy Limits	Post Shock Ratio
-100 bps Rate shock	(10.0)%	(3.9)%
+100 bps Rate shock	(10.0)%	(1.6)%
+200 bps Rate shock	(20.0)%	(5.1)%
+300 bps Rate shock	(30.0)%	(9.7)%
+400 bps Rate shock	(40.0)%	(14.4)%

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders
Glacier Bancorp, Inc.
Kalispell, Montana

We have audited the accompanying consolidated statements of financial condition of Glacier Bancorp, Inc. as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2016. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Glacier Bancorp, Inc. as of December 31, 2016, and 2015, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Glacier Bancorp, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 23, 2017, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ BKD, LLP

Denver, Colorado
February 23, 2017

Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders
Glacier Bancorp, Inc.
Kalispell, Montana

We have audited Glacier Bancorp, Inc.’s internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Audit Committee, Board of Directors and Stockholders
Glacier Bancorp, Inc.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Glacier Bancorp, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Glacier Bancorp, Inc. and our report dated February 23, 2017, expressed an unqualified opinion thereon.

/s/ BKD, LLP

Denver, Colorado
February 23, 2017

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands, except per share data)	December 31, 2016	December 31, 2015
Assets		
Cash on hand and in banks	$ 135,268	117,137
Federal funds sold	—	6,080
Interest bearing cash deposits	17,273	70,036
Cash and cash equivalents	152,541	193,253
Investment securities, available-for-sale	2,425,477	2,610,760
Investment securities, held-to-maturity	675,674	702,072
Total investment securities	3,101,151	3,312,832
Loans held for sale	72,927	56,514
Loans receivable	5,684,463	5,078,681
Allowance for loan and lease losses	(129,572)	(129,697)
Loans receivable, net	5,554,891	4,948,984
Premises and equipment, net	176,198	194,030
Other real estate owned	20,954	26,815
Accrued interest receivable	45,832	44,524
Deferred tax asset	67,121	58,475
Core deposit intangible, net	12,347	14,555
Goodwill	147,053	140,638
Non-marketable equity securities	25,550	27,495
Other assets	74,035	71,117
Total assets	$ 9,450,600	9,089,232
Liabilities		
Non-interest bearing deposits	$ 2,041,852	1,918,310
Interest bearing deposits	5,330,427	5,026,698
Securities sold under agreements to repurchase	473,650	423,414
Federal Home Loan Bank advances	251,749	394,131
Other borrowed funds	4,440	6,602
Subordinated debentures	125,991	125,848
Accrued interest payable	3,584	3,517
Other liabilities	102,038	114,062
Total liabilities	8,333,731	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	765	761
Paid-in capital	749,107	736,368
Retained earnings - substantially restricted	374,379	337,532
Accumulated other comprehensive (loss) income	(7,382)	1,989
Total stockholders' equity	1,116,869	1,076,650
Total liabilities and stockholders' equity	$ 9,450,600	9,089,232
Number of common stock shares issued and outstanding	76,525,402	76,086,288

See accompanying notes to consolidated financial statements.

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)	Years ended December 31, 2016	December 31, 2015	December 31, 2014
Interest Income			
Investment securities	$90,392	91,086	93,052
Residential real estate loans	33,410	32,153	30,721
Commercial loans	188,949	164,966	145,631
Consumer and other loans	31,402	31,476	30,515
Total interest income	344,153	319,681	299,919
Interest Expense			
Deposits	18,402	16,138	13,195
Securities sold under agreements to repurchase	1,207	1,021	865
Federal Home Loan Bank advances	6,221	8,841	9,570
Federal funds purchased and other borrowed funds	67	81	199
Subordinated debentures	3,734	3,194	3,137
Total interest expense	29,631	29,275	26,966
Net Interest Income	314,522	290,406	272,953
Provision for loan losses	2,333	2,284	1,912
Net interest income after provision for loan losses	312,189	288,122	271,041
Non-Interest Income			
Service charges and other fees	62,405	59,286	56,043
Miscellaneous loan fees and charges	4,613	4,276	4,696
Gain on sale of loans	33,606	26,389	19,797
(Loss) gain on sale of investments	(1,463)	19	(188)
Other income	8,157	8,791	9,954
Total non-interest income	107,318	98,761	90,302
Non-Interest Expense			
Compensation and employee benefits	151,697	134,409	118,571
Occupancy and equipment	25,979	25,505	22,718
Advertising and promotions	8,433	8,661	7,912
Data processing	14,800	11,477	11,387
Other real estate owned	2,895	3,693	2,568
Regulatory assessments and insurance	4,780	5,283	5,064
Core deposit intangible amortization	2,970	2,964	2,811
Other expenses	47,160	44,765	41,648
Total non-interest expense	258,714	236,757	212,679
Income Before Income Taxes	160,793	150,126	148,664
Federal and state income tax expense	39,662	33,999	35,909
Net Income	$121,131	116,127	112,755
Basic earnings per share	$1.59	1.54	1.51
Diluted earnings per share	$1.59	1.54	1.51
Dividends declared per share	$1.10	1.05	0.98
Average outstanding shares - basic	76,278,463	75,542,455	74,641,957
Average outstanding shares - diluted	76,341,836	75,595,581	74,687,315

See accompanying notes to consolidated financial statements.

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)	Years ended December 31, 2016	December 31, 2015	December 31, 2014
Net Income	$121,131	116,127	112,755
Other Comprehensive (Loss) Income, Net of Tax			
Unrealized (losses) gains on available-for-sale securities	(21,407)	(22,845)	31,569
Reclassification adjustment for losses included in net income	1,335	(69)	204
Net unrealized (losses) gains on available-for-sale securities	(20,072)	(22,914)	31,773
Tax effect	7,776	8,904	(12,313)
Net of tax amount	(12,296)	(14,010)	19,460
Unrealized losses on derivatives used for cash flow hedges	(1,643)	(7,857)	(19,557)
Reclassification adjustment for losses included in net income	6,417	5,025	993
Net unrealized gains (losses) on derivatives used for cash flow hedges	4,774	(2,832)	(18,564)
Tax effect	(1,849)	1,087	7,203
Net of tax amount	2,925	(1,745)	(11,361)
Total other comprehensive (loss) income, net of tax	(9,371)	(15,755)	8,099
Total Comprehensive Income	$111,760	100,372	120,854

See accompanying notes to consolidated financial statements.

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2016, 2015 and 2014

(Dollars in thousands, except per share data)	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings Substantially Restricted	Accumulated Other Comp-rehensive Income (Loss)	Total
Balance at December 31, 2013	74,373,296	$ 744	690,918	261,943	9,645	963,250
Comprehensive income	—	—	—	112,755	8,099	120,854
Cash dividends declared ($0.98 per share)	—	—	—	(73,501)	—	(73,501)
Stock issuances under stock incentive plans	97,064	1	783	—	—	784
Stock issued in connection with acquisitions	555,732	5	15,122	—	—	15,127
Stock-based compensation and related taxes	—	—	1,533	—	—	1,533
Balance at December 31, 2014	75,026,092	$ 750	708,356	301,197	17,744	1,028,047
Comprehensive income (loss)	—	—	—	116,127	(15,755)	100,372
Cash dividends declared ($1.05 per share)	—	—	—	(79,792)	—	(79,792)
Stock issuances under stock incentive plans	62,346	1	16	—	—	17
Stock issued in connection with acquisitions	997,850	10	25,929	—	—	25,939
Stock-based compensation and related taxes	—	—	2,067	—	—	2,067
Balance at December 31, 2015	76,086,288	$ 761	736,368	337,532	1,989	1,076,650
Comprehensive income (loss)	—	—	—	121,131	(9,371)	111,760
Cash dividends declared ($1.10 per share)	—	—	—	(84,284)	—	(84,284)
Stock issuances under stock incentive plans	89,569	1	(1)	—	—	—
Stock issued in connection with acquisitions	349,545	3	10,462	—	—	10,465
Stock-based compensation and related taxes	—	—	2,278	—	—	2,278
Balance at December 31, 2016	76,525,402	$ 765	749,107	374,379	(7,382)	1,116,869

See accompanying notes to consolidated financial statements.

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Years ended December 31, 2016	December 31, 2015	December 31, 2014
Operating Activities			
Net income	$121,131	116,127	112,755
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	2,333	2,284	1,912
Net amortization of investment securities premiums and discounts	26,210	26,709	27,491
Loans held for sale originated or acquired	(1,098,864)	(888,676)	(669,144)
Proceeds from sales of loans held for sale	1,155,186	925,353	705,178
Gain on sale of loans	(33,606)	(26,389)	(19,797)
Loss (gain) on sale of investments	1,463	(19)	188
Bargain purchase gain	—	—	(680)
Stock-based compensation expense, net of tax benefits	1,836	1,087	859
Excess tax benefits from stock-based compensation	(8)	(102)	(138)
Depreciation of premises and equipment	15,294	14,365	12,108
Loss (gain) on sale of other real estate owned and write-downs, net	1,217	938	(937)
Amortization of core deposit intangibles	2,970	2,964	2,811
Deferred tax (benefit) expense	(82)	(4,080)	5,931
Amortization of qualified affordable housing project investments	1,079	1,175	1,270
Amortization of New Markets Tax Credit project investments	1,453	2,323	1,893
Net (increase) decrease in accrued interest receivable	(1,160)	(2,377)	2,648
Net increase in other assets	(9,494)	(793)	(5,702)
Net increase (decrease) in accrued interest payable	55	(828)	567
Net (decrease) increase in other liabilities	(6,611)	1,405	3,521
Net cash provided by operating activities	180,402	171,466	182,734
Investing Activities			
Sales of available-for-sale securities	62,817	136,777	169,372
Maturities, prepayments and calls of available-for-sale securities	662,003	663,828	628,238
Purchases of available-for-sale securities	(585,064)	(961,224)	(281,332)
Maturities, prepayments and calls of held-to-maturity securities	25,405	20,997	8,930
Purchases of held-to-maturity securities	(1,222)	(203,554)	(49,691)
Principal collected on loans	1,775,173	1,737,508	1,418,517
Loans originated or acquired	(2,375,136)	(2,112,154)	(1,735,155)
Net decrease (increase) of premises and equipment and other real estate owned	5,197	(18,224)	(14,389)
Proceeds from sale of other real estate owned	10,145	10,278	15,714
Net proceeds from sale of non-marketable equity securities	6,017	27,770	801
Net cash received (paid) in acquisitions	6,701	21,427	(2,112)
Net cash (used in) provided by investing activities	(407,964)	(676,571)	158,893

See accompanying notes to consolidated financial statements.

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

(Dollars in thousands)	Years ended December 31, 2016	December 31, 2015	December 31, 2014
Financing Activities			
Net increase in deposits	$368,907	215,650	455,604
Net increase in securities sold under agreements to repurchase	50,236	24,951	83,713
Net (decrease) increase in short-term Federal Home Loan Bank advances	(100,000)	140,000	(421,000)
Proceeds from long-term Federal Home Loan Bank advances	—	50,000	192,500
Repayments of long-term Federal Home Loan Bank advances	(45,642)	(94,749)	(314,738)
Net decrease in other borrowed funds	(2,019)	(566)	(933)
Cash dividends paid	(84,040)	(79,456)	(50,944)
Excess tax benefits from stock-based compensation	8	102	138
Stock-based compensation activity	(600)	17	785
Net cash provided by (used in) financing activities	186,850	255,949	(54,875)
Net (decrease) increase in cash and cash equivalents	(40,712)	(249,156)	286,752
Cash and cash equivalents at beginning of period	193,253	442,409	155,657
Cash and cash equivalents at end of period	$152,541	193,253	442,409
Supplemental Disclosure of Cash Flow Information			
Cash paid during the period for interest	$29,576	30,103	26,398
Cash paid during the period for income taxes	36,225	39,622	33,343
Supplemental Disclosure of Non-Cash Investing Activities			
Transfer of investment securities from available-for-sale to held-to-maturity	$—	—	484,583
Sale and refinancing of other real estate owned	728	446	1,361
Transfer of loans to other real estate owned	5,198	7,989	11,493
Dividend declared but not paid	23,137	22,893	22,557
Acquisitions			
Fair value of common stock shares issued	10,465	25,939	15,127
Cash consideration for outstanding shares	3,475	28,364	16,690
Fair value of assets acquired	69,750	434,963	349,167
Liabilities assumed	62,225	391,592	316,670

See accompanying notes to consolidated financial statements.

GLACIER BANCORP, INC.
NOTES TO 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.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

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 and the Bank. 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 advisory 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.

The Bank has subsidiary interests in variable interest entities ("VIE") for which the Bank 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. These subsidiary interests are included in the Company's consolidated financial statements. The parent holding company also owns non-bank subsidiaries that have issued trust preferred securities as Tier 1 capital instruments. The trust subsidiaries are not included in the Company's consolidated financial statements. The Company's investments in the trust subsidiaries are included in non-marketable equity securities on the Company's statement of financial condition.

In August 2016, the Company completed its acquisition of Treasure State Bank ("TSB"), a community bank based in Missoula, Montana. 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 (collectively, "CB"). In August 2014, the Company completed its acquisition of FNBR Holding Corporation and its wholly-owned subsidiary, First National Bank of the Rockies, a community bank based in Grand Junction, Colorado. 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 certain partnerships related to its Low-Income Housing Tax Credit ("LIHTC") investments and, as a result, deconsolidated these 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.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Pending Acquisition
During the fourth quarter of 2016, the Company announced the signing of a definitive agreement to acquire TFB Bancorp, Inc. and its wholly-owned subsidiary, The Foothills Bank, a community bank based in Yuma, Arizona (collectively, "Foothills"). Foothills provides banking services to individuals and businesses in Arizona, with banking offices located in Yuma, Prescott and Casa Grande, Arizona. As of December 31, 2016, Foothills had total assets of $334,792,000, gross loans of $279,777,000 and total deposits of $282,198,000. The acquisition is subject to required regulatory approvals and other customary conditions of closing and is expected to be completed during the second quarter of 2017. Foothills will be merged into Glacier Bank and will operate as a separate bank division under its existing name and management team.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, cash held as demand deposits at various banks and the Federal Reserve Bank ("FRB"), interest bearing deposits, federal funds sold, and liquid investments with original maturities of three months or less. The Bank is required to maintain an average reserve balance with either the FRB or in the form of cash on hand. The required reserve balance at December 31, 2016 was $4,169,000.

Investment Securities
Debt securities for which the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost. Debt and equity securities held primarily for the purpose of selling in the near term are classified as trading securities and are reported at fair market value, with unrealized gains and losses included in income. Debt and equity securities not classified as held-to-maturity or trading are classified as available-for-sale and are reported at fair value with unrealized gains and losses, net of income taxes, as a separate component of other comprehensive income. Premiums and discounts on investment securities are amortized or accreted into income using a method that approximates the interest method. The objective of the interest method is to calculate periodic interest income at a constant effective yield. The Company does not have any investment securities classified as trading securities.

The Company reviews and analyzes the various risks that may be present within the investment portfolio on an ongoing basis, including market risk and credit risk. Market risk is the risk to an entity's financial condition resulting from adverse changes in the value of its holdings arising from movements in interest rates, foreign exchange rates, equity prices or commodity prices. The Company assesses the market risk of individual securities as well as the investment portfolio as a whole. Credit risk, broadly defined, is the risk that an issuer or counterparty will fail to perform on an obligation. A security is investment grade if the issuer has an adequate capacity to meet its commitment over the expected life of the investment, i.e., the risk of default is low and full and timely repayment of interest and principal is expected. To determine investment grade status for securities, the Company conducts due diligence of the creditworthiness of the issuer or counterparty prior to acquisition and ongoing thereafter consistent with the risk characteristics of the security and the overall risk of the investment portfolio. Credit quality due diligence takes into account the extent to which a security is guaranteed by the U.S. government and other agencies of the U.S. government. The depth of the due diligence is based on the complexity of the structure, the size of the security, and takes into account material positions and specific groups of securities or stratifications for analysis and review of similar risk positions. The due diligence includes consideration of payment performance, collateral adequacy, internal analyses, third party research and analytics, external credit ratings and default statistics.

For additional information relating to investment securities, see Note 2.

Temporary versus Other-Than-Temporary Impairment

The Company assesses individual securities in its investment portfolio for impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant. An investment is impaired if the fair value of the security is less than its carrying value at the financial statement date. If impairment is determined to be other-than-temporary, an impairment loss is recognized by reducing the amortized cost for the credit loss portion of the impairment with a corresponding charge to earnings for a like amount.

In evaluating impaired securities for other-than-temporary impairment losses, management considers 1) the severity and duration of the impairment; 2) the credit ratings of the security; and 3) the overall deal structure, including the Company's position within the structure, the overall and near term financial performance of the issuer and underlying collateral, delinquencies, defaults, loss severities, recoveries, prepayments, cumulative loss projections, discounted cash flows and fair value estimates.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

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. If impairment is determined to be other-than-temporary and the Company does not intend to sell a debt security, and it is more-likely-than-not the Company will not be required to sell the security before recovery of its cost basis, it recognizes the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion (noncredit portion) in other comprehensive income, net of tax. For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income for the noncredit portion of a previous other-than-temporary impairment is amortized prospectively, as an increase to the carrying amount of the security, over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

If impairment is determined to be other-than-temporary and the Company intends to sell a debt security or it is more-likely-than-not the Company will be required to sell the security before recovery of its cost basis, it recognizes the entire amount of the other-than-temporary impairment in earnings.

For debt securities with other-than-temporary impairment, the previous amortized cost basis less the other-than-temporary impairment recognized in earnings shall be the new amortized cost basis of the security. In subsequent periods, the Company accretes into interest income the difference between the new amortized cost basis and cash flows expected to be collected prospectively over the life of the debt security.

Loans Held for Sale
Loans held for sale generally consist of long-term, fixed rate, conforming, single-family residential real estate loans and are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized by charges to non-interest income. A sale is recognized when the Company surrenders control of the loan and consideration, is received in exchange. A gain is recognized in non-interest income to the extent the sales price exceeds the carrying value of the sold loan.

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.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

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.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

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 15 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.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

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.

Premises and Equipment
Premises and equipment are accounted for at cost less depreciation. Depreciation is computed on a straight-line method over the estimated useful lives or the term of the related lease. The estimated useful life for office buildings is 15 - 40 years and the estimated useful life for furniture, fixtures, and equipment is 3 - 10 years. Interest is capitalized for any significant building projects. For additional information relating to premises and equipment, see Note 4.

Leases
The Company leases certain land, premises and equipment from third parties under operating and capital leases. The lease payments for operating lease agreements are recognized on a straight-line basis. The present value of the future minimum rental payments for capital leases is recognized as an asset when the lease is formed. Lease improvements incurred at the inception of the lease are recorded as an asset and depreciated over the initial term of the lease and lease improvements incurred subsequently are depreciated over the remaining term of the lease. For additional information relating to leases, see Note 4.

Other Real Estate Owned
Property acquired by foreclosure or deed-in-lieu of foreclosure is initially recorded at fair value, less estimated selling cost, at acquisition date (i.e., cost of the property). The Company is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan upon the occurrence of either the Company obtaining legal title to the property or the borrower conveying all interest in the property through a deed-in-lieu or similar agreement. Fair value is determined as the amount that could be reasonably expected in a current sale between a willing buyer and a willing seller in an orderly transaction between market participants at the measurement date. Subsequent to the initial acquisition, if the fair value of the asset, less estimated selling cost, is less than the cost of the property, a loss is recognized in other expense and the asset carrying value is reduced. Gain or loss on disposition of other real estate owned (“OREO”) is recorded in non-interest income or non-interest expense, respectively. In determining the fair value of the properties on the date of transfer and any subsequent estimated losses of net realizable value, the fair value of other real estate acquired by foreclosure or deed-in-lieu of foreclosure is determined primarily based upon appraisal or evaluation of the underlying property value.

Long-lived Assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is deemed impaired if the sum of the expected future cash flows is less than the carrying amount of the asset. If impaired, an impairment loss is recognized in other expense to reduce the carrying value of the asset to fair value. At December 31, 2016 and 2015, no long-lived assets were considered materially impaired.

Business Combinations and Intangible Assets
Acquisition accounting requires the total purchase price to be allocated to the estimated fair values of assets acquired and liabilities assumed, including certain intangible assets. Goodwill is recorded if the purchase price exceeds the net fair value of assets acquired and a bargain purchase gain is recorded in other income if the net fair value of assets acquired exceeds the purchase price.

Adjustment of the allocated purchase price may be related to fair value estimates for which all information has not been obtained of the acquired entity known or discovered during the allocation period, the period of time required to identify and measure the fair values of the assets and liabilities acquired in the business combination. The allocation period is generally limited to one year following consummation of a business combination.

Core deposit intangible represents the intangible value of depositor relationships resulting from deposit liabilities assumed in acquisitions and is amortized using an accelerated method based on an estimated runoff of the related deposits. The core deposit intangible is evaluated for impairment and recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable, with any changes in estimated useful life accounted for prospectively over the revised remaining life. For additional information relating to core deposit intangibles, see Note 5.

The Company tests goodwill for impairment at the reporting unit level annually during the third quarter. The Company has identified that each of the bank divisions are reporting units (i.e., components of the Glacier Bank operating segment) given that each division has a separate management team that regularly reviews its respective division financial information; however, the reporting units are aggregated into a single reporting unit due to the reporting units having similar economic characteristics.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

The goodwill of a reporting unit is tested for impairment between annual tests if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. Examples of events and circumstances that could trigger the need for interim impairment testing include:

- a significant change in legal factors or in the business climate;
- an adverse action or assessment by a regulator;
- unanticipated competition;
- a loss of key personnel;
- a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of; and
- the testing for recoverability of a significant asset group within a reporting unit.

For the goodwill impairment assessment, the Company has the option, prior to the two-step process, to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value. The Company opted to bypass the qualitative assessment for its 2016 and 2015 annual goodwill impairment testing and proceed directly to the two-step goodwill impairment test. The goodwill impairment two-step process requires the Company to make assumptions and judgments regarding fair value. In the first step, the Company calculates an implied fair value based on a control premium analysis. If the implied fair value is less than the carrying value, the second step is completed to compute the impairment amount, if any, by determining the “implied fair value” of goodwill. This determination requires the allocation of the estimated fair value of the reporting units to the assets and liabilities of the reporting units. Any remaining unallocated fair value represents the “implied fair value” of goodwill, which is compared to the corresponding carrying value of goodwill to compute impairment, if any.

For additional information relating to goodwill, see Note 5.

Non-Marketable Equity Securities

Non-marketable equity securities primarily consist of Federal Home Loan Bank (“FHLB”) stock. FHLB stock is restricted because such stock may only be sold to FHLB at its par value. Due to restrictive terms, and the lack of a readily determinable market value, FHLB stock is carried at cost. The investments in FHLB stock are required investments related to the Company’s borrowings from FHLB. FHLB obtains its funding primarily through issuance of consolidated obligations of the FHLB system. The U.S. government does not guarantee these obligations, and each of the regional FHLBs is jointly and severally liable for repayment of each other’s debt.

Bank-Owned Life Insurance

The Company maintains bank-owned life insurance policies on certain current and former employees and directors, which are recorded at their cash surrender values as determined by the insurance carriers. At December 31, 2016 and 2015, the carrying value associated with these policies is $50,451,000 and $49,534,000, respectively, and is recorded in other assets in the Company’s statements of financial position. The appreciation in the cash surrender value of the policies is recognized as a component of other non-interest income in the Company’s statements of operations.

Derivatives and Hedging Activities

For asset and liability management purposes, the Company has entered into interest rate swap agreements to hedge against changes in forecasted cash flows due to interest rate exposures. The interest rate swaps are recognized as assets or liabilities on the Company’s statements of financial condition and measured at fair value. Fair value estimates are obtained from third parties and are based on pricing models. The Company does not enter into interest rate swap agreements for trading or speculative purposes.

The Company takes into account the impact of bilateral collateral and master netting agreements that allows the Company to settle all interest rate swap agreements held with a single counterparty on a net basis, and to offset the net interest rate swap derivative position with the related collateral when recognizing interest rate swap derivative assets and liabilities.

Interest rate swaps are contracts in which a series of interest payments are exchanged over a prescribed period. The notional amount upon which the interest payments are based is not exchanged. The swap agreements are derivative instruments and convert a portion of the Company’s forecasted variable rate debt to a fixed rate (i.e., cash flow hedge) over the payment term of the interest rate swap. The effective portion of the gain or loss on the cash flow hedging instruments is initially reported as a component of other comprehensive income and subsequently reclassified into earnings in the same period during which the transaction affects earnings. The ineffective portion of the gain or loss on derivative instruments, if any, is recognized in earnings. For the years ended December 31, 2016, 2015, and 2014, the Company’s cash flow hedges were determined to be fully effective.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Interest rate derivative financial instruments receive hedge accounting treatment only if they are designated as a hedge and are expected to be, and are, highly effective in substantially reducing interest rate risk arising from the assets and liabilities identified as exposing the Company to risk. Derivative financial instruments that do not meet specified hedging criteria are recorded at fair value with changes in fair value recorded in income. The Company’s interest rate swaps are considered highly effective and currently meet the hedge accounting criteria.

Cash flows resulting from the interest rate derivative financial instruments that are accounted for as hedges of assets and liabilities are classified in the Company’s cash flow statement in the same category as the cash flows of the items being hedged. For additional information relating to interest rate swap agreements, see Note 10.

The Company also has residential real estate derivatives for commitments to fund certain residential real estate loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of residential real estate loans to third party investors on a best efforts basis. It is the Company’s practice to enter into forward commitments for the future delivery of residential real estate loans when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates resulting from its commitments to fund the loans. These derivatives are not designated in hedge relationships. Such derivatives are short-term in nature and changes in fair value are not recorded as gains on sale of loans because the change is not significant.

Stock-based Compensation

Stock-based compensation awards granted are valued at fair value and compensation cost is recognized on a straight-line basis, net of estimated forfeitures, over the requisite service period of each award. For additional information relating to stock-based compensation, see Note 12.

Advertising and Promotion

Advertising and promotion costs are recognized in the period incurred.

Income Taxes

The Company’s income tax expense consists of current and deferred income tax expense. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of enacted tax law to earnings or losses. Deferred income tax expense results from changes in deferred assets and liabilities between periods. The Company recognizes interest and penalties related to income tax matters in income tax expense.

Deferred tax assets and liabilities are recognized for estimated future income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in income in the period that includes the enactment date.

Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The term more-likely-than-not means a likelihood of more than fifty percent. The recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to the Company’s judgment. In assessing the need for a valuation allowance, the Company considers both positive and negative evidence. For additional information relating to income taxes, see Note 15.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (“OCI”). OCI includes unrealized gains and losses, net of tax effect, on available-for-sale securities and derivatives used for cash flow hedges.

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. For additional information relating to earnings per share, see Note 17.

Reclassifications
Certain reclassifications have been made to the 2015 and 2014 financial statements to conform to the 2016 presentation.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

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 January 2017, FASB amended FASB ASC Topic 350, Simplifying the Test for Goodwill. The amendments in the Update simplify the measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Instead, under these amendments, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss should not exceed the total amount of goodwill allocated to that reporting unit. The amendments are effective for public business entities for the first interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company has goodwill from prior business combinations and performs an annual impairment test or more frequently if changes or circumstances occur that would more-likely-than-not reduce the fair value of the reporting unit below its carrying value. During the current year, the Company performed its impairment assessment and determined the fair value of the aggregated reporting units exceed the carrying value, such that the Company’s goodwill was not considered impaired. Although the Company cannot anticipate future goodwill impairment assessments, based on the most recent assessment, it is unlikely that an impairment amount would need to be calculated and, therefore, the Company does not anticipate a material impact from these amendments to the Company’s financial position and results of operations. The current accounting policies and processes are not anticipated to change, except for the elimination of the Step 2 analysis. For additional information regarding goodwill impairment testing, see Note 5.

In January 2017, FASB amended FASB ASC Topic 250, Accounting Changes and Error Corrections. The amendments in the Update relate to SEC paragraphs pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 EITF meetings related to disclosure of the impact of recently issued accounting standards. The SEC staff view that a registrant should evaluate ASC updates that have not yet been adopted to determine the appropriate financial disclosures about the potential material effects of the updates on the financial statements when adopted. If a registrant does not know or cannot reasonably estimate the impact of an update, then in addition to making a statement to that effect, the registrant should consider additional qualitative financial statement disclosures to assist the reader in assessing the significance of the impact. The staff expects the additional qualitative disclosures to include a description of the effect of the accounting policies expected to be applied compared to current accounting policies. Also, the registrant should describe the status of its process to implement the new standards and the significant implementation matters yet to be addressed. The amendments specifically addressed recent ASC amendments to Topic 326, Financial Instruments - Credit Losses, Topic 842, Leases, and Topic 606, Revenue from Contracts with Customers, although, the amendments apply to any subsequent amendments to guidance in the ASC. The Company adopted the amendments in this Update during the fourth quarter of 2016 and appropriate disclosures have been included in this Note for each recently issued accounting standard.

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 and currently does not know or cannot reasonably quantify the impact of the adoption of the amendments as a result of the complexity and extensive changes from the amendments. The ALLL is a material estimate of the Company and given the change from an incurred loss model to a methodology that considers the credit loss over the life of the loan, there is the potential for an increase in the ALLL at adoption date. The Company is anticipating a significant change in the processes and procedures to calculate the ALLL, including changes in assumptions and estimates to consider expected credit losses over the life of the loan versus the current accounting practice that utilizes the incurred loss model. The Company will also develop new procedures for determining an allowance for credit losses relating to held-to-maturity investment securities. In addition, the current accounting policy and procedures for other-than-temporary impairment on available-for-sale investment securities will be replaced with an allowance approach. The Company is expecting to begin developing and implementing processes and procedures during the next two years to ensure it is fully compliant with the amendments at adoption date. For additional information on the allowance for loan losses, see Note 3.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

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. The Company will adopt the amendments as of January 1, 2017 and the Company is currently evaluating the full impact of the of these amendments. The Company has a stock-based compensation plan for which the amendments will result in the associated excess tax benefits or deficiencies being recognized as tax expense or benefit in the income statement instead of the current accounting treatment which requires excess tax benefits to be recognized as an adjustment to paid-in capital and excess tax deficiencies to be recognized as either an offset to accumulated excess tax benefits, if any, or to the income statement. In addition, such amounts are to be classified as an operating activity in the statement of cash flows instead of the current accounting treatment which requires it to be classified as both an operating and a financing activity. The stock based compensation plan has not historically generated material amounts of excess tax benefits or deficiencies and, therefore, the Company does not anticipate a material change in the Company’s financial position or results of operation, as a result of adopting this Update. The Company is currently implementing the new processes and does not anticipate significant changes. For additional information on the stock-based compensation plan, see Note 12.

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 has several lease agreements for which the amendments will require the Company to recognize a lease liability to make lease payments and a right-of-use asset which will represent its right to use the underlying asset for the lease term. The Company is currently reviewing the amendments to ensure it is fully compliant by the adoption date and doesn’t expect to early adopt. As permitted by the amendments, the Company is anticipating electing an accounting policy to not recognize lease assets and lease liabilities for leases with a term of twelve months or less. The impact is not expected to have a material effect on the Company’s financial position or results of operations since the Company does not have a material amount of lease agreements. The Company is currently in the process of fully evaluating the amendments and will subsequently implement new processes which are not expected to significantly change since the Company already has processes for certain lease agreements that recognize the lease assets and lease liabilities. In addition, the Company will change its current accounting policies to comply with the amendments with such changes as mentioned above. For additional information on the Company’s leases, see Note 4.

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 will impact the Company in a few areas including requiring equity investments (with certain exclusions) to be measured at fair value with the changes recognized in net income, requirement to utilize an exit price when measuring the fair value of financial instruments, additional disclosures related to other comprehensive income, evaluation of a valuation allowance on a deferred tax asset related to available-for-sale investment securities in combination with the entity’s other deferred tax assets, and other disclosure changes. The Company is currently evaluating the impact of these amendments, but does not expect them to have a material material effect on the Company’s financial position or results of operations since it does not have a material amount of equity securities or a valuation allowance. However, the amendments will have an impact on certain items that are disclosed at fair value that are not currently utilizing the exit price notion when measuring fair value. At this time, the Company cannot quantify the change in the fair value of such disclosures since the Company is currently evaluating the full impact of the Update and is in the planning stages of developing appropriate procedures and processes to comply with the disclosure requirements of such amendments. The current accounting policies and procedures will be modified after the Company has fully evaluated the standard to comply with the accounting changes mentioned above. For additional information on fair value of assets and liabilities, see Note 20.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

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 determined. 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 were to be applied prospectively to all periods presented and were effective for public business entities for annual periods and interim periods within those annual periods, beginning after December 15, 2015. The Company strives to complete its analysis of business combinations before the first reporting period after a business combination even though accounting standards allow for a longer measurement period, therefore, the Company has evaluated the impact of these amendments and does not anticipate the amendments to have a material effect on the Company's financial position or results of operations with future business combinations. The Company's accounting policies and procedures have been modified in the event of a material future provisional adjustment that is identified during the measurement period after a business combination to reflect the changes from these amendments. For additional information on mergers and acquisitions, see Note 22.

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 were effective for public business entities for the first interim and annual reporting periods beginning after December 15, 2015. The Company adopted these amendments on January 1, 2016, which resulted in the Company determining it was no longer the primary beneficiary of certain partnerships related to its LIHTC investments and, as a result, deconsolidated these investments. The impact of the amendments did not have a material effect on the Company's financial position or results of operations since these investments were not a material component of the Company's operations. The Company's accounting policies and processes were modified as it related to the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities. For additional information on the impact of these amendments, see Note 6.

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. Several subsequent amendments have been issued that provide clarifying guidance and are effective with the adoption of the original Update. 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 in its preliminary stages of evaluating the impact of these amendments, although it doesn’t expect the amendments to have a significant impact to the Company’s financial position or results of operation. The amendments could potentially impact the accounting procedures and processes over the recognition of certain revenue sources, including, but not limited to, non-interest income. The Company is expecting to begin developing processes and procedures during 2017 to ensure it is fully compliant with these amendments at the date of adoption.

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:

	December 31, 2016			
	Amortized Cost	Gross Unrealized		Fair Value
(Dollars in thousands)		Gains	Losses	
Available-for-sale				
U.S. government and federal agency	$39,554	15	(162)	39,407
U.S. government sponsored enterprises	19,557	55	(42)	19,570
State and local governments	775,395	20,941	(9,963)	786,373
Corporate bonds	471,569	1,175	(793)	471,951
Mortgage-backed securities [1]	1,116,727	2,774	(11,325)	1,108,176
Total available-for-sale	2,422,802	24,960	(22,285)	2,425,477
Held-to-maturity				
State and local governments	675,674	21,400	(7,985)	689,089
Total held-to-maturity	675,674	21,400	(7,985)	689,089
Total investment securities	$3,098,476	46,360	(30,270)	3,114,566

	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
Mortgage-backed securities [1]	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

[1] Consists of residential mortgage-backed securities with fair values of $1,011,252,000 and $1,200,503,000 at December 31, 2016 and 2015, respectively, and commercial mortgage-backed securities, with fair values of $96,924,000 and $457,000 at December 31, 2016 and 2015, respectively.

Note 2. Investment Securities (continued)

The following table presents the amortized cost and fair value of available-for-sale and held-to-maturity securities by contractual maturity at December 31, 2016. Actual maturities may differ from expected or contractual maturities since issuers have the right to prepay obligations with or without prepayment penalties.

	December 31, 2016			
	Available-for-Sale		Held-to-Maturity	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$149,379	149,650	—	—
Due after one year through five years	437,896	438,650	594	597
Due after five years through ten years	197,462	200,654	55,310	56,048
Due after ten years	521,338	528,347	619,770	632,444
	1,306,075	1,317,301	675,674	689,089
Mortgage-backed securities [1]	1,116,727	1,108,176	—	—
Total	$2,422,802	2,425,477	675,674	689,089

[1] 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:

	Years ended		
(Dollars in thousands)	December 31, 2016	December 31, 2015	December 31, 2014
Available-for-sale			
Proceeds from sales and calls of investment securities	$212,140	167,660	219,849
Gross realized gains [1]	2,459	1,877	501
Gross realized losses [1]	(3,794)	(1,808)	(705)
Held-to-maturity			
Proceeds from calls of investment securities	25,405	20,997	8,930
Gross realized gains [1]	97	50	22
Gross realized losses [1]	(225)	(100)	(6)

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

At December 31, 2016 and 2015, the Company had investment securities with carrying values of $1,878,739,000 and $1,824,819,000, respectively, pledged as collateral for FHLB advances, FRB discount window borrowings, securities sold under agreements to repurchase (“repurchase agreements”), interest rate swap agreements and deposits of several local government units.

Note 2. Investment Securities (continued)

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

	December 31, 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	$6,718	(24)	26,239	(138)	32,957	(162)
U.S. government sponsored enterprises	6,049	(42)	—	—	6,049	(42)
State and local governments	222,700	(4,949)	81,783	(5,014)	304,483	(9,963)
Corporate bonds	174,821	(774)	6,141	(19)	180,962	(793)
Mortgage-backed securities	778,109	(10,657)	29,957	(668)	808,066	(11,325)
Total available-for-sale	$1,188,397	(16,446)	144,120	(5,839)	1,332,517	(22,285)
Held-to-maturity						
State and local governments	$117,912	(1,712)	86,601	(6,273)	204,513	(7,985)
Total held-to-maturity	$117,912	(1,712)	86,601	(6,273)	204,513	(7,985)

	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)
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 December 31, 2016 and 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 December 31, 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 Year ended December 31, 2016	December 31, 2015
Residential real estate loans	$674,347	688,912
Commercial loans		
Real estate	2,990,141	2,633,953
Other commercial	1,342,250	1,099,564
Total	4,332,391	3,733,517
Consumer and other loans		
Home equity	434,774	420,901
Other consumer	242,951	235,351
Total	677,725	656,252
Loans receivable [1]	5,684,463	5,078,681
Allowance for loan and lease losses	(129,572)	(129,697)
Loans receivable, net	$5,554,891	4,948,984
Weighted-average interest rate on loans (tax-equivalent)	4.77 %	4.84 %

[1] Includes net deferred fees, costs, premiums and discounts of $13,372,000 and $15,529,000 at December 31, 2016 and 2015, respectively.

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

(Dollars in thousands)	Year ended December 31, 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	2,333	(1,734)	(2,686)	4,835	(520)	2,438
Charge-offs	(11,496)	(464)	(3,082)	(1,144)	(1,185)	(5,621)
Recoveries	9,038	207	3,664	1,607	279	3,281
Balance at end of period	$129,572	12,436	65,773	37,823	7,572	5,968

(Dollars in thousands)	Year ended December 31, 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	2,284	640	(696)	3,030	(480)	(210)
Charge-offs	(7,002)	(985)	(1,920)	(2,322)	(809)	(966)
Recoveries	4,662	92	2,694	926	324	626
Balance at end of period	$129,697	14,427	67,877	32,525	8,998	5,870

Note 3. Loans Receivable, Net (continued)

	Year ended December 31, 2014					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Balance at beginning of period	$130,351	14,067	70,332	28,630	9,299	8,023
Provision for loan losses	1,912	716	(2,877)	3,708	1,254	(889)
Charge-offs	(7,603)	(431)	(1,802)	(3,058)	(1,038)	(1,274)
Recoveries	5,093	328	2,146	1,611	448	560
Balance at end of period	$129,753	14,680	67,799	30,891	9,963	6,420

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

	December 31, 2016					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Allowance for loan and lease losses						
Individually evaluated for impairment	$6,881	856	922	4,419	296	388
Collectively evaluated for impairment	122,691	11,580	64,851	33,404	7,276	5,580
Total allowance for loan and lease losses	$129,572	12,436	65,773	37,823	7,572	5,968
Loans receivable						
Individually evaluated for impairment	$130,263	11,612	85,634	23,950	5,934	3,133
Collectively evaluated for impairment	5,554,200	662,735	2,904,507	1,318,300	428,840	239,818
Total loans receivable	$5,684,463	674,347	2,990,141	1,342,250	434,774	242,951

	December 31, 2015					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Allowance for loan and lease losses						
Individually evaluated for impairment	$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 Company is subject to regulatory limits for the amount of loans to any individual borrower and the Company is in compliance with this regulation as of December 31, 2016 and 2015. No borrower had outstanding loans or commitments exceeding 10 percent of the Company's consolidated stockholders' equity as of December 31, 2016.

At December 31, 2016, the Company had $3,585,328,000 in variable rate loans and $2,099,135,000 in fixed rate loans. At December 31, 2016, the Company had loans of $3,242,380,000 pledged as collateral for FHLB advances and FRB discount window. There were no significant purchases or sales of portfolio loans during 2016, 2015 and 2014.

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Note 3. Loans Receivable, Net (continued)

The Company has entered into transactions with its executive officers and directors and their affiliates. The aggregate amount of loans outstanding to such related parties at December 31, 2016 and 2015 was $58,438,000 and $53,233,000, respectively. During 2016, new loans to such related parties were $10,272,000, repayments were $9,172,000 and the effect of changes in composition of related parties was $4,105,000. In management's opinion, such loans were made in the ordinary course of business and were made on substantially the same terms as those prevailing at the time for comparable transaction with other persons.

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

	At or for the Year ended December 31, 2016					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Loans with a specific valuation allowance						
Recorded balance	$22,128	2,759	9,129	8,814	334	1,092
Unpaid principal balance	22,374	2,825	9,130	8,929	345	1,145
Specific valuation allowance	6,881	856	922	4,419	296	388
Average balance	26,745	4,942	10,441	9,840	257	1,265
Loans without a specific valuation allowance						
Recorded balance	$108,135	8,853	76,505	15,136	5,600	2,041
Unpaid principal balance	131,059	9,925	94,180	17,724	7,120	2,110
Average balance	108,827	12,858	72,323	15,537	6,004	2,105
Total						
Recorded balance	$130,263	11,612	85,634	23,950	5,934	3,133
Unpaid principal balance	153,433	12,750	103,310	26,653	7,465	3,255
Specific valuation allowance	6,881	856	922	4,419	296	388
Average balance	135,572	17,800	82,764	25,377	6,261	3,370

	At or for the Year ended December 31, 2015					
(Dollars in thousands)	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 years ended December 31, 2016, 2015, and 2014 was not significant.

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Note 3. Loans Receivable, Net (continued)

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

	December 31, 2016					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Accruing loans 30-59 days past due	$20,599	6,338	5,079	5,388	2,439	1,355
Accruing loans 60-89 days past due	5,018	1,398	754	1,352	844	670
Accruing loans 90 days or more past due	1,099	266	145	283	191	214
Non-accrual loans	49,332	4,528	30,216	8,817	5,240	531
Total past due and non-accrual loans	76,048	12,530	36,194	15,840	8,714	2,770
Current loans receivable	5,608,415	661,817	2,953,947	1,326,410	426,060	240,181
Total loans receivable	$5,684,463	674,347	2,990,141	1,342,250	434,774	242,951

	December 31, 2015					
(Dollars in thousands)	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

Interest income that would have been recorded on non-accrual loans if such loans had been current for the entire period would have been approximately $2,364,000, $2,471,000, and $3,005,000 for the years ended December 31, 2016, 2015, and 2014, respectively.

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:

	Year ended December 31, 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	34	—	10	21	3	—
Pre-modification recorded balance	$22,907	—	8,454	14,183	270	—
Post-modification recorded balance	$22,848	—	8,415	14,166	267	—
TDRs that subsequently defaulted						
Number of loans	1	—	—	1	—	—
Recorded balance	$6	—	—	6	—	—

Note 3. Loans Receivable, Net (continued)

	Year ended December 31, 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	64	3	25	22	1	13
Pre-modification recorded balance	$22,316	2,259	8,877	10,545	137	498
Post-modification recorded balance	$23,110	2,203	9,927	10,325	157	498
TDRs that subsequently defaulted						
Number of loans	7	1	1	4	—	1
Recorded balance	$2,556	1,947	78	529	—	2

	Year ended December 31, 2014					
(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	51	—	18	24	6	3
Pre-modification recorded balance	$37,781	—	21,760	12,522	3,385	114
Post-modification recorded balance	$37,075	—	21,803	11,884	3,274	114
TDRs that subsequently defaulted						
Number of loans	5	—	2	1	2	—
Recorded balance	$4,453	—	927	693	2,833	—

The modifications for the TDRs that occurred during the years ended December 31, 2016, 2015 and 2014 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 $5,331,000, $8,893,000 and $12,674,000 for the years ended December 31, 2016, 2015 and 2014, respectively, for which OREO was received in full or partial satisfaction of the loans. The majority of such TDRs were in residential real estate for the year ended December 31, 2016 and in commercial real estate for the years ended December 31, 2015 and 2014. At December 31, 2016 and 2015, the Company had $1,770,000 and $3,253,000, respectively, of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process. At December 31, 2016 and 2015, the Company had $2,699,000 and $1,496,000, respectively, of OREO secured by residential real estate properties.

There were $4,785,000 and $2,803,000 of additional unfunded commitments on TDRs outstanding at December 31, 2016 and 2015, respectively. The amount of charge-offs on TDRs during 2016, 2015 and 2014 was $557,000, $1,310,000 and $1,361,000, respectively.

Note 4. Premises and Equipment

Premises and equipment, net of accumulated depreciation, consist of the following:

(Dollars in thousands)	December 31, 2016	December 31, 2015
Land	$29,648	30,108
Office buildings and construction in progress	173,886	187,787
Furniture, fixtures and equipment	84,559	78,803
Leasehold improvements	7,853	8,028
Accumulated depreciation	(119,748)	(110,696)
Net premises and equipment	$176,198	194,030

Depreciation expense for the years ended December 31, 2016, 2015, and 2014 was $15,294,000, $14,365,000, and $12,108,000, respectively.

The Company leases certain land, premises and equipment from third parties under operating and capital leases. Total rent expense for the years ended December 31, 2016, 2015, and 2014 was $3,255,000, $3,137,000, and $2,786,000, respectively. Amortization of building capital lease assets is included in depreciation. The Company has entered into lease transactions with related parties. Rent expense with such related parties for the years ended December 31, 2016, 2015, and 2014 was $153,000, $150,000, and $146,000, respectively.

The total future minimum rental commitments required under operating and capital leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2016 are as follows:

(Dollars in thousands)	Capital Leases	Operating Leases	Total
Years ending December 31,			
2017	$ 92	2,387	2,479
2018	92	2,146	2,238
2019	92	1,960	2,052
2020	92	1,548	1,640
2021	11	1,111	1,122
Thereafter	—	3,905	3,905
Total minimum lease payments	379	13,057	13,436
Less: Amount representing interest	44		
Present value of minimum lease payments	335		
Less: Current portion of obligations under capital leases	75		
Long-term portion of obligations under capital leases	$ 260		

Note 5. Other Intangible Assets and Goodwill

The following table sets forth information regarding the Company's core deposit intangibles:

(Dollars in thousands)	At or for the Years ended December 31, 2016	December 31, 2015	December 31, 2014
Gross carrying value	$34,742	38,527	32,056
Accumulated amortization	(22,395)	(23,972)	(21,156)
Net carrying value	$12,347	14,555	10,900
Aggregate amortization expense	$2,970	2,964	2,811
Weighted-average amortization period	9.6 years		
Estimated amortization expense for the years ending December 31,			
2017	$2,161		
2018	1,718		
2019	1,618		
2020	1,557		
2021	1,497		

Core deposit intangibles increased $762,000, $6,619,000 and $4,199,000 during 2016, 2015 and 2014, respectively, due to acquisitions. For additional information relating to acquisitions, see Note 22.

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

(Dollars in thousands)	Years ended December 31, 2016	December 31, 2015	December 31, 2014
Net carrying value at beginning of period	$140,638	129,706	129,706
Acquisitions	6,415	10,932	—
Net carrying value at end of period	$147,053	140,638	129,706

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

(Dollars in thousands)	December 31, 2016	December 31, 2015
Gross carrying value	$ 187,212	180,797
Accumulated impairment charge [1]	(40,159)	(40,159)
Net carrying value	$ 147,053	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.

Note 5. Other Intangible Assets and Goodwill (continued)

The Company's first step in evaluating goodwill for possible impairment is a control premium analysis. The analysis first calculates the market capitalization and then adjusts such value for a control premium range which results in an implied fair value. The control premium range is determined based on historical control premiums for acquisitions that are comparable to the Company and is obtained from an independent third party. The calculated implied fair value is then compared to the book value to determine whether the Company needs to proceed to step two of the goodwill impairment assessment. The Company performed its annual goodwill impairment test during the third quarter of 2016 and determined the fair value of the aggregated reporting units exceeded the carrying value, such that the Company's goodwill was not considered impaired. In recognition there were no events or circumstances that occurred during the fourth quarter of 2016 that would more-likely-than-not reduce the fair value of a reporting unit below its carrying value, the Company did not perform interim testing at December 31, 2016. 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 6. 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.

Note 6. Variable Interest Entities (continued)

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)	December 31, 2016	December 31, 2015
Assets		
Loans receivable	$ 36,950	57,126
Premises and equipment, net	—	13,503
Accrued interest receivable	120	117
Other assets	1,984	1,429
Total assets	$ 39,054	72,175
Liabilities		
Other borrowed funds	$ 4,105	6,195
Accrued interest payable	2	9
Other liabilities	27	139
Total liabilities	$ 4,134	6,343

Unconsolidated Variable Interest Entities

The Company has equity investments in LIHTC partnerships with carrying values of $7,282,000 as of December 31, 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 $19,933,000 at December 31, 2016, and the Company expects to fulfill the majority of these commitments during 2017. There were no impairment losses on the Company's LIHTC investments during the year ended December 31, 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 periods presented. Amortization expense is recognized as a component of income tax expense.

	Years ended		
(Dollars in thousands)	December 31, 2016	December 31, 2015	December 31, 2014
Amortization expense	$ 1,079	1,175	1,270
Tax credits and other tax benefits recognized	436	377	419

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. For additional information on the Company's investments in trust subsidiaries, see Note 9.

Note 7. Deposits

Time deposits that meet or exceed the Federal Deposit Insurance Corporation Insurance limit of $250,000 at December 31, 2016 and 2015 were $254,611,000 and $258,573,000, respectively.

The scheduled maturities of time deposits are as follows:

(Dollars in thousands)	Amount
Years ending December 31,	
2017	$644,881
2018	149,557
2019	69,782
2020	39,756
2021	44,159
Thereafter	579
	$948,714

The Company reclassified $3,618,000 and $2,966,000 of overdraft demand deposits to loans as of December 31, 2016 and 2015, respectively. The Company has entered into deposit transactions with its executive officers, directors and their affiliates. The aggregate amount of deposits with such related parties at December 31, 2016 and 2015 was $27,977,000 and $21,818,000, respectively.

Note 8. Borrowings

The Company's repurchase agreements totaled $473,650,000 and $423,414,000 at December 31, 2016 and 2015, respectively, and are secured by investment securities with carrying values of $472,239,000 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:

	December 31, 2016 Remaining Contractual Maturity of the Agreements		
(Dollars in thousands)	Overnight and Continuous	Up to 30 Days	Total
Mortgage-backed securities	$473,007	643	473,650

	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

Mortgage-backed securities	408,460	2,447	410,907
Total	$420,967	2,447	423,414

Note 8. Borrowings (continued)

The Company’s FHLB advances bear a fixed rate of interest and are subject to restrictions or penalties in the event of prepayment. The advances are collateralized by specifically pledged loans and investment securities, FHLB stock owned by the Company, and a blanket assignment of the unpledged qualifying loans and investments. The scheduled maturities of FHLB advances consist of the following:

	December 31, 2016		December 31, 2015	
(Dollars in thousands)	Amount	Weighted Rate	Amount	Weighted Rate
Maturing within one year	$41,099	0.84 %	$185,091	1.02 %
Maturing one year through two years	70,983	1.42 %	179	4.19 %
Maturing two years through three years	927	2.16 %	70,597	1.01 %
Maturing three years through four years	1,728	3.66 %	167	3.79 %
Maturing four years through five years	135,000	3.08 %	945	4.98 %
Thereafter	2,012	5.33 %	137,152	3.12 %
Total	$251,749	2.27 %	$394,131	1.76 %

With respect to $155,000,000 of FHLB advances at December 31, 2016, FHLB holds put options that will be exercised on the quarterly measurement date when 3-month LIBOR is 8 percent or greater. The FHLB put option maturities range from 2018 to 2021 and the interest rates range from 2.73 percent to 3.43 percent.

The Company’s remaining borrowings consisted of capital lease obligations and other debt obligations through consolidation of certain VIEs. At December 31, 2016, the Company had $255,000,000 in unsecured lines of credit which are typically renewed on an annual basis with various correspondent entities.

Note 9. Subordinated Debentures

Trust preferred securities were issued by the Company’s trust subsidiaries, the common stock of which is wholly-owned by the Company, in conjunction with the Company issuing subordinated debentures to the trust subsidiaries. The terms of the subordinated debentures are the same as the terms of the trust preferred securities. The Company guaranteed the payment of distributions and payments for redemption or liquidation of the trust preferred securities to the extent of funds held by the trust subsidiaries. The obligations of the Company under the subordinated debentures together with the guarantee and other back-up obligations, in the aggregate, constitute a full and unconditional guarantee by the Company of the obligations of all trusts under the trust preferred securities.

The trust preferred securities are subject to mandatory redemption upon repayment of the subordinated debentures at their stated maturity date or the earlier redemption in an amount equal to their liquidation amount plus accumulated and unpaid distributions to the date of redemption. Interest distributions are payable quarterly. The Company may defer the payment of interest at any time for a period not exceeding 20 consecutive quarters provided that the deferral period does not extend past the stated maturity. During any such deferral period, distributions on the trust preferred securities will also be deferred and the Company’s ability to pay dividends on its common shares will be restricted.

Subject to prior approval by the FRB, the trust preferred securities may be redeemed at par prior to maturity at the Company’s option on or after the redemption date. All of the Company’s trust preferred securities have reached the redemption date and could be redeemed at the Company’s option. The trust preferred securities may also be redeemed at any time in whole (but not in part) for the Trusts in the event of unfavorable changes in laws or regulations that result in 1) subsidiary trusts becoming subject to federal income tax on income received on the subordinated debentures; 2) interest payable by the Company on the subordinated debentures becoming non-deductible for federal tax purposes; 3) the requirement for the trusts to register under the Investment Company Act of 1940, as amended; or 4) loss of the ability to treat the trust preferred securities as Tier 1 capital under the FRB capital adequacy guidelines.

For regulatory capital purposes, the FRB has allowed bank holding companies to continue to include trust preferred securities in Tier 1 capital up to a certain limit. Provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") require the FRB to exclude trust preferred securities from Tier 1 capital, but a permanent grandfather provision applicable to the Company permits bank holding companies with consolidated assets of less than $15 billion to continue counting existing trust preferred securities as Tier 1 capital until they mature, even after the Company's total assets exceed $15 billion. All of the Company's trust preferred securities qualified as Tier 1 capital instruments at December 31, 2016. For additional information on regulatory capital, see Note 11.

Note 9. Subordinated Debentures (continued)

The terms of the subordinated debentures, arranged by maturity date, are reflected in the table below. The amounts include fair value adjustments from acquisitions.

(Dollars in thousands)	December 31, 2016 Balance	Rate	Variable Rate Structure	Maturity Date
First Company Statutory Trust 2001	$3,207	4.187%	3 mo LIBOR plus 3.30%	07/31/2031
First Company Statutory Trust 2003	2,361	4.247%	3 mo LIBOR plus 3.25%	03/26/2033
Glacier Capital Trust II	46,393	3.630%	3 mo LIBOR plus 2.75%	04/07/2034
Citizens (ID) Statutory Trust I	5,155	3.643%	3 mo LIBOR plus 2.65%	06/17/2034
Glacier Capital Trust III	36,083	2.170%	3 mo LIBOR plus 1.29%	04/07/2036
Glacier Capital Trust IV	30,928	2.533%	3 mo LIBOR plus 1.57%	09/15/2036
Bank of the San Juans Bancorporation Trust I	1,864	2.751%	3 mo LIBOR plus 1.82%	03/01/2037
	$125,991			

Note 10. Derivatives and Hedging Activities

The Company is exposed to certain risk relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. Interest rate swaps are entered into to manage interest rate risk associated with the Company's forecasted variable rate borrowings. The Company recognizes interest rate swaps as either assets or liabilities at fair value in the statements of financial condition, after taking into account the effects of bilateral collateral and master netting agreements. These agreements allow the Company to settle all interest rate swap agreements held with a single counterparty on a net basis, and to offset net interest rate swap derivative positions with related collateral, where applicable.

The interest rate swaps on variable rate borrowings were designated as cash flow hedges and were over-the-counter contracts. The contracts were entered into by the Company with a single counterparty, and the specific terms and conditions were negotiated, including forecasted notional amounts, interest rates and maturity dates. The Company is exposed to credit-related losses in the event of nonperformance by the counterparty to the agreements. The Company controls the counterparty credit risk by maintaining bilateral collateral agreements and through monitoring policy and procedures. The Company only conducts business with primary dealers and believes that the credit risk inherent in these contracts was not significant.

The Company's interest rate swap derivative financial instruments as of December 31, 2016 are 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 years ended December 31, 2016, 2015 and 2014. Therefore, the aggregate fair value of the interest rate swaps was recorded in other liabilities with changes recorded in other comprehensive income. 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 $8,035,000, $5,695,000 and $1,066,000 during 2016, 2015 and 2014, 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 $5,558,000 of the unrealized loss reported in other comprehensive income at December 31, 2016 to be reclassified to interest expense during the next twelve months.

Note 10. Derivatives and Hedging Activities (continued)

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)	Years ended December 31, 2016	December 31, 2015	December 31, 2014
Interest rate swaps			
Amount of gain (loss) recognized in OCI (effective portion)	$(1,643)	(7,857)	(19,557)
Amount of loss reclassified from OCI to interest expense	(6,417)	(5,025)	(993)
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)	December 31, 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	$14,725	—	14,725	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 $29,585,000 at December 31, 2016. There was $0 collateral pledged from the counterparty to the Company as of December 31, 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 11. Regulatory Capital

The Federal Reserve has adopted capital adequacy guidelines that are used to assess the adequacy of capital in supervising a bank holding company. The federal banking agencies implemented 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 implemented the third installment of the Basel Accords ("Basel III") regulatory capital reforms and changes required by the Dodd-Frank Act and substantially amended the regulatory risk-based capital rules applicable to the Company. Under Basel III, the Company must hold a conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer for 2016 is 0.625%. In connection with the adoption of Basel III, the Company elected to opt-out of the requirement to include most components of accumulated other comprehensive income. As of December 31, 2016, management believes the Company and Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide the following classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. If undercapitalized, capital distributions (including payment of a dividend) are generally restricted, as is paying management fees to its bank holding company. Failure to meet minimum capital requirements set forth in the table below can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company’s and Bank’s financial condition. The Company’s and Bank’s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Note 11. Regulatory Capital (continued)

At December 31, 2016 and 2015, the most recent regulatory notifications categorized the Company and Bank as well capitalized under the regulatory framework for prompt corrective action. To be well capitalized, the Bank must maintain minimum total capital, Tier 1 capital, Common Tier 1 capital and Tier 1 Leverage ratios as set forth in the table below. There are no conditions or events since December 31, 2016 that management believes have changed the Company's or Bank's risk-based capital category.

The following tables illustrate the FRB's adequacy guidelines and the Company's and the Bank's compliance with those guidelines:

	December 31, 2016					
	Actual		Required for Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)						
Consolidated	$1,179,673	16.38%	$576,092	8.00%	N/A	N/A
Glacier Bank	1,131,949	15.76%	574,658	8.00%	$718,323	10.00%
Tier 1 capital (to risk-weighted assets)						
Consolidated	$1,089,142	15.12%	$432,069	6.00%	N/A	N/A
Glacier Bank	1,041,640	14.50%	430,994	6.00%	$574,658	8.00 %
Common Equity Tier 1 (to risk-weighted assets)						
Consolidated	$966,701	13.42%	$324,052	4.50%	N/A	N/A
Glacier	1,041,640	14.50%	323,245	4.50%	$466,910	6.50 %
Tier 1 capital (to average assets)						
Consolidated	$1,089,142	11.90%	$365,994	4.00%	N/A	N/A
Glacier Bank	1,041,640	11.45%	363,945	4.00%	$454,932	5.00 %

	December 31, 2015					
	Actual		Required for Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)						
Consolidated	$1,131,460	17.17%	$527,160	8.00%	N/A	N/A
Glacier Bank	1,093,669	16.66%	525,228	8.00%	$656,535	10.00%
Tier 1 capital (to risk-weighted assets)						
Consolidated	$1,048,505	15.91%	$395,370	6.00%	N/A	N/A
Glacier Bank	1,010,981	15.40%	393,921	6.00%	$525,228	8.00 %
Common Equity Tier 1 (to risk-weighted assets)						
Consolidated	$926,523	14.06%	$296,528	4.50%	N/A	N/A
Glacier	1,010,981	15.40%	295,441	4.50%	$426,748	6.50 %
Tier 1 capital (to average assets)						
Consolidated	$1,048,505	12.01%	$349,066	4.00%	N/A	N/A
Glacier Bank	1,010,981	11.66%	346,715	4.00%	$433,394	5.00 %

N/A - Not applicable

Current guidance from the Federal Reserve provides, among other things, that dividends per share on the Company’s common stock generally should not exceed earnings per share, measured over the previous four fiscal quarters. The Bank is also subject to Montana state law and cannot declare a dividend greater than the previous two years’ net earnings without providing notice to the state.

Note 12. Stock-based Compensation Plan

The Company has two stock-based compensation plans in effect at December 31, 2016. The 2005 Stock Incentive Plan expired in April 2015, but still has non-vested restricted stock awards at December 31, 2016. The 2015 Stock Incentive Plan provides incentives and awards to select employees and directors of the Company and permits the granting of stock options, share appreciation rights, restricted shares, restricted share units, unrestricted shares and performance awards. At December 31, 2016, the number of shares available to award to employees and directors under the 2015 Stock Incentive Plan was 2,352,608.

Restricted Stock Awards

The Company has awarded restricted stock to select employees and directors under the 2005 and 2015 Stock Incentive Plans. Common stock is issued as vesting restrictions lapse, which may be immediately or according to the terms of a vesting schedule. Restricted stock awards may not be sold, pledged or otherwise transferred until restrictions have lapsed. Under the 2005 Stock Incentive Plan, the recipient does not have the right to vote until the restricted stock award has vested but does have the right to receive dividends. Under the 2015 Stock Incentive Plan, the recipient does not have the right to vote or to receive dividends until the restricted stock award has vested. The fair value of the restricted stock awarded is the closing price of the Company’s common stock on the award date.

Compensation expense related to restricted stock awards for the years ended December 31, 2016, 2015 and 2014 was $2,870,000, $2,470,000 and $1,603,000, respectively, and the recognized income tax benefit related to this expense was $1,112,000, $957,000 and $622,000. As of December 31, 2016, total unrecognized compensation expense of $3,174,000 related to restricted stock awards is expected to be recognized over a weighted-average period of 1.9 years.

The fair value of restricted stock awards that vested during the years ended December 31, 2016, 2015 and 2014 was $2,624,000, $1,761,000 and $953,000, respectively, and the income tax benefit related to these awards was $1,053,000, $795,000 and $532,000, respectively. Upon vesting of restricted stock awards, the shares are issued from the Company’s authorized stock balance.

The following table summarizes the restricted stock award activity for the year ended December 31, 2016:

	Restricted Stock	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2015	205,989	$ 24.24
Granted	134,329	23.38
Vested	(115,070)	22.80
Forfeited	(2,516)	24.52
Non-vested at December 31, 2016	222,732	24.46

The average remaining contractual term on non-vested restricted stock awards at December 31, 2016 is eleven months. The aggregate intrinsic value of the non-vested restricted stock awards at December 31, 2016 was $8,070,000.

Note 13. Employee Benefit Plans

The Company provides its qualified employees with a comprehensive benefit program, including health, dental and vision insurance, life and accident insurance, long-term disability coverage, vacation and sick leave, 401(k) plan, profit sharing plan, stock-based compensation plan, deferred compensation plans, and supplemental executive retirement plan. The Company has elected to self-insure certain costs related to employee health, dental and vision benefit programs. Costs resulting from noninsured losses are expensed as incurred. The Company has purchased insurance that limits its exposure on an individual claim basis for the employee health benefit programs.

401(k) Plan and Profit Sharing Plan
The Company's 401(k) plan and profit sharing plan have safe harbor and employer discretionary components. To be considered eligible for the 401(k) and safe harbor components of the profit sharing plan, an employee must be 21 years of age and employed for three full months. Employees are eligible to participate in the 401(k) plan the first day of the month once they have met the eligibility requirements. To be considered eligible for the employer discretionary contribution of the profit sharing plan, an employee must be 21 years of age, worked one full calendar quarter, worked 501 hours in the plan year and be employed as of the last day of the plan year. Participants are at all times fully vested in all contributions.

The profit sharing plan contributions consists of a 3 percent non-elective safe harbor contribution fully funded by the Company and an employer discretionary contribution. The employer discretionary contribution depends on the Company's profitability. The total profit sharing plan expense for the years ended December 31, 2016, 2015, and 2014 was $9,041,000, $8,017,000 and $7,107,000 respectively.

The 401(k) plan allows eligible employees to contribute up to 60 percent of their eligible annual compensation up to the limit set annually by the Internal Revenue Service ("IRS"). The Company matches an amount equal to 50 percent of the first 6 percent of an employee's contribution. The Company's contribution to the 401(k) for the years ended December 31, 2016, 2015 and 2014 was $2,946,000, $2,629,000, and $2,246,000, respectively.

Deferred Compensation Plans
The Company has non-funded deferred compensation plans for directors, senior officers and certain nonemployee service providers. The plans provide for participants' elective deferral of cash payments of up to 50 percent of a participants' salary and 100 percent of bonuses and directors fees. The total amount deferred for the plans was $967,000, $720,000, and $591,000, for the years ending December 31, 2016, 2015, and 2014, respectively. The participant receives an earnings credit at a rate equal to 50 percent of the Company's return on average equity. The total earnings for the years ended December 31, 2016, 2015, and 2014 for the plans was $431,000, $386,000 and $369,000, respectively. In connection with several acquisitions, the Company assumed the obligations of deferred compensation plans for certain key employees. As of December 31, 2016 and 2015, the liability related to the obligations was $11,273,000 and $11,971,000, respectively, and was included in other liabilities. The total earnings for the years ended December 31, 2016, 2015, and 2014 for the acquired plans was insignificant.

Supplemental Executive Retirement Plan
The Company has a Supplemental Executive Retirement Plan ("SERP") which is intended to supplement payments due to participants upon retirement under the Company's other qualified plans. The Company credits the participant's account on an annual basis for an amount equal to employer contributions that would have otherwise been allocated to the participant's account under the tax-qualified plans were it not for limitations imposed by the IRS or the participation in the non-funded deferred compensation plan. Eligible employees include participants of the non-funded deferred compensation plan and employees whose benefits were limited as a result of IRS regulations. The Company's required contribution to the SERP for the years ended December 31, 2016, 2015 and 2014 was $299,000, $224,000, and $151,000, respectively. The participant receives an earnings credit at a rate equal to 50 percent of the Company's

return on average equity. The total earnings for the years ended December 31, 2016, 2015, and 2014 for this plan was $85,000, $69,000, and $59,000, respectively.

Note 14. Other Expenses

Other expenses consists of the following:

(Dollars in thousands)	Years ended December 31, 2016	December 31, 2015	December 31, 2014
Debit card expenses	$8,479	6,153	5,802
Consulting and outside services	6,080	5,525	4,179
Telephone	3,867	3,353	2,911
Loan expenses	3,611	2,824	2,513
Employee expenses	3,611	2,508	2,156
Checking and operating expenses	2,942	3,554	3,517
Printing and supplies	2,807	3,530	3,547
Postage	2,789	3,716	3,391
VIE write-downs and other expenses	2,702	4,528	4,231
Business development	1,847	1,526	1,401
Accounting and audit fees	1,674	1,401	1,393
Legal fees	1,391	1,082	1,455
ATM expenses	900	1,082	1,268
Other	4,460	3,983	3,884
Total other expenses	$47,160	44,765	41,648

Note 15. Federal and State Income Taxes

The following table is a summary of consolidated income tax expense:

(Dollars in thousands)	Years ended December 31, 2016	December 31, 2015	December 31, 2014
Current			
Federal	$30,461	28,705	21,860
State	9,283	9,374	8,118
Total current income tax expense	39,744	38,079	29,978
Deferred [1]			
Federal	(70)	(3,451)	5,016
State	(12)	(629)	915
Total deferred income tax (benefit) expense	(82)	(4,080)	5,931
Total income tax expense	$39,662	33,999	35,909

[1] Includes tax benefit of operating loss carryforwards of $571,000, $391,000 and $0 for the years ended December 31, 2016, 2015, and 2014, respectively.

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Note 15. Federal and State Income Taxes (continued)

Combined federal and state income tax expense differs from that computed at the federal statutory corporate tax rate as follows:

	Years ended December 31, 2016	December 31, 2015	December 31, 2014
Federal statutory rate	35.0 %	35.0 %	35.0 %
State taxes, net of federal income tax benefit	3.8 %	3.7 %	4.0 %
Tax-exempt interest income	(12.2)%	(12.6)%	(11.5)%
Tax credits	(2.1)%	(3.0)%	(2.8)%
Other, net	0.2 %	(0.5)%	(0.5)%
Effective tax rate	24.7 %	22.6 %	24.2 %

The tax effect of temporary differences which give rise to a significant portion of deferred tax assets and deferred tax liabilities are as follows:

(Dollars in thousands)	December 31, 2016	December 31, 2015
Deferred tax assets		
Allowance for loan and lease losses	$ 50,172	50,123
Deferred compensation	8,320	8,166
Other real estate owned	8,309	8,380
Interest rate swap agreements	5,705	7,554
Acquisition fair market value adjustments	4,763	5,842
Net operating loss carryforwards	4,737	3,590
Employee benefits	3,927	3,165
Other	5,569	5,433
Total gross deferred tax assets	91,502	92,253
Deferred tax liabilities		
Deferred loan costs	(8,061)	(7,427)
Intangibles	(5,477)	(6,272)
FHLB stock dividends	(3,976)	(4,601)
Depreciation of premises and equipment	(3,111)	(2,376)
Available-for-sale securities	(1,036)	(8,812)
Other	(2,720)	(4,290)
Total gross deferred tax liabilities	(24,381)	(33,778)
Net deferred tax asset	$ 67,121	58,475

The Company has federal net operating loss carryforwards of $11,934,000 expiring between 2030 and 2035. The Company has Colorado net operating loss carryforwards of $14,986,000 expiring between 2031 and 2032. The net operating loss carryforwards originated from bank acquisitions. The Company has federal tax credit carryforwards with no expiration dates of $411,000.

Note 15. Federal and State Income Taxes (continued)

The Company and the Bank file consolidated income tax returns in the following jurisdictions: federal, Montana, Idaho, Colorado and Utah. Although the Bank has operations in Wyoming and Washington, neither Wyoming nor Washington imposes a corporate-level income tax. All required income tax returns have been timely filed. The following schedule summarizes the years that remain subject to examination as of December 31, 2016:

	Years ended December 31,
Federal	2013, 2014 and 2015
Montana	2013, 2014 and 2015
Idaho	2013, 2014 and 2015
Colorado	2012, 2013, 2014 and 2015
Utah	2013, 2014 and 2015

The Company had no unrecognized income tax benefits as of December 31, 2016 and 2015. The Company recognizes interest related to unrecognized income tax benefits in interest expense and penalties are recognized in other expense. Interest expense and penalties recognized with respect to income tax liabilities for the years ended December 31, 2016, 2015, and 2014 was not significant. The Company had no accrued liabilities for the payment of interest or penalties at December 31, 2016 and 2015.

The Company has assessed the need for a valuation allowance and determined that a valuation allowance was not necessary at December 31, 2016 and 2015. The Company believes that it is more-likely-than-not that the Company's deferred tax assets will be realizable by offsetting future taxable income from reversing taxable temporary differences and anticipated future taxable income (exclusive of reversing temporary differences). In its assessment, the Company considered its strong earnings history, no history of income tax credit carryforwards expiring unused, and no future net operating losses (for tax purposes) are expected.

Retained earnings at December 31, 2016 includes $3,600,000 for which no provision for federal income tax has been made. This amount represents the base year reserve for bad debts, which is essentially an allocation of earnings to pre-1988 bad debt deductions for federal income tax purposes only. This amount is treated as a permanent difference and deferred taxes are not recognized unless it appears that this bad debt reserve will be reduced and thereby result in taxable income in the foreseeable future. The Company is not currently contemplating any changes in its business or operations which would result in a recapture of this reserve for bad debts for federal income tax purposes.

Note 16. 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, 2013	$ 8,485	1,160	9,645
Other comprehensive income (loss) before reclassifications	19,335	(11,969)	7,366
Amounts reclassified from accumulated other comprehensive income	125	608	733
Net current period other comprehensive income (loss)	19,460	(11,361)	8,099
Balance at December 31, 2014	$ 27,945	(10,201)	17,744
Other comprehensive loss before reclassifications	(13,968)	(4,823)	(18,791)
Amounts reclassified from accumulated other comprehensive income	(42)	3,078	3,036
Net current period other comprehensive loss	(14,010)	(1,745)	(15,755)
Balance at December 31, 2015	$ 13,935	(11,946)	1,989
Other comprehensive loss before reclassifications	(13,113)	(1,006)	(14,119)
Amounts reclassified from accumulated other comprehensive income	817	3,931	4,748
Net current period other comprehensive (loss) income	(12,296)	2,925	(9,371)
Balance at December 31, 2016	$ 1,639	(9,021)	(7,382)

Note 17. 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 restricted stock awards were vested, using the treasury stock method.

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

(Dollars in thousands, except per share data)	Years ended December 31, 2016	December 31, 2015	December 31, 2014
Net income available to common stockholders, basic and diluted	$121,131	116,127	112,755
Average outstanding shares - basic	76,278,463	75,542,455	74,641,957
Add: dilutive restricted stock awards	63,373	53,126	45,358
Average outstanding shares - diluted	76,341,836	75,595,581	74,687,315
Basic earnings per share	$1.59	1.54	1.51
Diluted earnings per share	$1.59	1.54	1.51

There were no restricted stock awards excluded from the diluted average outstanding share calculation for the years ended December 31, 2016, 2015, and 2014. Anti-dilution occurs when the unrecognized compensation cost per share of a restricted stock award exceeds the market price of the Company’s stock.

Note 18. Parent Holding Company Information (Condensed)

The following condensed financial information was the unconsolidated information for the parent holding company:

Condensed Statements of Financial Condition

(Dollars in thousands)	December 31, 2016	December 31, 2015
Assets		
Cash on hand and in banks	$ 5,906	1,854
Interest bearing cash deposits	57,700	46,808
Cash and cash equivalents	63,606	48,662
Investment securities, available-for-sale	36	65
Other assets	10,764	11,553
Investment in subsidiaries	1,201,667	1,175,844
Total assets	$ 1,276,073	1,236,124
Liabilities and Stockholders’ Equity		
Dividends payable	$ 23,137	22,893
Subordinated debentures	125,991	125,848
Other liabilities	10,076	10,733
Total liabilities	159,204	159,474
Common stock	765	761
Paid-in capital	749,107	736,368
Retained earnings	374,379	337,532
Accumulated other comprehensive (loss) income	(7,382)	1,989
Total stockholders’ equity	1,116,869	1,076,650
Total liabilities and stockholders’ equity	$ 1,276,073	1,236,124

Condensed Statements of Operations and Comprehensive Income

(Dollars in thousands)	Years ended December 31, 2016	December 31, 2015	December 31, 2014
Income			
Dividends from subsidiaries	$ 108,350	109,000	78,500
Intercompany charges for services	12,248	10,562	9,283
Other income	311	196	199
Total income	120,909	119,758	87,982
Expenses			
Compensation and employee benefits	15,665	13,205	10,773
Other operating expenses	7,701	7,313	6,824
Total expenses	23,366	20,518	17,597
Income before income tax benefit and equity in undistributed net income of subsidiaries	97,543	99,240	70,385
Income tax benefit	4,040	3,105	2,919
Income before equity in undistributed net income of subsidiaries	101,583	102,345	73,304
Equity in undistributed net income of subsidiaries	19,548	13,782	39,451
Net Income	$ 121,131	116,127	112,755
Comprehensive Income	$ 111,760	100,372	120,854

Note 18. Parent Holding Company Information (Condensed) (continued)

Condensed Statements of Cash Flows

(Dollars in thousands)	Years ended December 31, 2016	December 31, 2015	December 31, 2014
Operating Activities			
Net income	$121,131	116,127	112,755
Adjustments to reconcile net income to net cash provided by operating activities:			
Subsidiary income in excess of dividends distributed	(19,548)	(13,782)	(39,451)
Excess tax benefits from stock-based compensation	(8)	(102)	(138)
Net change in other assets and other liabilities	507	307	140
Net cash provided by operating activities	102,082	102,550	73,306
Investing Activities			
Net decrease (increase) of premises and equipment	771	(1,405)	(179)
Net sale (purchase) of non-marketable equity securities	55	22	(667)
Equity contributions to subsidiaries	(3,475)	(28,457)	(18,115)
Net cash used in by investing activities	(2,649)	(29,840)	(18,961)
Financing Activities			
Net increase in other borrowed funds	143	143	143
Cash dividends paid	(84,040)	(79,456)	(50,944)
Excess tax benefits from stock-based compensation	8	102	138
Stock-based compensation activity	(600)	17	785
Net cash used in financing activities	(84,489)	(79,194)	(49,878)
Net increase (decrease) in cash and cash equivalents	14,944	(6,484)	4,467
Cash and cash equivalents at beginning of year	48,662	55,146	50,679
Cash and cash equivalents at end of year	$63,606	48,662	55,146

Note 19. Unaudited Quarterly Financial Data (Condensed)

Summarized unaudited quarterly financial data is as follows:

	Quarters ended 2016			
(Dollars in thousands, except per share data)	March 31	June 30	September 30	December 31
Interest income	$84,381	86,069	85,944	87,759
Interest expense	7,675	7,424	7,318	7,214
Net interest income	76,706	78,645	78,626	80,545
Provision for loan losses	568	—	626	1,139
Net interest income after provision for loan losses	76,138	78,645	78,000	79,406
Non-interest income	24,252	26,759	28,293	28,014
Non-interest expense	62,356	64,461	65,180	66,717
Income before income taxes	38,034	40,943	41,113	40,703
Federal and state income tax expense	9,352	10,492	10,156	9,662
Net income	$28,682	30,451	30,957	31,041
Basic earnings per share	$0.38	0.40	0.40	0.41
Diluted earnings per share	$0.38	0.40	0.40	0.41

	Quarters ended 2015			
(Dollars in thousands, except per share data)	March 31	June 30	September 30	December 31
Interest income	$77,486	78,617	80,367	83,211
Interest expense	7,382	7,369	7,309	7,215
Net interest income	70,104	71,248	73,058	75,996
Provision for loan losses	765	282	826	411
Net interest income after provision for loan losses	69,339	70,966	72,232	75,585
Non-interest income	22,693	25,802	25,799	24,467
Non-interest expense	55,497	59,945	59,112	62,203
Income before income taxes	36,535	36,823	38,919	37,849
Federal and state income tax expense	8,865	7,488	9,305	8,341
Net income	$27,670	29,335	29,614	29,508
Basic earnings per share	$0.37	0.39	0.39	0.39
Diluted earnings per share	$0.37	0.39	0.39	0.39

Note 20. 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 years ended December 31, 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 December 31, 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.

Note 20. Fair Value of Assets and Liabilities (continued)

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 December 31, 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	$39,407	—	39,407	—
U.S. government sponsored enterprises	19,570	—	19,570	—
State and local governments	786,373	—	786,373	—
Corporate bonds	471,951	—	471,951	—
Mortgage-backed securities	1,108,176	—	1,108,176	—
Total assets measured at fair value on a recurring basis	$2,425,477	—	2,425,477	—
Interest rate swaps	$14,725	—	14,725	—
Total liabilities measured at fair value on a recurring basis	$14,725	—	14,725	—

		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)
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	—
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 December 31, 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.

Note 20. Fair Value of Assets and Liabilities (continued)

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 December 31, 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	$ 7,839	—	—	7,839
Collateral-dependent impaired loans, net of ALLL	5,664	—	—	5,664
Total assets measured at fair value on a non-recurring basis	$ 13,503	—	—	13,503

		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	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)

		(Level 1)	
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

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Note 20. Fair Value of Assets and Liabilities (continued)

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:

(Dollars in thousands)	Fair Value December 31, 2016	Quantitative Information about Level 3 Fair Value Measurements Valuation Technique	Unobservable Input	Range (Weighted-Average) [1]
Other real estate owned	$ 7,767	Sales comparison approach	Selling costs	6.0% - 10.0% (6.9%)
			Adjustment to comparables	0.0% - 10.0% (0.1%)
	72	Combined approach	Selling costs	10.0% - 10.0% (10.0%)
			Adjustment to comparables	10.0% - 10.0% (10.0%)
	$ 7,839			
Collateral-dependent impaired loans, net of ALLL	$ 110	Cost approach	Selling costs	6.0% - 20.0% (6.6%)
	1,982	Sales comparison approach	Selling costs	8.0% - 10.0% (9.6%)
	3,572	Combined approach	Selling costs	10.0% - 10.0% (10.0%)
			Adjustment to comparables	20.0% - 20.0% (20.0%)
	$ 5,664			

(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.

Note 20. Fair Value of Assets and Liabilities (continued)

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 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.

Note 20. Fair Value of Assets and Liabilities (continued)

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

(Dollars in thousands)	Carrying Amount December 31, 2016	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	$152,541	152,541	—	—
Investment securities, available-for-sale	2,425,477	—	2,425,477	—
Investment securities, held-to-maturity	675,674	—	689,089	—
Loans held for sale	72,927	72,927	—	—
Loans receivable, net of ALLL	5,554,891	—	5,380,286	123,382
Accrued interest receivable	45,832	45,832	—	—
Non-marketable equity securities	25,550	—	25,550	—
Total financial assets	$8,952,892	271,300	8,520,402	123,382
Financial liabilities				
Deposits	$7,372,279	6,090,879	1,283,532	—
FHLB advances	251,749	—	257,643	—
Repurchase agreements and other borrowed funds	478,090	—	478,090	—
Subordinated debentures	125,991	—	85,557	—
Accrued interest payable	3,584	3,584	—	—
Interest rate swaps	14,725	—	14,725	—
Total financial liabilities	$8,246,418	6,094,463	2,119,547	—

(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	—

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Note 21. Contingencies and Commitments

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit, and involve, to varying degrees, elements of credit risk. The Company’s exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

The Company had the following outstanding commitments:

(Dollars in thousands)	December 31, 2016	December 31, 2015
Commitments to extend credit	$ 1,325,236	1,240,923
Letters of credit	26,162	22,415
Total outstanding commitments	$ 1,351,398	1,263,338

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.

Note 22. Mergers and Acquisitions

On August 31, 2016, the Company acquired 100 percent of the outstanding common stock of Treasure State Bank, a community bank based in Missoula, Montana. TSB provides banking services to individuals and businesses in the greater Missoula market. TSB has merged into Glacier Bank and has become a part of the First Security Bank of Missoula bank division. The TSB acquisition was valued at $13,940,000 and resulted in the Company issuing 349,545 shares of its common stock and $3,475,000 in cash in exchange for all of TSB’s outstanding common stock shares. The fair value of the Company shares issued was determined on the basis of the closing market price of the Company’s common stock on the August 31, 2016 acquisition date. The excess of the fair value of consideration transferred over total identifiable net assets was recorded as goodwill. The goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Company and TSB. None of the goodwill is deductible for income tax purposes as the acquisition was accounted for as a tax-free exchange.

On October 31, 2015, the Company acquired 100 percent of the outstanding common stock of Cañon Bank Corporation and its wholly-owned subsidiary, Cañon National Bank, a community bank based in Cañon City, Colorado. Cañon provides banking services to individuals and businesses in south central Colorado, with banking offices located in Colorado Springs, Pueblo, Pueblo West, Cañon City, Colorado City, and Florence, Colorado. The acquisition expands the Company’s market into south central Colorado and further diversifies the Company’s loan, customer and deposit base. The branches of Cañon have become a part of the Bank of the San Juans bank division. The Cañon acquisition was valued at $31,308,000 and resulted in the Company issuing 554,206 shares of its common stock and $16,145,000 in cash in exchange for all of Cañon’s outstanding common stock shares. The fair value of the Company shares issued was determined on the basis of the closing market price of the Company’s common stock on the October 31, 2015 acquisition date. The excess of the fair value of consideration transferred over total identifiable net assets was recorded as goodwill. The goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Company and Cañon. None of the goodwill is deductible for income tax purposes as the acquisition was accounted for as a tax-free exchange.

On February 28, 2015, the Company acquired 100 percent of the outstanding common stock of Montana Community Banks, Inc. and its wholly-owned subsidiary, Community Bank, Inc., a community bank based in Ronan, Montana.

CB provides banking services to individuals and businesses in western Montana, with banking offices located in Missoula, Polson, Ronan and Pablo, Montana. The acquisition allowed the Company to add new markets in western Montana and complimented the Company's presence in Missoula and Polson, Montana. The branches of CB have become a part of the Glacier Bank and First Security Bank of Missoula bank divisions. The CB acquisition was valued at $22,995,000 and resulted in the Company issuing 443,644 shares of its common stock and $12,219,000 in cash in exchange for all of CB's outstanding common stock shares. The fair value of the Company shares issued was determined on the basis of the closing market price of the Company's common stock on the February 28, 2015 acquisition date. The excess of the fair value of consideration transferred over total identifiable net assets was recorded as goodwill. The goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Company and CB. None of the goodwill is deductible for income tax purposes as the acquisition was accounted for as a tax-free exchange.

Note 22. Mergers and Acquisitions (continued)

The assets and liabilities of TSB, Cañon and CB were recorded on the Company's consolidated statements of financial condition at their estimated fair values as of the August 31, 2016, October 31, 2015 and February 28, 2015 acquisition dates, respectively, and their results of operations have been included in the Company's consolidated statements of operations since those dates. The following table discloses the calculation of the fair value of the consideration transferred, the total identifiable net assets acquired and the resulting goodwill arising from the TSB, Cañon and CB acquisitions:

(Dollars in thousands)	TSB August 31, 2016	Cañon October 31, 2015	CB February 28, 2015
Fair value of consideration transferred			
Fair value of Company shares issued, net of equity issuance costs	$ 10,465	$ 15,163	10,776
Cash consideration for outstanding shares	3,475	16,145	12,219
Contingent consideration	—	—	—
Total fair value of consideration transferred	13,940	31,308	22,995
Recognized amounts of identifiable assets acquired and liabilities assumed			
Identifiable assets acquired			
Cash and cash equivalents	10,176	17,860	31,931
Investment securities	—	68,486	42,350
Loans receivable	51,875	159,759	84,689
Core deposit intangible [1]	762	4,532	2,087
Accrued income and other assets	6,937	9,689	13,580
Total identifiable assets acquired	69,750	260,326	174,637
Liabilities assumed			
Deposits	58,364	237,326	146,820
FHLB advances and repurchase agreements	3,260	—	3,292
Accrued expenses and other liabilities	601	1,487	2,667
Total liabilities assumed	62,225	238,813	152,779
Total identifiable net assets	7,525	21,513	21,858
Goodwill recognized	$ 6,415	$ 9,795	1,137

[1] The core deposit intangible for each acquisition was determined to have an estimated life of 10 years.

Note 22. Mergers and Acquisitions (continued)

The fair value of the TSB, Cañon and CB assets acquired includes loans with fair values of $51,875,000, $159,759,000 and $84,689,000, respectively. The gross principal and contractual interest due under the TSB, Cañon and CB contracts is $54,819,000, $164,568,000 and $88,817,000, respectively. The Company evaluated the principal and contractual interest due at each of the acquisition dates and determined that insignificant amounts were not expected to be collectible.

The Company incurred $456,000 of third-party acquisition-related costs in connection with the TSB acquisition during the year ended December 31, 2016. The Company incurred $707,000 and $1,605,000, respectively, of Cañon and CB third-party acquisition-related costs during the year ended December 31, 2015. The expenses are included in other expense in the Company's consolidated statements of operations.

Total income consisting of net interest income and non-interest income of the acquired operations of TSB was approximately $1,800,000 and the net income was approximately $897,000 from August 31, 2016 to December 31, 2016. Total income consisting of net interest income and non-interest income of the acquired operations of Cañon was approximately $2,606,000 and net income was approximately $563,000 from October 31, 2015 to December 31, 2015. Total income consisting of net interest income and non-interest income of the acquired operations of CB was approximately $7,492,000 and net income was approximately $1,808,000 from February 28, 2015 to December 31, 2015.

The following unaudited pro forma summary presents consolidated information of the Company as if the TSB acquisition had occurred on January 1, 2015:

(Dollars in thousands)	Years ended December 31, 2016	December 31, 2015
Net interest income and non-interest income	$424,242	392,252
Net income	120,929	116,577

The following unaudited pro forma summary presents consolidated information of the Company as if the Cañon and CB acquisition had occurred on January 1, 2014:

(Dollars in thousands)	Years ended December 31, 2015	December 31, 2014
Net interest income and non-interest income	$401,140	383,387
Net income	115,613	115,899

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no changes or disagreements with accountants on accounting and financial disclosure.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded that as of the end of the period covered by this report, the disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in reports that are filed or submitted under the Securities Exchange Act of 1934 are recorded, processed, summarized and timely reported as provided in the SEC's rules and forms. As a result of this evaluation, there were no significant changes in the internal control over financial reporting during the year ended December 31, 2016 that have materially affected, or are reasonable likely to materially affect, the internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting as it relates to its financial statements presented in conformity with GAAP. The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes self monitoring mechanisms and actions are taken to correct deficiencies as they are identified.

There are inherent limitations in any internal control, no matter how well designed, misstatements due to error or fraud may occur and not be detected, including the possibility of circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of an internal control system may vary over time.

Management assessed its internal control structure over financial reporting as of December 31, 2016. This assessment was based on criteria for effective internal control over financial reporting described in the "2013 Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management asserts that the Company maintained effective internal control over financial reporting as it relates to its financial statements presented in conformity with accounting principles generally accepted in the United States of America.

BKD, LLP, the independent registered public accounting firm that audited the financial statements for the year ended December 31, 2016, has issued an attestation report on the Company's internal control over financial reporting. Such attestation report expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2016 and is included in "Item 8. Financial Statements and Supplementary Data."

Item 9B. Other Information

None

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding “Directors and Executive Officers” is set forth under the headings “Election of Directors” and “Management – Named Executive Officers who are not Directors” of the Company’s 2017 Annual Meeting Proxy Statement (“Proxy Statement”) and is incorporated herein by reference.

Information regarding “Compliance with Section 16(a) of the Exchange Act” is set forth under the section “Section 16(a) Beneficial Ownership Reporting Compliance” of the Company’s Proxy Statement and is incorporated herein by reference.

Information regarding the Company’s audit committee is set forth under the heading “Meetings and Committees of the Board of Directors – Committee Membership” in the Company’s Proxy Statement and is incorporated by reference.

Consistent with the requirements of the Sarbanes-Oxley Act, the Company has adopted a code of ethics applicable to its senior financial officers. The code of ethics can be accessed electronically by visiting the Company’s website at www.glacierbancorp.com and is attached to this annual report on Form 10-K as Exhibit 14.

Item 11. Executive Compensation

Information regarding “Executive Compensation” is set forth under the headings “Compensation of Directors” and “Executive Compensation” of the Company’s Proxy Statement and is incorporated herein by reference.

Information regarding “Compensation Committee Interlocks and Insider Participation” is set forth under the heading “Compensation of Directors - Compensation Committee Interlocks and Insider Participation” of the Company’s Proxy Statement and is incorporated herein by reference.

Information regarding the “Compensation Committee Report” is set forth under the heading “Report of Compensation Committee” of the Company’s Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” is set forth under the headings “Voting Securities and Principal Holders Thereof,” “Compensation Discussion and Analysis” and “Compensation of Directors” of the Company’s Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding “Certain Relationships and Related Transactions, and Director Independence” is set forth under the headings “Transactions with Management” and “Corporate Governance – Director Independence” of the Company’s Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information regarding “Principal Accounting Fees and Services” is set forth under the heading “Auditors – Fees Paid to Independent Registered Public Accounting Firm” of the Company’s Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

List of Financial Statements and Financial Statement Schedules
(a) The following documents are filed as a part of this report:
(1) Financial Statements and
(2) Financial Statement schedules required to be filed by Item 8 of this report.
(3) The following exhibits are required by Item 601 of Regulation S-K and are included as part of this Form 10-K:

Exhibit No.	Exhibit
3(i)	Amended and Restated Articles of Incorporation [1]
3(ii)	Amended and Restated Bylaws [1]
10(a) *	Amended and Restated Deferred Compensation Plan effective January 1, 2008 [2]
10(b) *	Amended and Restated Supplemental Executive Retirement Agreement effective January 1, 2008 [2]
10(c) *	2005 Stock Incentive Plan and related agreements [3]
10(d) *	2015 Stock Incentive Plan and related agreements [4]
10(e) *	Employment Agreement effective January 1, 2017 between the Company and Ron J. Copher [5]
10(f) *	Employment Agreement effective January 1, 2017 between the Company and Don Chery [5]
10(g) *	Employment Agreement dated June 18, 2015 between the Company and Randall Chesler [6]
10(h) *	Nonemployee Service Provider Deferred Compensation Plan [7]
14	Code of Ethics
21	Subsidiaries of the Company (See item 1, “Subsidiaries”)
23	Consent of BKD, LLP
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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
101	The following financial information from Glacier Bancorp, Inc’s Annual Report on Form 10-K for the year ended December 31, 2016 is formatted in XBRL: 1) the Consolidated Statements of Financial Condition; 2) the Consolidated Statements of Operations; 3) the Consolidated Statements of Stockholders’ Equity and Comprehensive Income; 4) the Consolidated Statements of Cash Flows; and 5) the Notes to Consolidated Financial Statements.

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1 Incorporated by reference to Exhibits 3.i. and 3.ii included in the Company’s Quarterly Report on form 10-Q for the quarter ended June 30, 2008.

2 Incorporated by reference to Exhibits 10(c) and 10(d) included in the Company’s Form 10-K for the year ended December 31, 2008.

3 Incorporated by reference to Exhibits 99.1 through 99.3 of the Company’s S-8 Registration Statement (No. 333-125024).

4 Incorporated by reference to Exhibits 99.1 through 99.3 of the Company’s S-8 Registration Statement (No. 333-204023).

5 Incorporated by reference to Exhibits 10.1 and 10.2 included in the Company’s Form 8-K filed by the Company on January 4, 2017.

6 Incorporated by reference to Exhibit 10.1 included in the Company’s Form 8-K filed by the Company on June 22, 2015.

7 Incorporated by reference to Exhibit 10.1 included in the Company’s Form 8-K filed by the Company on October 31, 2012.

* Compensatory Plan or Arrangement

All other financial statement schedules required by Regulation S-X are omitted because they are not applicable, not material or because the information is included in the consolidated financial statements or related notes.

Item 16. Form 10-K Summary

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 23, 2017.

GLACIER BANCORP, INC.

By: /s/ Randall M. Chesler
Randall M. Chesler
President and CEO

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 23, 2017, by the following persons on behalf of the registrant and in the capacities indicated.

/s/ Randall M. Chesler Randall M. Chesler	President, CEO, and Director (Principal Executive Officer)
/s/ Ron J. Copher Ron J. Copher	Executive Vice President and CFO (Principal Financial Accounting Officer)
Board of Directors	
/s/ Dallas I. Herron Dallas I. Herron	Chairman
/s/ Michael J. Blodnick Michael J. Blodnick	Director
/s/ Sherry L. Cladouhos Sherry L. Cladouhos	Director
/s/ James M. English James M. English	Director
/s/ Annie M. Goodwin Annie M. Goodwin	Director
/s/ Craig A. Langel Craig A. Langel	Director
/s/ Douglas J. McBride Douglas J. McBride	Director
/s/ John W. Murdoch John W. Murdoch	Director
/s/ Mark J. Semmens Mark J. Semmens	Director

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