GLACIER BANCORP INC
Form 10-K
February 26, 2015

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, 2014 or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________
Commission file number 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	¨	Smaller reporting company	¨

(Do not check if a 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, 2014 (the last business day of the most recent second quarter), was $2,087,026,461 (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 19, 2015 was 75,085,510. No preferred shares are issued or outstanding.

Document Incorporated by Reference

Portions of the 2015 Annual Meeting Proxy Statement dated March 20, 2015 are incorporated by reference into Part III of this Form 10-K.

TABLE OF CONTENTS

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 129 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 nine wholly-owned subsidiaries which consist of the Bank and eight non-bank subsidiaries. The eight non-bank subsidiaries include GBCI Other Real Estate Owned ("GORE") and seven trust subsidiaries. The Company formed GORE to isolate certain foreclosed properties for administrative purposes and the remaining properties are currently held for sale. GORE is included in the Bank operating segment due to its insignificant activity. The Company owns the following trust subsidiaries, each of which issued trust preferred securities as Tier 1 capital instruments: Glacier Capital Trust II, Glacier Capital Trust III, Glacier Capital Trust IV, Citizens (ID) Statutory Trust I, Bank of the San Juans Bancorporation Trust I, First Company Statutory Trust 2001, and First Company Statutory Trust 2003. The trust subsidiaries are not included in the Company's consolidated financial statements. As of December 31, 2014, none of the Company's subsidiaries were engaged in any operations in foreign countries.

In 2012, the Company combined its multiple bank subsidiaries into a single bank subsidiary, Glacier Bank. The bank subsidiaries now operate as separate divisions within the Bank, using the same names and management teams as before the combination. Prior to the combination of the bank subsidiaries, the Company considered each of its bank subsidiaries, GORE, and the parent holding company to be its operating segments. Subsequent to the combination of the bank subsidiaries, the Company considered the Bank to be its sole operating segment.

The Company provides full service brokerage services (selling products such as stocks, bonds, mutual funds, limited partnerships, annuities and other insurance products) through Raymond James Financial Services, a non-affiliated company. The Company shares in the commissions generated, without devoting significant employee time to this portion of the business.

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 in existing markets and new markets in the Rocky Mountain states. During the last five years, the Company has completed the following acquisitions:

- FNBR Holding Corporation ("FNBR") and its subsidiary, First National Bank of the Rockies, on August 31, 2014;
- North Cascades Bancshares, Inc. ("NCBI") and its subsidiary, North Cascades National Bank, on July 31, 2013; and
- Wheatland Bankshares, Inc. ("Wheatland") and its subsidiary, First State Bank, on May 31, 2013

On November 5, 2014, the Company announced the signing of a definitive agreement to acquire Montana Community Banks, Inc. ("Community") and its wholly-owned subsidiary, Community Bank, Inc., a community bank based in Ronan, Montana. Community provides banking services to individuals and businesses in western Montana, with banking offices located in Missoula, Polson, Ronan and Pablo, Montana. As of December 31, 2014, Community had total assets of $175 million, gross loans of $93.0 million and total deposits of $150 million. All necessary regulatory approvals and waivers have been obtained and closing is anticipated to take place in the first quarter of 2015. The branches of Community will be merged into Glacier Bank and will become part of the Glacier Bank and First Security Bank of Missoula divisions.

Market Area

The Company and the Bank have 129 locations, of which 8 are loan or administration offices, in 45 counties within 6 states including Montana, Idaho, Wyoming, Colorado, Utah, and Washington. The Company and the Bank have 55 locations in Montana, 27 locations in Idaho, 17 locations in Wyoming, 13 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, 2014, the Bank has approximately 23 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 9 percent of the deposits in the 6 counties it services. In Utah, the Bank has 12 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, 2014, the Company and the Bank employed 2,030 persons, 1,827 of whom were employed full time and none of whom were represented by a collective bargaining group. The Company and the Bank provide their 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 and a stock-based compensation 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 full 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, 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 2015 Annual Meeting Proxy Statement and is incorporated herein by reference. The Bank's Board of Directors presently consists of the same persons serving as Company directors.

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. Due to the breadth and growth of this regulatory framework, the costs of compliance continue to

increase in order to monitor and satisfy these requirements.

To the extent that 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 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 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 also 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 ("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. 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. In addition, with respect to branches of the Bank outside of Montana, the Bank is subject to regulation and supervision by the applicable state banking regulators. 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.

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 liability, criminal penalties, punitive damages, and the loss of certain contractual rights.

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.

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.

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 net income for the past year is 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. The 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 Reserve, the FDIC, and the Office of the Comptroller of the Currency (“OCC”) approved a final rule (“Final Rule”) to establish a new comprehensive regulatory capital framework for all U.S. financial institutions and their holding companies. The phase-in period for the Final Rule began for the Bank on January 1, 2015, with full compliance with the Final Rule phased in by January 1, 2019. The Final Rule implements the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act and substantially amends the regulatory risk-based capital rules applicable to the Bank. Basel III refers to various documents released by the Basel Committee on Banking Supervision.

Effective January 1, 2015, Basel III:

- Creates “Tier 1 Common Equity,” a new measure of regulatory capital closer to pure tangible common equity than the present Tier 1 definition;
- Establishes a required minimum risk-based capital ratio for Tier 1 Common Equity at 4.5 percent and adds a 2.5 percent capital conservation buffer;
- Increases the required Tier 1 risk-based capital ratio to 6.0 percent and the required Total risk-based capital ratio to 8.0 percent;
- Increases the required leverage ratio to 4 percent; and
- Allows 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.

The new capital rules require the Bank to meet the 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. These new capital 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. Mortgage servicing rights, certain deferred tax assets, and investments in unconsolidated subsidiaries over designated percentages of common stock will be deducted from capital, subject to a two-year transition period. In addition, Tier 1 capital will include accumulated other comprehensive income, which includes all unrealized gain and losses on available-for-sale debt and equity securities, subject to a two-year transition period. The Bank, as a non-advanced approaches banking organization, may make a one-time permanent election to continue to exclude these items. Management anticipates that it will elect the opt-out provision to reduce the impact of market volatility on its regulatory capital levels. Basel III also contains specific rules addressing the impact of merger and acquisition activity on the ability of a bank holding company to continue to benefit from the permanent grand-fathering of existing non-qualifying capital instruments in Tier 1 capital.

The application of the Final Rule 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, 2014, 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
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.

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.

The federal banking regulators have issued guidance on sound risk management practices for 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 ("Act") addresses, among other things, corporate governance, auditing and accounting, enhanced and timely disclosure of corporate information, and penalties for non-compliance. Generally, the 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 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 Act's requirements and has found that such compliance, including compliance with Section 404 of the Act 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.

Anti-Terrorism
USA Patriot Act of 2001. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, intended to combat terrorism, was renewed with certain amendments in 2006 ("Patriot Act"). 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 ruling on Bank Holding Company Act and Bank Merger Act applications. The Company and the Bank have established compliance programs designed to comply with the Patriot Act requirements.

Financial Services Modernization
Gramm-Leach-Bliley Act of 1999. The Gramm-Leach-Bliley Financial Services Modernization Act of 1999 (“GLB Act”) brought about significant changes to the laws affecting banks and bank holding companies. Generally, the GLB Act 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 GLB Act. 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.

The Emergency Economic Stabilization Act of 2008
In response to market turmoil and financial crises affecting the overall banking system and financial markets in the United States, the Emergency Economic Stabilization Act of 2008 (“EESA”) was enacted on October 3, 2008. EESA provides the U.S. Department of the Treasury with broad authority to implement certain actions intended to help restore stability and liquidity to the U.S. financial markets.

Deposit Insurance
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. The FDIC has established a higher reserve ratio of 2 percent as a long-term goal beyond what is required by statute. 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.

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 EESA included a provision for a temporary increase from $100,000 to $250,000 per depositor in deposit insurance. The temporary increase was made permanent under the Dodd-Frank Act. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category. The EESA also temporarily raised the limit on federal deposit insurance coverage to an unlimited amount for non-interest or low-interest bearing demand deposits. Unlimited coverage for non-interest transaction accounts expired December 31, 2012.

The Dodd-Frank Wall Street Reform and Consumer Protection 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 their 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.

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. Except with respect to “smaller reporting companies” and participants in the Capital Purchase Program, the new rules applied to proxy statements relating to annual meetings of shareholders held after January 20, 2011. “Smaller reporting companies,” those with a public float of less than $75 million, are required to include the non-binding shareholder votes on executive compensation and the frequency thereof in proxy statements relating to annual meetings occurring on or after January 21, 2013.

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.

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.

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 the CFPB regulations, and the Dodd-Frank Act specifically.

Proposed Legislation

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. The CFPB, for example, has already signaled that it will propose additional regulations with respect to debt collection, overdraft protection, arbitration clauses, and mortgage servicing in 2015 which could change the competitive and operating environment in which the Bank operates. 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.

Effects of Federal Government Monetary Policy

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 as curbing inflation and combating recession, but its open market operations in U.S. government securities, control of the discount rate applicable to borrowings from the Federal Reserve, and establishment of reserve requirements against certain deposits, influence the growth of bank loans, investments and deposits, and also affect interest rates charged on loans or paid on deposits. The nature and impact of future changes in monetary policies and their impact on the Company or the Bank cannot be predicted with certainty.

Item 1A. Risk Factors

An investment in the Company's common stock involves certain risks. The following is a discussion of 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. While both the national economy and local economies in which the Bank operates have improved, a future deterioration in the economy, whether nationally or in the markets it serves would have a negative impact on its business. Any softening in economic conditions 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 further 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.

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 continue or worsen, 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. 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.

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, and particularly special dividends which are carefully considered, 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 quarterly and special 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 sufficiency of earnings.

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. Furthermore, there can be no assurance that the Company can successfully complete such transactions, since they are subject to regulatory review and approval.

The FDIC has adopted a plan to increase the federal Deposit Insurance Fund, including additional future premium increases and special assessments.
The Dodd-Frank Act broadened the base for FDIC insurance assessments and 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 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 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 requires the FDIC to offset the effect on institutions with assets less than $10 billion of the increase in the statutory minimum fund reserve ratio to 1.35 percent from the former statutory minimum of 1.15 percent. As a result, the deposit insurance assessments to be paid by the Bank could increase.

Despite the FDIC's actions to restore the DIF, the DIF could suffer additional losses in the future due to failures of insured institutions. There could be additional significant deposit insurance premium increases, special assessments or prepayments in order to restore the insurance fund's reserve ratio. Any significant premium increases or special assessments could have a material adverse effect on the Company's financial condition and results of operations.

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.

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 net income and financial condition in various ways. The Bank does not record interest income on non-accrual loans or OREO, thereby adversely affecting its income. 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.

A decline in the fair value of the Bank's investment portfolio could adversely affect earnings.
The fair value of the Bank's investment securities could decline as a result of factors including changes in market interest rates, 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.

Concurrent with the Bank's loan growth over the last two years, the investment portfolio has decreased from 41 percent of total assets at December 31, 2013 to 35 percent of total assets at December 31, 2014. 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. In addition, in connection with the ongoing monitoring of its investment portfolio, the Bank reclassified obligations of state and local government securities with a fair value of approximately $485 million, inclusive of a net unrealized gain of $4.6 million, from available-for-sale (“AFS”) classification to held-to-maturity (“HTM”) classification. The reclassification occurred on January 1, 2014 and changed the allocation of the Bank’s entire investment portfolio from 100 percent AFS to approximately 85 percent AFS and 15 percent HTM. At December 31, 2014, the investment portfolio consisted of 82 percent AFS and 18 percent HTM. The future impact of this reclassification, if any, on the Company’s financial condition and results of operations will depend on interest rate environments and other factors which are not estimable at this time. 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.

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.

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, 2014 and 2013; however, there can be no assurance that future evaluations of goodwill will not result in findings of additional impairment and write-downs, which could be material. While a non-cash item, additional impairment of goodwill could have a material adverse effect on the Company’s business, financial condition and results of operations. Furthermore, additional impairment of goodwill could subject the Company to regulatory limitations, including the ability to pay dividends on its common stock.

Growth through future acquisitions could, in some circumstances, adversely affect profitability or other performance measures.
During 2014 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.

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 and the percentage ownership of current shareholders.

The Company’s business is heavily dependent on the services of members of the senior management team and proposed changes could have an impact the Company.
The Company believes its success to date has been substantially dependent on the members of the executive management team, in particular the Chief Executive Officer (“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 its Bank divisions. Notwithstanding the foregoing, the CEO has been critical to the Company’s success. As previously announced, the Company is engaged in a search process for management succession at the CEO level. Finding the right person to fit the Company’s unique culture and ensuring a smooth transition, which the Company’s CEO has agreed to be an integral part of, is important to ensure the continued success of the Company.

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.

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 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.

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.

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 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 impact of Basel III is still uncertain.
The adoption of Basel III established, among other things, a new common equity Tier 1 minimum capital requirement (4.5 percent of risk-weighted assets), increased the minimum Tier 1 capital to risk-based assets requirement (from 4.0 percent to 6.0 percent of risk-weighted assets) and assigns a higher risk weight (150 percent) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The Final Rule also requires the Bank to meet the capital conservation buffer requirements of an additional 2.5 percent of common equity Tier 1 capital in order to avoid constraints on capital distributions and certain bonus compensation for executive officers. The Final Rule became effective on January 1, 2015 with the capital conservation buffer requirement phased in beginning January 1, 2016 and ending January 1, 2019.

The application of the Final Rule 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. If the Bank were unable to meet the capital conservation buffer requirements required in 2016, the Company's ability to pay dividends to stockholders may also be limited.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The following schedule provides information on the Company's 129 properties as of December 31, 2014:

(Dollars in thousands)	Properties Leased	Properties Owned	Net Book Value
Montana	6	49	$ 76,324
Idaho	10	17	22,497
Wyoming	3	14	17,841
Colorado	1	12	12,754

Utah	1	3	2,353
Washington	3	10	6,075
	24	105	$ 137,844

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 5 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, 2014, there were approximately 1,729 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:

	2014		2013	
	High	Low	High	Low
First quarter	$30.27	25.35	18.98	15.19
Second quarter	29.55	24.88	22.43	17.44
Third quarter	28.93	25.86	25.05	22.59
Fourth quarter	29.57	24.74	30.87	24.23

The following table summarizes the Company's dividends declared per quarter for the periods indicated:

	2014	2013
First quarter	$0.16	0.14
Second quarter	0.17	0.15
Third quarter	0.17	0.15
Fourth quarter	0.18	0.16
Special	0.30	—
Total	$0.98	0.60

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."

Unregistered Securities
There have been no securities of the Company sold within the last three years which were not registered under the Securities Act.

Issuer Stock Purchases
The Company made no stock repurchases during 2014.

16

Equity Compensation Plan Information

The Company currently maintains the 2005 Employee Stock Incentive Plan which was approved by the shareholders and provides for the issuance of stock-based compensation to officers, other employees and directors.

The following table sets forth information regarding outstanding options and shares reserved for future issuance as of December 31, 2014:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected in Column (a)) (c)
Equity compensation plans approved by the shareholders	1,000	$ 16.73	4,022,452

There are no equity compensation plans that have not been approved by the shareholders. For additional information on outstanding stock options and non-vested restricted stock awards, see Note 12 to the Consolidated Financial Statements in “Item 8. Financial Statements and Supplementary Data.”

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 are 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)	2014	2013	2012	2011	2010	1-Year 2014/2013	5-Year 2014/2010
Selected Statements of Financial Condition Information							
Total assets	$8,306,507	$7,884,350	$7,747,440	$7,187,906	$6,759,287	5.4 %	6.1 %
Investment securities	2,908,425	3,222,829	3,683,005	3,126,743	2,395,847	(9.8)%	15.0 %
Loans receivable, net	4,358,342	3,932,487	3,266,571	3,328,619	3,612,182	10.8 %	2.1 %
Allowance for loan and lease losses	(129,753)	(130,351)	(130,854)	(137,516)	(137,107)	(0.5)%	(1.9)%
Goodwill and intangibles	140,606	139,218	112,274	114,384	157,016	1.0 %	(2.6)%
Deposits	6,345,212	5,579,967	5,364,461	4,821,213	4,521,902	13.7 %	9.1 %
Federal Home Loan Bank advances	296,944	840,182	997,013	1,069,046	965,141	(64.7)%	(17.8)%
Securities sold under agreements to repurchase and other borrowed funds	404,418	321,781	299,540	268,638	269,408	25.7 %	(2.2)%
Stockholders' equity	1,028,047	963,250	900,949	850,227	838,204	6.7 %	8.4 %
Equity per share	13.70	12.95	12.52	11.82	11.66	5.8 %	4.2 %
Equity as a percentage of total assets	12.38 %	12.22 %	11.63 %	11.83 %	12.40 %	1.3 %	2.2 %

	Years ended December 31,					Compounded Annual Growth Rate	
(Dollars in thousands, except per share data)	2014	2013	2012	2011	2010	1-Year 2014/2013	5-Year 2014/2010
Summary Statements of Operations							
Interest income	$299,919	$263,576	$253,757	$280,109	$288,402	13.8 %	(0.2)%
Interest expense	26,966	28,758	35,714	44,494	53,634	(6.2)%	(14.0)%
Net interest income	272,953	234,818	218,043	235,615	234,768	16.2 %	2.2 %
Provision for loan losses	1,912	6,887	21,525	64,500	84,693	(72.2)%	(56.6)%
Non-interest income	90,302	93,047	91,496	78,199	87,546	(3.0)%	0.9 %
Non-interest expense [1]	212,679	195,317	193,421	191,965	187,948	8.9 %	4.7 %
Income before income taxes [1]	148,664	125,661	94,593	57,349	49,673	18.3 %	31.1 %

Income tax expense [1]	35,909	30,017	19,077	7,265	7,343	19.6 %	55.2 %
Net income [1]	$112,755	$95,644	$75,516	$50,084	$42,330	17.9 %	26.8 %
Basic earnings per share [1]	$1.51	$1.31	$1.05	$0.70	$0.61	15.3 %	21.9 %
Diluted earnings per share [1]	$1.51	$1.31	$1.05	$0.70	$0.61	15.3 %	21.9 %
Dividends declared per share [2]	$0.98	$0.60	$0.53	$0.52	$0.52	63.3 %	13.5 %

	At or for the Years ended December 31,				
(Dollars in thousands)	2014	2013	2012	2011	2010
Selected Ratios and Other Data					
Return on average assets [1]	1.42 %	1.23 %	1.01 %	0.72 %	0.67 %
Return on average equity [1]	11.11 %	10.22 %	8.54 %	5.78 %	5.18 %
Dividend payout ratio [1]	64.90 %	45.80 %	50.48 %	74.29 %	85.25 %
Average equity to average asset ratio	12.81 %	11.99 %	11.84 %	12.39 %	12.96 %
Total capital (to risk-weighted assets)	18.93 %	18.97 %	20.09 %	20.27 %	19.51 %
Tier 1 capital (to risk-weighted assets)	17.67 %	17.70 %	18.82 %	18.99 %	18.24 %
Tier 1 capital (to average assets)	12.45 %	12.11 %	11.31 %	11.81 %	12.71 %
Net interest margin on average earning assets (tax-equivalent)	3.98 %	3.48 %	3.37 %	3.89 %	4.21 %
Efficiency ratio [3]	54.31 %	54.51 %	54.02 %	51.34 %	51.35 %
Allowance for loan and lease losses as a percent of loans	2.89 %	3.21 %	3.85 %	3.97 %	3.66 %
Allowance for loan and lease losses as a percent of nonperforming loans	209 %	158 %	133 %	102 %	70 %
Non-performing assets as a percentage of subsidiary assets	1.08 %	1.39 %	1.87 %	2.92 %	3.91 %
Non-performing assets	$89,900	109,420	143,527	213,456	270,521
Loans originated and acquired	$2,404,299	2,477,804	2,237,977	1,650,418	1,935,311
Number of full time equivalent employees	1,943	1,837	1,677	1,653	1,674
Number of locations	129	118	108	106	105

[1] Excludes 2011 goodwill impairment charge of $32.6 million ($40.2 million pre-tax). For additional information on the goodwill impairment charge, see the "Non-GAAP Financial Measures" section below.
[2] Includes a 2014 special dividend declared of $0.30 per share.
[3] 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.

Non-GAAP Financial Measures

In addition to the results presented in accordance with GAAP, this Form 10-K contains certain non-GAAP financial measures. The Company believes that providing these non-GAAP financial measures provides investors with information useful in understanding the Company's financial performance, performance trends, and financial position. While the Company uses these non-GAAP measures in its analysis of the Company's performance, this information should not be considered an alternative to measurements required by GAAP.

	Year ended December 31, 2011		
(Dollars in thousands, except per share data)	GAAP	Goodwill Impairment Charge, Net of Tax	Non-GAAP
Non-interest expense	$ 232,124	(40,159)	191,965
Income before income taxes	$ 17,190	40,159	57,349
Income tax (benefit) expense	$ (281)	7,546	7,265
Net income	$ 17,471	32,613	50,084
Basic earnings per share	$ 0.24	0.46	0.70
Diluted earnings per share	$ 0.24	0.46	0.70
Return on average assets	0.25 %	0.47 %	0.72 %
Return on average equity	2.04 %	3.74 %	5.78 %
Dividend payout ratio	216.67 %	(142.38)%	74.29 %

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.”

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 management’s plans, objectives, expectations and intentions that are not historical facts, and other statements identified by words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “should,” “projects,” “seeks,” “estimates” similar meaning. These forward-looking statements are based on current beliefs and expectations of management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company’s control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations in the forward-looking statements, including those set forth in this 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;
- the risks presented by the lingering economic recovery which could adversely affect credit quality, loan collateral values, OREO values, investment values, liquidity and capital levels, dividends and loan originations;
- changes in market interest rates, which could adversely affect the Company’s net interest income and profitability;
- legislative or regulatory changes that adversely affect the Company’s business, ability to complete pending or prospective future acquisitions, limit certain sources of revenue, or increase cost of operations;
- costs or difficulties related to the completion and integration of acquisitions;
- the goodwill the Company has recorded in connection with acquisitions could become additionally impaired, which may have an adverse impact on earnings and capital;
- reduced demand for banking products and services;
- the risks presented by public stock market volatility, which could adversely affect the market price of the Company’s common stock and the ability to raise additional capital or grow the Company through acquisitions;
- consolidation in the financial services industry in the Company’s markets resulting in the creation of larger financial institutions who may have greater resources could change the competitive landscape;
- dependence on the CEO, the senior management team and the Presidents of the Bank divisions;
- potential interruption or breach in security of the Company’s systems; and
- the Company’s success in managing risks involved in the foregoing.

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). The Company does not undertake any obligation to publicly correct or update any forward-looking statement if it later becomes aware that actual results are likely to differ materially from those expressed in such forward-looking statement.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 2014 COMPARED TO DECEMBER 31, 2013

Highlights and Overview

During the current year, the Company completed the acquisition of FNBR and its subsidiary, First National Bank of the Rockies, which has ten community banking offices in Grand Junction, Steamboat Springs, Meeker, Rangely, Craig, Hayden, and Oak Creek, Colorado. As a result of the FNBR acquisition, the Company has increased its presence in northwestern Colorado and the branches were merged into Glacier Bank and became a part of the Bank of the San Juans division. During the current year, the Company also successfully completed the system conversion for this acquisition, as well as the NCBI and Wheatland acquisitions.

For the second consecutive year, the Company experienced organic loan growth. Excluding acquisitions, loans receivable increased $288 million, or 7 percent, during the current year, with the primary increase in commercial loans which increased $245 million from the prior year end. The increase in the loan portfolio allowed the Company to continue to reduce its lower yielding investment portfolio during the current year. Excluding the acquisitions and wholesale deposits, the Company's non-interest bearing deposits increased $178 million, or 13 percent, during the current year while interest bearing deposits increased $234 million, or 6 percent. Tangible stockholders' equity increased $63.4 million, or $0.75 per share, as a result of stock issued in connection with the current year acquisition, earnings retention and an increase in accumulated other comprehensive income. The Company increased its quarterly dividend twice during 2014 from $0.16 per share to $0.18 per share and declared a special dividend of $0.30 per share for a record dividend of $0.98 per share for 2014 compared to $0.60 per share for 2013.

The Company achieved its 2014 goal of reducing its non-performing assets below $90 million and ended the year at $89.9 million which was a decrease of $19.5 million or, 18 percent, from the prior year end. The improvement in credit quality was also reflected in a decrease of the provision for loan losses of $5.0 million during the current year and a decrease in OREO expenses of $4.6 million.

The Company had record earnings of $113 million for 2014, which was an increase of $17.1 million, or 18 percent over the 2013 net income of $95.6 million. Diluted earnings per share for 2014 was $1.51, an increase of $0.20, or 15 percent, from the prior year diluted earnings per share of $1.31. The net income improvement for 2014 over 2013 was principally due to an increase in interest income from investment securities and the commercial loan portfolio.

The current year $36.3 million increase in interest income was the result of an $18.5 million increase in interest income on investment securities and an $18.2 million increase in commercial loan interest income. The increased yields on investment securities was primarily driven by a decrease in premium amortization (net of discount accretion) on the investment portfolio ("premium amortization") which was significantly higher in 2013 and had stabilized by the fourth quarter of 2013 and throughout 2014. The increase in interest income on the commercial loan portfolio was primarily attributable to an increase in the volume of commercial loans as the local economies continue to recover from the recession.

The Company's net interest margin as a percentage of earning assets, on a tax-equivalent basis, of 3.98 percent for the current year increased 50 basis points over the prior year net interest margin of 3.48 percent. The increase was primarily attributed to higher yielding investment securities driven by a decrease in premium amortization and a shift in earning assets to the higher yielding loan portfolio; such changes resulted in a 47 basis points increase in the yield on earning assets. The Company also benefited from a 3 basis points decrease in the total cost of funding as the Company continued to focus on increasing low cost deposit balances, including non-interest bearing deposits.

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.

Acquisitions

On August 31, 2014, the Company completed the acquisition of FNBR and its subsidiary, First National Bank of the Rockies. The Company incurred $552 thousand of legal and professional expenses in connection with the acquisition during 2014. A bargain purchase gain of $680 thousand resulted from the acquisition which was based on the estimated fair value of the assets acquired and liabilities assumed. On July 31, 2013, the Company completed the acquisition of NCBI and its subsidiary, North Cascades National Bank. On May 31, 2013, the Company completed the acquisition of Wheatland and its subsidiary, First State Bank. The Company’s results of operations and financial condition include the acquisitions of FNBR, NCBI and Wheatland from the acquisition dates. The following table provides information on the fair value of selected classifications of assets and liabilities acquired:

(Dollars in thousands)	FNBR August 31, 2014	NCBI July 31, 2013	Wheatland May 31, 2013
Total assets	$ 349,167	330,028	300,541
Investment securities	157,018	48,058	75,643
Loans receivable	137,488	215,986	171,199
Non-interest bearing deposits	80,037	76,105	30,758
Interest bearing deposits	229,604	218,875	224,439
Federal Home Loan Bank advances	—	—	5,467

Financial Condition Analysis

Assets

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

(Dollars in thousands)	December 31, 2014	December 31, 2013	$ Change	% Change
Cash and cash equivalents	$ 442,409	$ 155,657	$ 286,752	184 %
Investment securities, available-for-sale	2,387,428	3,222,829	(835,401)	(26)%
Investment securities, held-to-maturity	520,997	—	520,997	n/m
Total investment securities	2,908,425	3,222,829	(314,404)	(10)%
Loans receivable				
Residential real estate	611,463	577,589	33,874	6 %
Commercial	3,263,448	2,901,283	362,165	12 %
Consumer and other	613,184	583,966	29,218	5 %
Loans receivable	4,488,095	4,062,838	425,257	10 %
Allowance for loan and lease losses	(129,753)	(130,351)	598	— %
Loans receivable, net	4,358,342	3,932,487	425,855	11 %
Other assets	597,331	573,377	23,954	4 %
Total assets	$ 8,306,507	$ 7,884,350	$ 422,157	5 %

n/m - not measurable

Total investment securities decreased $314 million, or 10 percent, from December 31, 2013. The Company implemented a strategy in 2013 to reduce the overall size of this portfolio and with the growth in the loan portfolio, the Company had the opportunity to retain higher yielding loans to offset the decrease in the lower yielding investment securities. At December 31, 2014, investment securities represented 35 percent of total assets, compared to 41 percent at December 31, 2013 and 48 percent at December 31, 2012.

Excluding the loans receivable from the FNBR acquisition, the loan portfolio increased $288 million, or 7 percent, since December 31, 2013. Excluding the acquisition, all loan categories experienced growth during 2014 with the largest category in commercial loans which increased $245 million from the prior year. As the local markets continue to recover, opportunities for continued loan growth are available, albeit competition for good quality loans remains strong.

Liabilities

The following table summarizes the liability balances as of the dates indicated, and the amount of change from December 31, 2013:

(Dollars in thousands)	December 31, 2014	December 31, 2013	$ Change	% Change
Non-interest bearing deposits	$1,632,403	$1,374,419	$257,984	19 %
Interest bearing deposits	4,712,809	4,205,548	507,261	12 %
Securities sold under agreements to repurchase	397,107	313,394	83,713	27 %
Federal Home Loan Bank advances	296,944	840,182	(543,238)	(65)%
Other borrowed funds	7,311	8,387	(1,076)	(13)%
Subordinated debentures	125,705	125,562	143	— %
Other liabilities	106,181	53,608	52,573	98 %
Total liabilities	$7,278,460	$6,921,100	$357,360	5 %

Excluding the FNBR acquisition, non-interest bearing deposits increased $178 million, or 13 percent, from December 31, 2013. Interest bearing deposits of $4.713 billion at December 31, 2014 included $249 million of wholesale deposits (i.e., brokered deposits classified as NOW, money market deposits and certificate accounts). Excluding the acquisition and an increase of $44.1 million in wholesale deposits, interest bearing deposits at December 31, 2014 increased $234 million, or 6 percent, from a year ago. In addition to the increase in deposit balances, the Company has benefited from a higher than expected increase in the number of checking accounts during the current year. Federal Home Loan Bank ("FHLB") advances of $297 million at December 31, 2014 decreased $543 million, or 65 percent, from December 31, 2013 as the need for borrowings continued to decrease.

Stockholders' Equity

The following table summarizes the stockholders' equity balances as of the dates indicated and the amount of change from December 31, 2013:

(Dollars in thousands, except per share data)	December 31, 2014	December 31, 2013	$ Change	% Change
Common equity	$1,010,303	$953,605	$56,698	6 %
Accumulated other comprehensive income	17,744	9,645	8,099	84 %
Total stockholders' equity	1,028,047	963,250	64,797	7 %
Goodwill and core deposit intangible, net	(140,606)	(139,218)	(1,388)	1 %
Tangible stockholders' equity	$887,441	$824,032	$63,409	8 %
Stockholders' equity to total assets	12.38 %	12.22 %		1 %
Tangible stockholders' equity to total tangible assets	10.87 %	10.64 %		2 %
Book value per common share	$13.70	$12.95	$0.75	6 %
Tangible book value per common share	$11.83	$11.08	$0.75	7 %
Market price per share at end of period	$27.77	$29.79	$(2.02)	(7)%

Tangible stockholders' equity increased $63.4 million from a year ago as the result of earnings retention, stock issued in connection with the FNBR acquisition, and an increase in accumulated other comprehensive income. Tangible book value per common share of $11.83 increased $0.75 per share from the prior year fourth quarter.

23

Results of Operations

Performance Summary

(Dollars in thousands, except per share data)	Years ended December 31, 2014	December 31, 2013
Net income	$ 112,755	95,644
Diluted earnings per share	$ 1.51	1.31
Return on average assets (annualized)	1.42 %	1.23 %
Return on average equity (annualized)	11.11 %	10.22 %

Net income for the year ended December 31, 2014 was $112.8 million, an increase of $17.2 million, or 18 percent, from the $95.6 million of net income for the same period the prior year. Diluted earnings per share for the current year was $1.51 per share, an increase of $0.20 per share, or 15 percent, from the diluted earnings per share in the prior year.

Income Summary
The following table summarizes revenue for the periods indicated, including the amount and percentage change from December 31, 2013:

(Dollars in thousands)	Years ended December 31, 2014	December 31, 2013	$ Change	% Change
Net interest income				
Interest income	$ 299,919	$ 263,576	$ 36,343	14 %
Interest expense	26,966	28,758	(1,792)	(6)%
Total net interest income	272,953	234,818	38,135	16 %
Non-interest income				
Service charges, loan fees, and other fees	58,785	54,460	4,325	8 %
Gain on sale of loans	19,797	28,517	(8,720)	(31)%
Loss on sale of investments	(188)	(299)	111	(37)%
Other income	11,908	10,369	1,539	15 %
Total non-interest income	90,302	93,047	(2,745)	(3)%
	$ 363,255	$ 327,865	$ 35,390	11 %
Net interest margin (tax-equivalent)	3.98 %	3.48 %		

Net Interest Income
Interest income for 2014 increased $36.3 million, or 14 percent, from the prior year and was principally due to the decrease in premium amortization on investment securities and increased income from commercial loans. Interest income on investment securities benefited from a reduction of $36.6 million in premium amortization during the current year compared to the prior year. Current year interest income on commercial loans increased $18.2 million, or 14 percent, from the prior year and was primarily the result of an increase in the volume of commercial loans.

Interest expense for the current year decreased $1.8 million, or 6 percent, from the prior year and was primarily attributable to the decreases in interest rates on certificate of deposits and lower volume of borrowings, such benefit partially offset by the increased costs associated with an interest rate swap undertaken to reduce the Company’s sensitivity to rising interest rates. The interest rate swap with a notional amount of $160 million had a three year deferred start with the interest expense accrual period beginning in October 2014 and scheduled to end in October 2021. The total funding cost (including non-interest bearing deposits) for the current year was 39 basis points compared to 42 basis points for the prior year.

24

The net interest margin as a percentage of earning assets, on a tax-equivalent basis, for 2014 was 3.98 percent, a 50 basis points increase from the net interest margin of 3.48 percent for 2013. The increase in the net interest margin was due to the increased yield on the investment portfolio combined with the shift in earning assets to the higher yielding loan portfolio. The premium amortization for 2014 accounted for a 40 basis points reduction in the net interest margin, compared to an 89 basis points reduction in the net interest margin for the same period last year.

Non-interest Income

Non-interest income of $90.3 million for 2014 decreased $2.7 million, or 3 percent, over last year. Service charges and other fees of $58.8 million for the current year increased $4.3 million, or 8 percent, from the prior year and was primarily the result of an increase in the number of deposit accounts. Gain of $19.8 million on the sale of residential loans for 2014 decreased $8.7 million, or 31 percent, from 2013 as a consequence of the slowdown in refinance activity. Current year other income of $11.9 million, increased $1.5 million, or 15 percent, from the prior year as a result of a current year bargain purchase gain, proceeds from a bank owned life insurance policy, and other income which was partially offset by the decrease in OREO income. Included in other income was operating revenue of $204 thousand from OREO and gain of $2.1 million from the sale of OREO, a combined total of $2.3 million for the current year compared to $3.5 million for the prior year.

Non-interest Expense

The following table summarizes non-interest expense for the periods indicated, including the amount and percentage change from December 31, 2013:

(Dollars in thousands)	Years ended December 31, 2014	December 31, 2013	$ Change	% Change
Compensation and employee benefits	$118,571	$104,221	$14,350	14 %
Occupancy and equipment	27,498	24,875	2,623	11 %
Advertising and promotions	7,912	6,913	999	14 %
Data processing	6,607	4,493	2,114	47 %
Other real estate owned	2,568	7,196	(4,628)	(64)%
Regulatory assessments and insurance	5,064	6,362	(1,298)	(20)%
Core deposit intangible amortization	2,811	2,401	410	17 %
Other expense	41,648	38,856	2,792	7 %
Total non-interest expense	$212,679	$195,317	$17,362	9 %

Compensation and employee benefits for 2014 increased $14.4 million, or 14 percent, from last year due to the increased number of employees from the recently acquired banks, additional benefit costs and annual salary increases. Occupancy and equipment expense for 2014 increased $2.6 million, or 11 percent, over the prior year as a result of recent bank acquisitions and increases in equipment expense related to additional information and technology infrastructure. Current year advertising and promotions increased $999 thousand from the prior year primarily from the FNBR acquisition and recent marketing promotions at a number of the Bank divisions. Data processing expense for 2014 increased $2.1 million, or 47 percent, from the prior year as a result of the acquired banks' outsourced data processing expense, conversion related expenses and general increases in data processing expense. OREO expense of $2.6 million in 2014 decreased $4.6 million, or 64 percent, from last year. OREO expense for the 2014 included $1.4 million of operating expenses, $691 thousand of fair value write-downs, and $442 thousand of loss on sale of OREO. Other expense for the current year increased by $2.8 million, or 7 percent, from the prior year primarily from increases in employee expenses from the recently acquired banks and increases in consulting and advisory services.

Efficiency Ratio

The efficiency ratio was 54.31 percent for 2014 and 54.51 percent for 2013. The improvement in the efficiency ratio was the result of the increase in net interest income from the shift in earning assets from investment securities to the higher yielding loans and decreases in premium amortization on the investment portfolio. Such increases in net interest income outpaced the increase in non-interest expense from compensation expense and the decrease in non-interest income driven by the decrease in refinance activity.

Provision for Loan Losses

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

(Dollars in thousands)	Provision for Loan Losses	Net Charge-Offs	ALLL as a Percent of Loans	Accruing Loans 30-89 Days Past Due as a Percent of Loans	Non-Performing Assets to Total Sub-sidiary Assets
Fourth quarter 2014	$ 191	$ 1,070	2.89 %	0.58 %	1.08 %
Third quarter 2014	360	364	2.93 %	0.39 %	1.21 %
Second quarter 2014	239	332	3.11 %	0.44 %	1.30 %
First quarter 2014	1,122	744	3.20 %	1.05 %	1.37 %
Fourth quarter 2013	1,802	2,216	3.21 %	0.79 %	1.39 %
Third quarter 2013	1,907	2,025	3.27 %	0.66 %	1.56 %
Second quarter 2013	1,078	1,030	3.56 %	0.60 %	1.64 %
First quarter 2013	2,100	2,119	3.84 %	0.95 %	1.79 %

The provision for loan losses was $1.9 million for 2014, a decrease of $5.0 million, or 72 percent, from the prior year. Net charged-off loans during 2014 was $2.5 million, a decrease of $4.9 million from 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE RESULTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 2013 COMPARED TO DECEMBER 31, 2012

Income Summary

The following table summarizes revenue for the periods indicated, including the amount and percentage change from December 31, 2012:

(Dollars in thousands)	Years ended December 31, 2013	December 31, 2012	$ Change	% Change
Net interest income				
Interest income	$ 263,576	$ 253,757	$ 9,819	4 %
Interest expense	28,758	35,714	(6,956)	(19)%
Total net interest income	234,818	218,043	16,775	8 %
Non-interest income				
Service charges, loan fees, and other fees	54,460	49,706	4,754	10 %
Gain on sale of loans	28,517	32,227	(3,710)	(12)%
Loss on sale of investments	(299)	—	(299)	n/m
Other income	10,369	9,563	806	8 %
Total non-interest income	93,047	91,496	1,551	2 %
	$ 327,865	$ 309,539	$ 18,326	6 %
Net interest margin (tax-equivalent)	3.48 %	3.37 %		

n/m - not measurable

26

Net Interest Income
Net interest income for 2013 increased $16.8 million, or 8 percent, over the prior year. Interest income for 2013 increased $9.8 million, or 4 percent, from the prior year and was principally due to the increased volume of commercial loans in addition to the decrease in premium amortization on investment securities, which were partially reduced by a decrease in yields within the loan portfolio. During 2013, the Company experienced four consecutive quarters of decreases in premium amortization, compared to significant increases experienced during the preceding seven quarters. Interest income was reduced by $64.1 million in premium amortization on investment securities during 2013 which was a decrease of $7.9 million from the prior year. Interest expense for 2013 decreased $7.0 million, or 19 percent, from the prior year and was primarily attributable to the decreases in interest rates on interest bearing deposits and borrowings. The total funding cost (including non-interest bearing deposits) for 2013 was 42 basis points compared to 55 basis points for the prior year.

The net interest margin, on a tax-equivalent basis, for 2013 was 3.48 percent, an 11 basis points increase from the net interest margin of 3.37 percent for 2012. The net interest margin was benefited by the decreased interest rates on deposits and borrowings. The net interest margin was further supported by the continued shift in earning assets from investment securities to the higher yielding loan portfolio and the increased yield on the investment portfolio. The increased yields on investment securities was driven by lower premium amortization on investment securities. The premium amortization for 2013 accounted for a 90 basis points reduction in the net interest margin, which was a decrease of 14 basis points compared to the 104 basis points reduction in the net interest margin for the prior year.

Non-interest Income
Non-interest income of $93.0 million for 2013 increased $1.6 million, or 2 percent, over the prior year. Service charge fee income increased $4.8 million, or 10 percent, from the prior year which was driven by increases in the number of deposit accounts and changes in internal deposit processing. Gains of $28.5 million on the sale of loans for 2013 decreased $3.7 million, or 12 percent, from the prior year. The Company experienced a slowdown in refinance activity during 2013 as mortgage rates moved up, although, the decrease in gain on sale of loans was more than offset by the decrease in premium amortization on investment securities, both of which were attributable to the continuing slowdown of refinance activity. Other income for 2013 increased $806 thousand, or 8 percent, over the the prior year. Included in other income was operating revenue of $400 thousand from OREO and gains of $3.1 million on the sale of OREO, which combined totaled $3.5 million for 2013 compared to $2.4 million for the prior year.

Non-interest Expense
The following table summarizes non-interest expense for the periods indicated, including the amount and percentage change from December 31, 2012:

(Dollars in thousands)	Years ended December 31, 2013	December 31, 2012	$ Change	% Change
Compensation and employee benefits	$ 104,221	$ 95,373	$ 8,848	9 %
Occupancy and equipment	24,875	23,837	1,038	4 %
Advertising and promotions	6,913	6,413	500	8 %
Data processing	4,493	3,324	1,169	35 %
Other real estate owned	7,196	18,964	(11,768)	(62)%
Regulatory assessments and insurance	6,362	7,313	(951)	(13)%
Core deposit intangible amortization	2,401	2,110	291	14 %
Other expense	38,856	36,087	2,769	8 %
Total non-interest expense	$ 195,317	$ 193,421	$ 1,896	1 %

Compensation and employee benefits for 2013 increased $8.8 million, or 9 percent, from the prior year. The increase in compensation and employee benefits from the prior year was primarily due to the acquisitions of Wheatland and

NCBI and increases in benefit expense and annual merit raises. Outsourced data processing expense increased $1.2 million, or 35 percent, from the prior year primarily from the acquired banks' outsourced data processing expense. OREO expense of $7.2 million in 2013 decreased $11.8 million, or 62 percent, from the prior year. The OREO expense for 2013 included $2.7 million of operating expenses, $3.6 million of fair value write-downs, and $880 thousand of loss on sale of OREO. Other expense for 2013 increased by $2.8 million, or 8 percent, from the prior year and was attributable to the legal and professional expenses associated with the acquisitions, debit card fraud losses and deposit account losses.

Efficiency Ratio
The efficiency ratio was 54.51 percent for 2013 and 54.02 percent for 2012. Although there was an increase in net interest income during 2013 over the prior year, it was not enough to offset the increase in non-interest expense, excluding OREO expense, resulting in the increased efficiency ratio.

Provision for Loan Losses
The provision for loan losses was $6.9 million for 2013, a decrease of $14.6 million, or 68 percent, from the same period in the prior year. Net charged-off loans during 2013 were $7.4 million, a decrease of $20.8 million from the prior year. Such provision and net charge-off decreases were driven by the continued increase in credit quality that has continued over the prior three years.

ADDITIONAL MANAGEMENT'S DISCUSSION AND ANALYSIS

Investment Activity
On January 1, 2014, the Company redesignated state and local government securities with a fair value of approximately $485 million, inclusive of a net unrealized gain of $4.6 million, from available-for-sale classification to held-to-maturity classification. 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, 2014		December 31, 2013		December 31, 2012		December 31, 2011		December 31, 2010	
(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	$44	— %	$—	— %	$202	— %	$208	— %	$211	— %
U.S. government sponsored enterprises	21,945	1 %	10,628	— %	17,480	— %	31,155	1 %	41,518	2 %
State and local governments	997,969	34 %	1,385,078	43 %	1,214,518	33 %	1,064,655	34 %	657,421	27 %
Corporate bonds	314,854	11 %	442,501	14 %	288,795	8 %	62,237	2 %	—	— %
Collateralized debt obligations	—	— %	—	— %	1,708	— %	5,366	— %	6,595	— %
Residential mortgage-backed securities	1,052,616	36 %	1,384,622	43 %	2,160,302	59 %	1,963,122	63 %	1,690,102	71 %
Total available-for-sale	2,387,428	82 %	3,222,829	100 %	3,683,005	100 %	3,126,743	100 %	2,395,847	100 %
Held-to-maturity										
State and local governments	520,997	18 %	—	— %	—	— %	—	— %	—	— %
Total held-to-maturity	520,997	18 %	—	— %	—	— %	—	— %	—	— %
Total investment securities	$2,908,425	100 %	$3,222,829	100 %	$3,683,005	100 %	$3,126,743	100 %	$2,395,847	100 %

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

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

	December 31, 2014		December 31, 2013	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
S&P: AAA / Moody's: Aaa	$ 363,840	374,870	306,536	302,106
S&P: AA+, AA, AA- / Moody's: Aa1, Aa2, Aa3	868,990	908,334	817,227	824,287
S&P: A+, A, A- / Moody's: A1, A2, A3	233,751	248,592	234,188	239,087
S&P: BBB+, BBB, BBB- / Moody's: Baa1, Baa2, Baa3	—	—	1,555	1,556
Not rated by either entity	16,781	17,119	17,841	18,042
Below investment grade	—	—	—	—
Total	$ 1,483,362	1,548,915	1,377,347	1,385,078

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.

	December 31, 2014		December 31, 2013	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
General obligation - unlimited	$ 765,710	803,152	702,641	709,719
General obligation - limited	271,428	284,865	251,109	255,493
Revenue	391,902	405,104	365,890	362,665
Certificate of participation	35,610	36,823	39,674	39,492
Other	18,712	18,971	18,033	17,709
Total	$ 1,483,362	1,548,915	1,377,347	1,385,078

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

	December 31, 2014		December 31, 2013	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Texas	$ 208,129	216,483	155,237	155,974
Washington	150,691	159,259	114,740	117,394
Michigan	115,564	121,535	118,542	120,385
California	109,057	112,367	111,766	110,267
Pennsylvania	107,261	110,444	113,085	113,656
All other states	792,660	828,827	763,977	767,402

Total	$ 1,483,362	1,548,915	1,377,347	1,385,078

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, 2014. Weighted-average yields are based upon the amortized cost of securities and are calculated using the interest method which takes into consideration premium amortization, discount accretion and mortgage-backed securities' prepayment provisions. Weighted-average yields on tax-exempt investment securities exclude the federal income tax benefit.

	One Year or Less		After One through Five Years		After Five through Ten Years		After Ten Years		Residential Mortgage-Backed Securities		Total	
(Dollars in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Y
Available-for-sale												
U.S. government and federal agency	$—	— %	$14	1.58%	$30	1.85%	$—	— %	$—	— %	$44	1
U.S. government sponsored enterprises	8,152	2.38%	787	1.99%	13,006	2.04%	—	— %	—	— %	21,945	2
State and local governments	37,835	1.96%	135,486	2.15%	80,320	3.33%	744,328	4.20%	—	— %	997,969	3
Corporate bonds	80,792	2.21%	234,062	2.05%	—	— %	—	— %	—	— %	314,854	2
Residential mortgage-backed securities	—	— %	—	— %	—	— %	—	— %	1,052,616	2.31%	1,052,616	2
Total available-for-sale	126,779	2.14%	370,349	2.08%	93,356	3.14%	744,328	4.20%	1,052,616	2.31%	2,387,428	2
Held-to-maturity												
State and local governments	—	— %	—	— %	188	2.47%	520,809	4.37%	—	— %	520,997	4
Total held-to-maturity	—	— %	—	— %	188	2.47%	520,809	4.37%	—	— %	520,997	4
Total investment securities	$126,779	2.14%	$370,349	2.08%	$93,544	3.14%	$1,265,137	4.27%	$1,052,616	2.31%	$2,908,425	3

Interest income from investment securities consisted of the following:

(Dollars in thousands)	Years ended December 31, 2014	December 31, 2013	December 31, 2012
Taxable interest	$45,920	31,591	28,687
Tax-exempt interest	47,132	42,921	37,699
Total interest income	$93,052	74,512	66,386

For additional information on investment securities, see Notes 1 and 3 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Other-Than-Temporary Impairment on Securities Analysis

Non-marketable equity securities. Of the non-marketable equity securities owned at December 31, 2014, 97 percent consisted of capital stock issued by FHLB of Seattle. Non-marketable equity securities are evaluated for impairment whenever events or circumstances suggest the carrying value may not be recoverable.

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

Based on the Company’s evaluation of its investments in non-marketable equity securities as of December 31, 2014, 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 NRSROs. In June 2014, Standard and Poor's reaffirmed its AA+ rating of U.S. government long-term debt and the outlook remains stable. In July 2013, Moody's upgraded its outlook to stable from negative while maintaining its Aaa rating on U.S. government long-term debt. In September 2014, Fitch reaffirmed its AAA rating of U.S. government long-term debt and the outlook remains stable. Standard and Poor's, Moody's and Fitch have similar credit ratings and outlooks with respect to certain long-term debt instruments issued by Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") and other U.S. government agencies linked to the long-term U.S. debt.

The following table separates investments with an unrealized loss position at December 31, 2014 into two categories: investments purchased prior to 2014 and those purchased during 2014. Of those investments purchased prior to 2014, the fair market value and unrealized gain or loss at December 31, 2013 is also presented.

	December 31, 2014			December 31, 2013		
(Dollars in thousands)	Fair Value	Unrealized Loss	Unrealized Loss as a Percent of Fair Value	Fair Value	Unrealized Loss	Unrealized Loss as a Percent of Fair Value
Temporarily impaired securities purchased prior to 2014						
U.S. government and federal agency	$3	$—	— %	$3	$—	— %
State and local governments	262,731	(6,682)	(3)%	256,018	(15,036)	(6)%
Corporate bonds	68,163	(750)	(1)%	68,867	(1,164)	(2)%
Residential mortgage-backed securities	201,940	(2,234)	(1)%	257,394	(4,654)	(2)%
Total	$532,837	$(9,666)	(2)%	$582,282	$(20,854)	(4)%
Temporarily impaired securities purchased during 2014						
U.S. government sponsored enterprises	$13,793	$(2)	— %			
State and local governments	39,682	(863)	(2)%			
Residential mortgage-backed securities	69,245	(252)	— %			
Total	$122,720	$(1,117)	(1)%			
Temporarily impaired securities						
U.S. government and federal agency	$3	$—	— %			
U.S. government sponsored enterprises	13,793	(2)	— %			
State and local governments	302,413	(7,545)	(2)%			
Corporate bonds	68,163	(750)	(1)%			
Residential mortgage-backed securities	271,185	(2,486)	(1)%			
Total	$655,557	$(10,783)	(2)%			

With respect to severity, the following table provides the number of securities and amount of unrealized loss in the various ranges of unrealized loss as a percent of book value at December 31, 2014:

(Dollars in thousands)	Number of Debt Securities	Unrealized Loss
Greater than 10.0%	1	$(114)

5.1% to 10.0%	16	(1,117)
0.1% to 5.0%	280	(9,552)
Total	297	$ (10,783)

With respect to the duration of the impaired debt securities, the Company identified 153 securities which have been continuously impaired for the twelve months ending December 31, 2014. The valuation history of such securities in the prior year(s) was also reviewed to determine the number of months in prior year(s) in which the identified securities were in an unrealized loss position.

The following table provides details of the 153 securities which have been continuously impaired for the twelve months ended December 31, 2014, 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	1	$—	$—
State and local governments	135	(5,648)	(573)
Corporate bonds	4	(205)	(110)
Residential mortgage-backed securities	13	(1,560)	(460)
Total	153	$(7,413)	

Based on the Company's analysis of its impaired debt securities as of December 31, 2014, 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 investment securities with unrealized losses at December 31, 2014 were issued by Freddie Mac, Fannie Mae, the Government National Mortgage Association and other agencies of the United States 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, 2014 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 is based on the purpose of the loan, unless otherwise noted as a regulatory classification.

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

	December 31, 2014		December 31, 2013		December 31, 2012		December 31, 2011		December 31, 2010	
(Dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Residential real estate loans	$611,463	14 %	$577,589	15 %	$516,467	16 %	$516,807	16 %	$632,877	18 %
Commercial loans										
Real estate	2,337,548	54 %	2,049,247	52 %	1,655,508	51 %	1,672,059	50 %	1,796,503	50 %
	925,900	21 %	852,036	22 %	623,397	19 %	623,868	19 %	654,588	18 %

Other commercial										
Total	3,263,448	75 %	2,901,283	74 %	2,278,905	70 %	2,295,927	69 %	2,451,091	68 %
Consumer and other loans										
Home equity	394,670	9 %	366,465	9 %	403,925	12 %	440,569	13 %	483,137	13 %
Other consumer	218,514	5 %	217,501	5 %	198,128	6 %	212,832	6 %	182,184	5 %
Total	613,184	14 %	583,966	14 %	602,053	18 %	653,401	19 %	665,321	18 %
Loans receivable	4,488,095	103 %	4,062,838	103 %	3,397,425	104 %	3,466,135	104 %	3,749,289	104 %
Allowance for loan and lease losses	(129,753)	(3)%	(130,351)	(3)%	(130,854)	(4)%	(137,516)	(4)%	(137,107)	(4)%
Loans receivable, net	$4,358,342	100 %	$3,932,487	100 %	$3,266,571	100 %	$3,328,619	100 %	$3,612,182	100 %

32

The stated maturities or first repricing term (if applicable) for the loan portfolio at December 31, 2014 was as follows:

(Dollars in thousands)	Residential Real Estate	Commercial	Consumer and Other	Total
Variable rate maturing or repricing in				
One year or less	$ 198,784	989,593	258,724	1,447,101
One to five years	129,166	1,106,142	44,155	1,279,463
Thereafter	13,768	169,519	5,766	189,053
Fixed rate maturing in				
One year or less	113,676	372,496	125,231	611,403
One to five years	111,274	449,616	167,398	728,288
Thereafter	44,795	176,082	11,910	232,787
Total	$ 611,463	3,263,448	613,184	4,488,095

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. 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 during the past five years, 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 70 percent of appraised value or 70 percent of cost and require a higher debt service coverage margin commensurate with the specific property and projected income.

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 $395 million and $366 million as of December 31, 2014 and 2013, 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, 2014, the home equity loan portfolio consisted of 70 percent variable interest rate and 30 percent fixed interest rate loans. Approximately 51 percent of the home equity loans were in a first lien status with the remaining 49 percent in junior lien status. Approximately 17 percent of the home equity loans were closed-end amortizing loans and 83 percent were open-end, revolving home equity lines of credit. At December 31, 2013, the home equity loan portfolio consisted of 62 percent variable interest rate and 38 percent fixed interest rate loans. Approximately 49 percent of the home equity loans were in a first lien status with the remaining 51 percent in junior lien status. Approximately 20 percent of the home equity loans were closed-end amortizing loans and 80 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 have loan approval authority between $250,000 and $1,000,000. Each of the Bank divisions' Advisory Boards have loan approval authority up to $2,000,000. Loans 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 Credit Administrator. Loans 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 $48.1 million and $56.7 million of loans with interest reserves with remaining reserves of $1.0 million and $385 thousand as of December 31, 2014 and 2013, respectively. During 2014, the Company extended, renewed or restructured 4 loans with interest reserves, such loans having an aggregate outstanding principal balance of $7.9 million as of December 31, 2014. During 2013, the Company extended, renewed or restructured 27 loans with interest reserves, such loans having an aggregate outstanding principal balance of $13.2 million as of December 31, 2013. Such actions were based on prudent underwriting standards and not to keep the loans current. As of December 31, 2014, the Company had 4 construction loans totaling $1.0 million 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, 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 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 securities that were 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 three weeks for residential property 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 the Bank's Board of Directors 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, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Other real estate owned	$ 27,804	26,860	45,115	78,354	73,485
Accruing loans 90 days or more past due					
Residential real estate	35	429	451	59	506
Commercial	105	160	791	1,168	3,051
Consumer and other	74	15	237	186	974
Total	214	604	1,479	1,413	4,531
Non-accrual loans					
Residential real estate	6,798	10,702	14,237	11,881	23,095
Commercial	48,138	61,577	68,887	109,641	161,136
Consumer and other	6,946	9,677	13,809	12,167	8,274
Total	61,882	81,956	96,933	133,689	192,505
Total non-performing assets [1]	$ 89,900	109,420	143,527	213,456	270,521
Non-performing assets as a percentage of subsidiary assets	1.08 %	1.39 %	1.87 %	2.92 %	3.91 %
Allowance for loan and lease losses as a percentage of non-performing loans	209 %	158 %	133 %	102 %	70 %
Accruing loans 30-89 days past due	$ 25,904	32,116	27,097	49,086	45,497
Troubled debt restructurings not included in non-performing assets	$ 69,129	81,110	100,151	98,859	26,475
Interest income [2]	$ 3,005	4,122	5,161	7,441	10,987

1 As of December 31, 2014, non-performing assets have not been reduced by U.S. government guarantees of $3.6 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 has made significant strides in reducing its non-performing assets since its peak of $270 million at December 31, 2010 through actively and methodically managing or disposing of its non-performing assets. The non-performing assets at December 31, 2014 were $89.9 million, a decrease of $19.5 million, or 18 percent, from a year ago. Land, lot and other construction loans (i.e., regulatory classification) continues to be the largest category and was $47.7 million, or 53 percent, of the non-performing assets at December 31, 2014. The Company has continued to make progress by reducing this category the past few years. Other credit quality measures have also seen improvement over the last few years including early stage delinquencies (accruing loans 30-89 days past due) at December 31, 2014 which decreased $6.2 million, or 19 percent, 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 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.

For non-performing construction loans involving residential structures, the percentage-of-completion exceeds 95 percent at December 31, 2014. For non-performing construction loans involving commercial structures, the percentage-of-completion ranges from projects not started to projects completed at December 31, 2014. During the construction loan term, all construction loan collateral properties are inspected at least monthly, or more frequently as needed, until completion. Draws on construction loans are predicated upon the results of the inspection and advanced based upon a percentage-of-completion basis versus original budget percentages. When construction loans become non-performing and the associated project is not complete, the Company on a case-by-case basis makes the decision to advance additional funds or to initiate collection/foreclosure proceedings. Such decision includes obtaining "as-is" and "at completion" appraisals for consideration of potential increases or decreases in the collateral's value. The Company also considers the increased costs of monitoring progress to completion, and the related collection/holding period costs should collateral ownership be transferred to the Company. With very limited exception, the Company does not disburse additional funds on non-performing loans. Instead, the Company has proceeded to collection and foreclosure actions in order to reduce the Company's exposure to loss on such loans.

Construction loans, a regulatory classification, accounted for 43 percent of the Company's non-accrual loans as of December 31, 2014. Land, lot and other construction loans, a regulatory classification, were 95 percent of the non-accrual construction loans. Of the Company's $26.8 million of non-accrual construction loans at December 31, 2014, 93 percent of such loans had collateral properties securing the loans in Western Montana and Idaho. With locations and operations in the contiguous northern Rocky Mountain states of Idaho and Montana, the geography and economies of each of these states are predominantly tied to real estate development given the sprawling abundance of timbered valleys and mountainous terrain with significant lakes, streams and watershed areas. Consistent with the lingering economic recovery, the upscale primary, secondary and other housing markets, as well as the associated construction and building industries show improved activity after several years of decline. As the housing market (rental and owner-occupied) and related industries continue to recover from the downturn, the Company continues to reduce its exposure to loss in the land, lot and other construction loan portfolio.

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 $161 million and $200 million as of December 31, 2014 and 2013, respectively. The ALLL includes specific valuation allowances of $11.6 million and $11.9 million of impaired loans as of December 31, 2014 and 2013, respectively. Of the total impaired loans at December 31, 2014, there were 23 significant commercial real estate and other commercial loans that accounted for $62.7 million, or 39 percent, of the impaired loans. The 23 loans were collateralized by 127 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, 2014, there were 132 loans aggregating $77.1 million, or 48 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 $103 million and $124 million as of December 31, 2014 and 2013, respectively. The Company's TDR loans are considered impaired loans of which $33.7 million and $42.5 million as of December 31, 2014 and 2013, respectively, are designated as non-accrual.

Each restructured debt is separately negotiated with the borrower and includes terms and conditions that reflect the borrower's prospective ability to service the debt as modified. The Company discourages the use of the multiple loan strategy when restructuring loans regardless of whether or not the loans are designated as TDRs.

Other Real Estate Owned
The book value prior to the acquisition and transfer of the loan into OREO during 2014 was $12.7 million of which $3.5 million was residential real estate loans, $6.2 million was commercial loans, and $3.0 million was consumer loans. The fair value of the loan collateral acquired in foreclosure during 2014 was $11.5 million of which $3.4 million was residential real estate, $5.4 million was commercial, and $2.7 million was consumer loans. The following table sets forth the changes in OREO for the periods indicated:

(Dollars in thousands)	Years ended December 31, 2014	December 31, 2013	December 31, 2012
Balance at beginning of period	$ 26,860	45,115	78,354
Acquisitions	3,928	1,203	—
Additions	11,493	15,266	27,536
Capital improvements	1,661	79	—
Write-downs	(691)	(3,639)	(13,258)
Sales	(15,447)	(31,164)	(47,517)
Balance at end of period	$ 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, changes in collateral values, delinquencies, non-performing assets and net charge-offs. Although the Company continues to actively monitor economic trends, soft economic conditions combined with potential declines in the values of real estate that collateralize most of the Company's loan portfolio may adversely affect the credit risk and potential for loss to the Company.

The ALLL evaluation is well documented and approved by the Company's Board. 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 periods of rapid economic downturns.

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

No assurance can be given that the Company will not, in any particular period, sustain losses that are significant relative to the ALLL amount, or that subsequent evaluations of the loan portfolio applying management's judgment about then current factors, including economic and regulatory developments, will not require significant changes in the ALLL. Under such circumstances, this could result in enhanced provisions for loan losses. 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, 2014			December 31, 2013			December 31, 2012			December 31, 2011			December 31, 2010		
(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	$14,680	13	%	$14,067	14	%	$15,482	15	%	$17,227	15	%	$20,957	17	%
Commercial real estate	67,799	52	%	70,332	51	%	74,398	49	%	76,920	48	%	76,147	48	%
Other commercial	30,891	21	%	28,630	21	%	21,567	18	%	20,833	18	%	19,932	17	%
Home equity	9,963	9	%	9,299	9	%	10,659	12	%	13,616	13	%	13,334	13	%
	6,420	5	%	8,023	5	%	8,748	6	%	8,920	6	%	6,737	5	%

Other consumer										
Total	$129,753	100 %	$130,351	100 %	$130,854	100 %	$137,516	100 %	$137,107	100 %

39

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

(Dollars in thousands)	Years ended December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Balance at beginning of period	$ 130,351	130,854	137,516	137,107	142,927
Provision for loan losses	1,912	6,887	21,525	64,500	84,693
Charge-offs					
Residential real estate	(431)	(793)	(5,267)	(5,671)	(16,575)
Commercial loans	(4,860)	(8,407)	(21,578)	(52,428)	(69,595)
Consumer and other loans	(2,312)	(4,443)	(7,827)	(11,267)	(7,780)
Total charge-offs	(7,603)	(13,643)	(34,672)	(69,366)	(93,950)
Recoveries					
Residential real estate	328	299	643	486	749
Commercial loans	3,757	4,803	4,088	3,830	2,203
Consumer and other loans	1,008	1,151	1,754	959	485
Total recoveries	5,093	6,253	6,485	5,275	3,437
Charge-offs, net of recoveries	(2,510)	(7,390)	(28,187)	(64,091)	(90,513)
Balance at end of period	$ 129,753	130,351	130,854	137,516	137,107
ALLL as a percentage of total loans	2.89 %	3.21 %	3.85 %	3.97 %	3.66 %
Net charge-offs as a percentage of average loans	0.06 %	0.20 %	0.80 %	1.77 %	2.26 %

The ALLL was $130 million at December 31, 2014 and remained stable compared to a year ago. The ALLL was 2.89 percent of total loans outstanding at December 31, 2014 compared to 3.21 percent at December 31, 2013.

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, 2014 and 2013, 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 2014, loan charge-offs, net of recoveries, exceeded the provision for loan losses by $598 thousand. During the same period in 2013, loan charge-offs, net of recoveries, exceeded the provision for loan losses by $503 thousand.

The Company provides commercial services to individuals, small to medium-sized businesses, community organizations and public entities from 129 locations, including 121 branches, across Montana, Idaho, Wyoming, Colorado, Utah, and Washington. The Rocky Mountain states in which the Company operates has diverse economies and markets that are tied to commodities (crops, livestock, minerals, oil and natural gas), tourism, real estate and land development and an assortment of industries, both manufacturing and service-related. Thus, the changes in the global, national, and local economies are not uniform across the Company’s geographic locations.

There have been improvements in the economic environment during the last year compared to the past several years. The housing recovery is slowly recovering. Home prices continue to increase both nationally and within the Company's footprint; however, the year-over-year price change continued to slow in all the Company's states except Montana. Personal income growth has improved in each of the Company's states. The Federal Reserve Bank of Philadelphia's composite state coincident indices reflected positive growth in each of the Company's states, except Wyoming, over the last three months and the six month forecast of the state leading indices projects steady growth in the Company's footprint. Unemployment rates in each of the Company's states except Washington remain lower than the national unemployment rate of 5.6 percent for December 2014. Employment growth has remained positive in most industries across the Company's footprint and the personal bankruptcy filing rate has declined nationally and in each of the Company's states. Foreclosure starts have continued to decline year-over-year nationally and in each of the Company's states. The tourism industry and related lodging has continued to be a source of strength for the locations where the Company's market areas have national parks and similar recreational areas in the market areas served. Overall, the Company has started to see positive signs throughout the various economic indices; however, given the significant recession experienced during 2008 and 2009, the Company is cautiously optimistic that the housing industry will continue to recover. 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 43 percent and 40 percent of the Company's non-accrual loans at December 31, 2014 and 2013, 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, 2014	December 31, 2013
Specific valuation allowance	$ 11,597	11,949
General valuation allowance	118,156	118,402
Total ALLL	$ 129,753	130,351

During 2014, the ALLL decreased by $598 thousand, the net result of a $352 thousand decrease in the specific valuation allowance and a $246 thousand decrease in the general valuation allowance. The specific valuation allowance decreased as the result of a $15.8 million decrease in loans individually reviewed for impairment with a specific impairment. The general valuation allowance remained stable compared to the prior year end even with an increase of $326 million in loans collectively evaluated for impairment, excluding the FNBR acquisition. The stable general valuation allowance resulted from improved historical loss experience adjusted for qualitative or environmental factors from the prior year which was applied to the loans collectively evaluated for impairment.

For additional information regarding the ALLL, its relation to the provision for loan losses and risk related to asset quality, see Note 4 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 in this Annual Report on Form 10-K 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, 2014	December 31, 2013	$ Change	% Change
Custom and owner occupied construction	$56,689	$50,352	$6,337	13 %
Pre-sold and spec construction	47,406	34,217	13,189	39 %
Total residential construction	104,095	84,569	19,526	23 %
Land development	82,829	73,132	9,697	13 %
Consumer land or lots	101,818	109,175	(7,357)	(7)%
Unimproved land	86,116	50,422	35,694	71 %
Developed lots for operative builders	14,126	15,951	(1,825)	(11)%
Commercial lots	16,205	12,585	3,620	29 %
Other construction	150,075	103,807	46,268	45 %
Total land, lot, and other construction	451,169	365,072	86,097	24 %
Owner occupied	849,148	811,479	37,669	5 %
Non-owner occupied	674,381	588,114	86,267	15 %
Total commercial real estate	1,523,529	1,399,593	123,936	9 %
Commercial and industrial	547,910	523,354	24,556	5 %
Agriculture	310,785	279,959	30,826	11 %
1st lien	775,785	733,406	42,379	6 %
Junior lien	68,358	73,348	(4,990)	(7)%
Total 1-4 family	844,143	806,754	37,389	5 %
Multifamily residential	160,426	123,154	37,272	30 %
Home equity lines of credit	334,788	298,119	36,669	12 %
Other consumer	133,773	130,758	3,015	2 %
Total consumer	468,561	428,877	39,684	9 %
Other	124,203	98,244	25,959	26 %
Total loans receivable, including loans held for sale	4,534,821	4,109,576	425,245	10 %
Less loans held for sale [1]	(46,726)	(46,738)	12	— %
Total loans receivable	$4,488,095	$4,062,838	$425,257	10 %

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

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

(Dollars in thousands)	Non-performing Assets, by Loan Type		Non-Accruing Loans	Accruing Loans 90 Days or More Past Due	Other Real Estate Owned
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2014	December 31, 2014
Custom and owner occupied construction	$ 1,132	1,248	1,132	—	—
Pre-sold and spec construction	218	828	218	—	—
Total residential construction	1,350	2,076	1,350	—	—
Land development	20,842	25,062	11,066	—	9,776
Consumer land or lots	3,581	2,588	2,019	—	1,562
Unimproved land	14,170	13,630	10,946	—	3,224
Developed lots for operative builders	1,318	2,215	983	—	335
Commercial lots	2,660	2,899	260	—	2,400
Other construction	5,151	5,167	162	—	4,989
Total land, lot and other construction	47,722	51,561	25,436	—	22,286
Owner occupied	13,574	14,270	12,494	31	1,049
Non-owner occupied	3,013	4,301	1,799	—	1,214
Total commercial real estate	16,587	18,571	14,293	31	2,263
Commercial and industrial	4,375	6,400	4,292	74	9
Agriculture	3,074	3,529	2,607	—	467
1st lien	9,580	17,630	7,866	35	1,679
Junior lien	442	4,767	442	—	—
Total 1-4 family	10,022	22,397	8,308	35	1,679
Multifamily residential	440	—	—	—	440
Home equity lines of credit	6,099	4,544	5,439	17	643
Other consumer	231	342	157	57	17
Total consumer	6,330	4,886	5,596	74	660
Total	$ 89,900	109,420	61,882	214	27,804

43

(Dollars in thousands)	Accruing 30-89 Days Delinquent Loans, by Loan Type December 31, 2014	December 31, 2013	$ Change	% Change
Custom and owner occupied construction	$—	$202	$(202)	(100)%
Pre-sold and spec construction	869	—	869	n/m
Total residential construction	869	202	667	330%
Consumer land or lots	391	1,716	(1,325)	(77)%
Unimproved land	267	615	(348)	(57)%
Developed lots for operative builders	—	8	(8)	(100)%
Commercial lots	21	—	21	n/m
Total land, lot and other construction	679	2,339	(1,660)	(71)%
Owner occupied	5,971	5,321	650	12%
Non-owner occupied	3,131	2,338	793	34%
Total commercial real estate	9,102	7,659	1,443	19%
Commercial and industrial	2,915	3,542	(627)	(18)%
Agriculture	994	1,366	(372)	(27)%
1st lien	6,804	12,386	(5,582)	(45)%
Junior lien	491	482	9	2%
Total 1-4 family	7,295	12,868	(5,573)	(43)%
Multifamily residential	—	1,075	(1,075)	(100)%
Home equity lines of credit	1,288	1,999	(711)	(36)%
Other consumer	928	1,066	(138)	(13)%
Total consumer	2,216	3,065	(849)	(28)%
Other	1,834	—	1,834	n/m
Total	$25,904	$32,116	$(6,212)	(19)%

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n/m - not measurable

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

(Dollars in thousands)	Net Charge-Offs (Recoveries), Years ended, By Loan Type December 31, 2014	December 31, 2013	Charge-Offs December 31, 2014	Recoveries December 31, 2014
Custom and owner occupied construction	$—	(51)	—	—
Pre-sold and spec construction	(94)	(10)	—	94
Total residential construction	(94)	(61)	—	94
Land development	(390)	(383)	147	537
Consumer land or lots	375	843	718	343
Unimproved land	52	715	365	313
Developed lots for operative builders	(140)	(81)	13	153
Commercial lots	(6)	248	—	6
Other construction	—	(473)	—	—
Total land, lot and other construction	(109)	869	1,243	1,352
Owner occupied	669	350	993	324
Non-owner occupied	(162)	397	257	419
Total commercial real estate	507	747	1,250	743
Commercial and industrial	1,069	3,096	2,457	1,388
Agriculture	28	53	32	4
1st lien	372	681	915	543
Junior lien	183	106	491	308
Total 1-4 family	555	787	1,406	851
Multifamily residential	138	(39)	160	22
Home equity lines of credit	190	1,606	601	411
Other consumer	226	324	454	228
Total consumer	416	1,930	1,055	639
Other	—	8	—	—
Total	$2,510	7,390	7,603	5,093

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, securities sold under agreements to repurchase ("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, to match maturities of longer-term assets or manage interest rate risk.

Deposits

The Company has a number of different deposit programs designed to attract both short-term and long-term deposits from the general public by providing a wide selection of accounts and rates. These programs include non-interest bearing demand accounts, interest bearing checking, regular statement savings, money market deposit accounts, 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 of the Bank's geographic market areas. In addition, wholesale deposits are obtained through various programs and include brokered deposits classified as NOW, money market deposit and certificate accounts. The Company's deposits are summarized below:

	December 31, 2014		December 31, 2013		December 31, 2012		December 31, 2011		December 31, 2010	
(Dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Non-interest bearing deposits	$1,632,403	26 %	$1,374,419	25 %	$1,191,933	22 %	$1,010,899	21 %	$855,829	19 %
NOW accounts	1,328,130	21 %	1,113,878	20 %	988,984	18 %	843,129	18 %	771,961	17 %
Savings accounts	693,714	11 %	600,998	11 %	478,809	9 %	404,671	8 %	361,124	8 %
Money market deposit accounts	1,274,525	20 %	1,168,918	21 %	931,370	18 %	873,562	18 %	876,948	19 %
Certificate accounts	1,167,228	18 %	1,116,622	20 %	1,015,491	19 %	1,080,917	22 %	1,079,138	24 %
Wholesale deposits	249,212	4 %	205,132	3 %	757,874	14 %	608,035	13 %	576,902	13 %
Total interest bearing deposits	4,712,809	74 %	4,205,548	75 %	4,172,528	78 %	3,810,314	79 %	3,666,073	81 %
Total deposits	$6,345,212	100 %	$5,579,967	100 %	$5,364,461	100 %	$4,821,213	100 %	$4,521,902	100 %

The following table summarizes the amounts outstanding at December 31, 2014 for deposits of $100,000 and greater, according to the time remaining to maturity. Included in certificates of deposit are brokered certificates of deposit of $15.6 million. Included in demand deposits are brokered deposits of $233 million.

(Dollars in thousands)	Certificates of Deposit	Demand Deposits	Total
Within three months	$ 186,861	3,231,003	3,417,864
Three months to six months	161,076	—	161,076

Seven months to twelve months	175,999	—	175,999
Over twelve months	177,599	—	177,599
Total	$ 701,535	3,231,003	3,932,538

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

Repurchase Agreements, FHLB 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 have 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 Seattle which is one of twelve banks that comprise the FHLB system. As a member of FHLB, the Bank may borrow from FHLB on the security of FHLB stock, which the Bank is required to own as a member. 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. Depending on the program, limitations on the amount of advances are based either on a fixed percentage of an institution's total assets or on FHLB's assessment of the institution's credit-worthiness. 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 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, 2014		December 31, 2013		December 31, 2012	
Repurchase agreements						
Amount outstanding at end of period	$397,107		313,394		289,508	
Weighted interest rate on outstanding amount	0.27	%	0.28	%	0.32	%
Maximum outstanding at any month end	$397,107		326,184		466,784	
Average balance	$317,745		295,004		354,324	
Weighted-average interest rate	0.27	%	0.29	%	0.37	%
FHLB advances						
Amount outstanding at end of period	$93,979		559,084		720,000	

Weighted interest rate on outstanding amount	2.81 %	0.24 %	0.28 %
Maximum outstanding at any month end	$618,084	939,109	792,018
Average balance	$295,422	693,225	719,762
Weighted-average interest rate	0.24 %	0.25 %	0.5 %

47

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, 2014 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 “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.”

The following table represents the Company’s contractual obligations as of December 31, 2014:

		Payments Due by Period						
(Dollars in thousands)	Total	Indeter-minate Maturity [1]	2015	2016	2017	2018	2019	Thereafter
Deposits	$ 6,345,212	5,162,285	871,060	182,513	72,987	23,335	29,745	3,287
Repurchase agreements	397,107	—	397,107	—				