GLACIER BANCORP INC
Form 10-Q
November 08, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

þ **Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2010

o **Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from __________ to __________
COMMISSION FILE 0-18911
GLACIER BANCORP, INC.
(Exact name of registrant as specified in its charter)

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

(406) 756-4200

Registrant s telephone number, including area code
Not Applicable

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

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

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

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

Large Accelerated Filer þ	Accelerated Filer o	Non-Accelerated Filer o (Do not check if a smaller reporting company)	Smaller reporting Company o

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

The number of shares of Registrant s common stock outstanding on October 21, 2010 was 71,915,073. No preferred shares are issued or outstanding.

GLACIER BANCORP, INC.
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Glacier Bancorp, Inc.
Unaudited Condensed Consolidated Statements of Financial Condition

(Dollars in thousands, except per share data)	September 30, 2010	December 31, 2009	September 30, 2009
Assets			
Cash on hand and in banks	$ 83,684	120,731	93,728
Federal funds sold	29,675	87,155	47,025
Interest bearing cash deposits	2,155	2,689	2,570
Cash and cash equivalents	115,514	210,575	143,323
Investment securities, available-for-sale	1,825,159	1,506,394	1,212,947
Loans held for sale	114,926	66,330	54,475
Loans receivable, gross	3,869,034	4,063,915	3,991,775
Allowance for loan and lease losses	(134,257)	(142,927)	(125,330)
Loans receivable, net	3,849,703	3,987,318	3,920,920
Premises and equipment, net	143,645	140,921	136,617
Other real estate owned	63,440	57,320	54,537
Accrued interest receivable	30,863	29,729	29,489
Deferred tax asset	29,968	41,082	22,681
Core deposit intangible, net	11,515	13,937	10,719
Goodwill	146,259	146,259	146,259
Other assets	56,593	58,260	30,808
Total assets	$ 6,272,659	6,191,795	5,708,300
Liabilities			
Non-interest bearing deposits	$ 887,637	810,550	801,261
Interest bearing deposits	3,530,204	3,289,602	2,809,756
Federal Home Loan Bank advances	579,184	790,367	640,735
Securities sold under agreements to repurchase	237,609	212,506	210,519
Federal Reserve Bank discount window		225,000	370,000
Other borrowed funds	17,386	13,745	15,064
Accrued interest payable	7,750	7,928	8,015
Subordinated debentures	125,096	124,988	120,167
Other liabilities	34,139	31,219	34,681
Total liabilities	5,419,005	5,505,905	5,010,198
Stockholders Equity			

Preferred shares, $0.01 par value per share, 1,000,000 shares authorized, none issued or outstanding			
Common stock, $0.01 par value per share, 117,187,500 shares authorized	719	616	615
Paid-in capital	643,674	497,493	495,663
Retained earnings substantially restricted	192,819	188,129	186,678
Accumulated other comprehensive income (loss)	16,442	(348)	15,146
Total stockholders equity	853,654	685,890	698,102
Total liabilities and stockholders equity	$ 6,272,659	6,191,795	5,708,300
Number of shares outstanding	71,915,073	61,619,803	61,519,808
Book value per share	$ 11.87	11.13	11.35

See accompanying notes to unaudited condensed consolidated financial statements.

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Glacier Bancorp, Inc.
Unaudited Condensed Consolidated Statements of Operations

(Dollars in thousands, except per share data)	Three Months ended September 30, 2010	Three Months ended September 30, 2009	Nine Months ended September 30, 2010	Nine Months ended September 30, 2009
Interest Income				
Residential real estate loans	$ 11,367	13,330	34,621	41,542
Commercial loans	35,734	36,739	109,409	112,302
Consumer and other loans	10,599	11,150	31,959	33,631
Investment securities	14,403	13,211	43,330	36,907
Total interest income	72,103	74,430	219,319	224,382
Interest Expense				
Deposits	9,142	9,232	27,695	28,799
Federal Home Loan Bank advances	2,318	2,087	7,083	5,758
Securities sold under agreements to repurchase	412	447	1,227	1,450
Subordinated debentures	1,683	1,641	4,967	5,224
Other borrowed funds	26	394	242	1,663
Total interest expense	13,581	13,801	41,214	42,894
Net Interest Income	58,522	60,629	178,105	181,488
Provision for loan losses	19,162	47,050	57,318	87,905
Net interest income after provision for loan losses	39,360	13,579	120,787	93,583
Non-Interest Income				
Service charges and other fees	11,956	10,604	32,117	29,838
Miscellaneous loan fees and charges	1,266	1,499	3,651	3,821
Gain on sale of loans	7,367	5,613	17,391	20,834
Gain on sale of investments	2,041	2,667	2,597	2,667
Other income	1,355	1,317	5,830	3,235
Total non-interest income	23,985	21,700	61,586	60,395
Non-Interest Expense				
Compensation, employee benefits and related expense	22,235	20,935	65,243	63,589
Occupancy and equipment expense	6,034	5,835	17,970	17,341
Advertising and promotions	1,912	1,596	5,148	5,042
Outsourced data processing expense	750	830	2,205	2,181

Core deposit intangibles amortization		801	758	2,422	2,294
Other real estate owned expense		9,655	2,881	19,346	5,722
Federal Deposit Insurance Corporation premiums		2,633	1,699	6,998	6,700
Other expense		7,995	7,362	22,880	21,616
Total non-interest expense		52,015	41,896	142,212	124,485
Earnings (Loss) Before Income Taxes		11,330	(6,617)	40,161	29,493
Federal and state income tax expense (benefit)		1,885	(5,086)	7,424	4,593
Net Earnings (Loss)	$	9,445	(1,531)	32,737	24,900
Basic earnings (loss) per share	$	0.13	(0.03)	0.48	0.40
Diluted earnings (loss) per share	$	0.13	(0.03)	0.48	0.40
Dividends declared per share	$	0.13	0.13	0.39	0.39
Return on average assets (annualized)		0.60%	-0.11%	0.70%	0.60%
Return on average equity (annualized)		4.37%	-0.88%	5.43%	4.81%
Average outstanding shares basic		71,915,073	61,519,808	68,897,348	61,499,662
Average outstanding shares diluted		71,915,073	61,519,808	68,899,228	61,502,073

See accompanying notes to unaudited condensed consolidated financial statements.

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Glacier Bancorp, Inc.
Unaudited Condensed Consolidated Statements of Stockholders Equity
and Comprehensive Income
Year ended December 31, 2009 and Nine Months ended September 30, 2010

(Dollars in thousands, except per share data)	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings Substantially Restricted	Accumulated Other Comp-rehensive (Loss) Income	Total Stock-holders Equity
Balance at December 31, 2008	61,331,273	$ 613	491,794	185,776	(1,243)	676,940
Comprehensive income:						
Net earnings				34,374		34,374
Unrealized gain on securities, net of reclassification adjustment and taxes					895	895
Total comprehensive income						35,269
Cash dividends declared ($0.52 per share)				(32,021)		(32,021)
Stock options exercised	188,535	2	2,552			2,554
Stock issued in connection with acquisition	99,995	1	1,419			1,420
Stock based compensation and tax benefit			1,728			1,728
Balance at December 31, 2009	61,619,803	$ 616	497,493	188,129	(348)	685,890
Comprehensive income:						
Net earnings				32,737		32,737
Unrealized gain on securities, net of reclassification adjustment and taxes					16,790	16,790
Total comprehensive income						49,527
Cash dividends declared ($0.39 per share)				(28,047)		(28,047)
Public offering of stock issued	10,291,465	103	145,493			145,596
Stock options exercised	3,805		58			58
Stock based compensation and tax benefit			630			630
Balance at September 30, 2010	71,915,073	$ 719	643,674	192,819	16,442	853,654

See accompanying notes to unaudited condensed consolidated financial statements.

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Glacier Bancorp, Inc.
Unaudited Condensed Consolidated Statements of Cash Flows

(Dollars in thousands)	Nine Months ended September 30 2010	2009
Operating Activities		
Net cash provided by operating activities	$ 98,834	100,501
Investing Activities		
Proceeds from sales, maturities and prepayments of investments available-for-sale	438,937	194,297
Purchases of investments available-for-sale	(734,807)	(386,502)
Principal collected on commercial and consumer loans	520,136	768,123
Commercial and consumer loans originated or acquired	(503,926)	(807,260)
Principal collections on real estate loans	140,141	161,483
Real estate loans originated or acquired	(106,288)	(133,997)
Net purchase of FHLB and FRB stock	(1,819)	(701)
Proceeds from sale of other real estate owned	36,713	9,833
Net addition of premises and equipment and other real estate owned	(10,943)	(11,957)
Net cash used in investment activities	(221,856)	(206,681)
Financing Activities		
Net increase in deposits	317,689	348,456
Net (decrease) increase in FHLB advances	(211,183)	302,279
Net increase in securities sold under repurchase agreements	25,103	22,156
Net decrease in Federal Reserve Bank discount window	(225,000)	(544,000)
Net increase in other borrowed funds	3,749	6,726
Cash dividends paid	(28,047)	(23,998)
Excess (deficiencies) benefits related to the exercise of stock options	(4)	75
Proceeds from exercise of stock options and other stock issued	145,654	2,554
Net cash provided by financing activities	27,961	114,248
Net (decrease) increase in cash and cash equivalents	(95,061)	8,068
Cash and cash equivalents at beginning of period	210,575	135,255
Cash and cash equivalents at end of period	$ 115,514	143,323
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$ 41,392	44,630
Cash paid during the period for income taxes	9,371	28,392
Sale and refinancing of other real estate owned	9,637	5,802
Other real estate acquired in settlement of loans	67,343	61,581

See accompanying notes to unaudited condensed consolidated financial statements.

Notes to Unaudited Condensed Consolidated Financial Statements

1) Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of Glacier Bancorp Inc. s (the Company) financial condition as of September 30, 2010 and 2009, stockholders equity and comprehensive income for the nine months ended September 30, 2010, the results of operations for the three and nine month periods ended September 30, 2010 and 2009, and cash flows for the nine months ended September 30, 2010 and 2009. The condensed consolidated statement of financial condition and statement of stockholders equity and comprehensive income of the Company as of December 31, 2009 have been derived from the audited consolidated statements of the Company as of that date.

The accompanying condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company s Annual Report on Form 10-K/A for the year ended December 31, 2009. Operating results for the three and nine months ended September 30, 2010 are not necessarily indicative of the results anticipated for the year ending December 31, 2010. Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 presentation.

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

2) Organizational Structure

The Company, headquartered in Kalispell, Montana, is a Montana corporation incorporated in 2004 as a successor corporation to the Delaware corporation incorporated in 1990. The Company is a regional multi-bank holding company that provides a full range of banking services to individual and corporate customers in Montana, Idaho, Wyoming, Colorado, Utah and Washington through its bank subsidiaries (collectively referred to hereafter as the Banks). The bank subsidiaries are subject to competition from other financial service providers. The bank subsidiaries are also subject to the regulations of certain government agencies and undergo periodic examinations by those regulatory authorities.

As of September 30, 2010, the Company is the parent holding company for eleven independent wholly-owned community bank subsidiaries: Glacier Bank (Glacier), First Security Bank of Missoula (First Security), Western Security Bank (Western), Big Sky Western Bank (Big Sky), Valley Bank of Helena (Valley), and First Bank of Montana (First Bank-MT), all located in Montana, Mountain West Bank (Mountain West) and Citizens Community Bank (Citizens) located in Idaho, 1st Bank (1st Bank) and First National Bank & Trust (First National) located in Wyoming, and Bank of the San Juans (San Juans) located in Colorado.

In April 2010, the Company formed a independent wholly-owned subsidiary, GBCI Other Real Estate (GORE) to isolate bank foreclosed properties for legal protection and administrative purposes. During the second and third quarters, foreclosed properties were sold to the new entity from bank subsidiaries at fair market value and such properties are currently held for sale.

In addition, the Company owns seven trust subsidiaries, Glacier Capital Trust II (Glacier Trust II), Glacier Capital Trust III (Glacier Trust III), Glacier Capital Trust IV (Glacier Trust IV), Citizens (ID) Statutory Trust I (Citizens Trust I), Bank of the San Juans Bancorporation Trust I (San Juans Trust I), First Company Statutory Trust 2001 (First Co Trust 01) and First Company Statutory Trust 2003 (First Co Trust 03) for the purpose of issuing trust preferred securities and, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 810, *Consolidation*, the trust subsidiaries are not consolidated into the Company s financial statements.

On October 2, 2009, the Company completed the acquisition of First Company and its subsidiary First National. First National became an independent wholly-owned community bank subsidiary of the Company and the financial condition and results of operations are included from the acquisition date.

FASB ASC Topic 810, *Consolidation*, provides guidance as to when a company should consolidate the assets, liabilities, and activities of a variable interest entity (VIE) in its financial statements, and when a company should disclose information about its relationship with a VIE. A VIE is a legal structure used to conduct activities or hold assets, and a VIE must be consolidated by a company if it is the primary beneficiary that absorbs the majority of the entity s expected losses, receives a majority of the entity s expected residual returns, or both.

The Company has equity investments in Certified Development Entities (CDE) which have received allocations of new markets tax credits (NMTC). The Company also has equity investments in low-income housing tax credit (LIHTC) partnerships. The CDE s and the LIHTC partnerships are VIE s. The underlying activities of the VIE s are community development projects designed primarily to promote community welfare, such as economic rehabilitation and development of low-income areas by providing housing, services, or jobs for residents. The maximum exposure to loss in the VIE s is the amount of equity invested or credit extended by the Company; however, the Company has credit protection in the form of indemnification agreements, guarantees, and collateral arrangements. The Company has evaluated the variable interests held by the Company and others and where the Company is the primary beneficiary of a VIE, the VIE has been consolidated into the bank subsidiary which holds the direct investment in the VIE. Currently, only CDE (NMTC) investments are consolidated into the Company s financial statements. For the CDE (NMTC) investments, the creditors and other beneficial interest holders have no recourse to the general credit of the bank subsidiaries. As of September 30, 2010, the Company had investments in VIE s of $39,848,000 and $2,991,000 for the CDE (NMTC) and LIHTC partnerships, respectively. The consolidated VIE s as well as the unconsolidated VIE s are regularly monitored by the Company to determine if any reconsideration events have occurred that could cause its primary beneficiary status to change.

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See Note 11 *Operating Segment Information* for selected financial data including net earnings and total assets for the parent company and each of the subsidiaries. Although the consolidated total assets of the Company were $6.3 billion at September 30, 2010, nine of the eleven community banks had total assets of less than $1 billion. The smallest community bank subsidiary had $184 million in total assets, while the largest community bank subsidiary had $1.3 billion in total assets at September 30, 2010.

The following abbreviated organizational chart illustrates the various relationships as of September 30, 2010:

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3) Investment Securities, Available-for-Sale

A comparison of the amortized cost and estimated fair value of the Company s investment securities, available-for-sale and other investments is as follows:

	As of September 30, 2010				
(Dollars in thousands)	Weighted Yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government and federal agency					
Maturing after one year through five years	1.62%	$ 207	6		213
Government sponsored enterprises					
Maturing after one year through five years	2.43%	39,249	990		40,239
Maturing after five years through ten years	1.96%	86			86
Maturing after ten years	0.73%	5			5
	2.43%	39,340	990		40,330
State and local governments and other issues					
Maturing within one year	3.66%	943	17		960
Maturing after one year through five years	3.96%	8,569	232	(6)	8,795
Maturing after five years through ten years	3.98%	23,465	871	(3)	24,333
Maturing after ten years	4.74%	506,070	22,074	(471)	527,673
	4.69%	539,047	23,194	(480)	561,761
Collateralized debt obligations					
Maturing after ten years	8.03%	12,360		(5,068)	7,292
Residential mortgage-backed securities	2.12%	1,142,145	14,854	(6,455)	1,150,544
Total marketable securities	2.97%	1,733,099	39,044	(12,003)	1,760,140
Other investments					
FHLB and FRB stock, at cost	1.43%	64,414			64,414
Other stock	0.05%	607	4	(6)	605
Total investment securities	2.91%	$ 1,798,120	39,048	(12,009)	1,825,159

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	As of December 31, 2009				
(Dollars in thousands)	Weighted Yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government and federal agency					
Maturing after one year through five years	1.62%	$ 210		(1)	209
Government sponsored enterprises					
Maturing after one year through five years	3.21%	74			74
Maturing after five years through ten years	1.64%	40			40
Maturing after ten years	2.05%	63			63
	2.43%	177			177
State and local governments and other issues					
Maturing within one year	2.48%	2,040	6		2,046
Maturing after one year through five years	3.30%	9,326	208	(12)	9,522
Maturing after five years through ten years	3.84%	27,125	786	(168)	27,743
Maturing after ten years	4.80%	434,165	10,140	(2,640)	441,665
	4.71%	472,656	11,140	(2,820)	480,976
Collateralized debt obligations					
Maturing after ten years	8.40%	14,688		(7,899)	6,789
Residential mortgage-backed securities	3.42%	956,033	15,167	(16,158)	955,042
Total marketable securities	3.89%	1,443,764	26,307	(26,878)	1,443,193
Other investments					
FHLB and FRB stock, at cost	1.30%	62,577			62,577
Other stock	0.05%	624			624
Total investment securities	3.78%	$ 1,506,965	26,307	(26,878)	1,506,394

Maturities of securities do not reflect repricing opportunities present in adjustable rate securities, nor do they reflect expected shorter maturities based upon early prepayment of principal. Weighted yields on tax-exempt investment securities exclude the tax effect.

Interest income from investment securities consists of the following:

(Dollars in thousands)	For the Three Months ended September 30, 2010	For the Three Months ended September 30, 2009	For the Nine Months ended September 30, 2010	For the Nine Months ended September 30, 2009
Taxable interest	$ 8,431	7,588	25,920	20,215
Tax-exempt interest	5,972	5,623	17,410	16,692
Total interest income	$ 14,403	13,211	43,330	36,907

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

(Dollars in thousands)	For the Three Months ended September 30, 2010	2009	For the Nine Months ended September 30, 2010	2009
Gross proceeds	$ 62,779	37,450	95,102	37,450
Less amortized cost	(60,738)	(34,783)	(92,505)	(34,783)
Net gain on sale of investments	$ 2,041	2,667	2,597	2,667
Gross gain on sale of investments	$ 2,041	2,871	3,390	2,871
Gross loss on sale of investments		(204)	(793)	(204)
Net gain on sale of investments	$ 2,041	2,667	2,597	2,667

At September 30, 2010 and 2009, the Company had investment securities with carrying values of approximately $726,630,000 and $691,651,000, respectively, pledged as collateral for Federal Home Loan Bank (FHLB) advances, Federal Reserve Bank (FRB) discount window borrowings, securities sold under agreements to repurchase, U.S. Treasury Tax and Loan borrowings and deposits of several local government units.

The investments in the FHLB stock are required investments related to the Company s borrowings from FHLB. FHLB obtains its funding primarily through issuance of consolidated obligations of the FHLB system. The U.S. Government does not guarantee these obligations, and each of the 12 FHLBs are jointly and severally liable for repayment of each other s debt.

Investments with an unrealized loss position at September 30, 2010:

	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
State and local governments and other issues	$ 14,516	150	15,276	330	29,792	480
Collateralized debt obligations			7,292	5,068	7,292	5,068
Residential mortgage-backed securities	340,077	2,131	32,790	4,324	372,867	6,455
Other investments other stock	5	6			5	6
Total temporarily impaired securities	$ 354,598	2,287	55,358	9,722	409,956	12,009

Investments with an unrealized loss position at December 31, 2009:

	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Government and federal agency	$ 208	1			208	1

State and local governments and other issues	74,045	1,835	18,094	985	92,139	2,820
Collateralized debt obligations	6,789	7,899			6,789	7,899
Residential mortgage-backed securities	466,196	3,861	39,780	12,297	505,976	16,158
Total temporarily impaired securities	$ 547,238	13,596	57,874	13,282	605,112	26,878

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

For fair value estimates provided by third party vendors, management also considered the models and methodology, for appropriate consideration of both observable and unobservable inputs, including appropriately adjusted discount rates and credit spreads for securities with limited or inactive markets, and whether the quoted prices reflect orderly transactions. For certain securities, the Company obtained independent estimates of inputs, including cash flows, in supplement to third party vendor provided information. The Company also reviewed financial statements of select issuers, with follow up discussions with issuers management for clarification and verification of information relevant to the Company s impairment analysis.

In evaluating debt securities for other-than-temporary impairment losses, management assesses whether the Company intends to sell or if it is more likely-than-not that it will be required to sell impaired debt securities. In so doing, management considers contractual constraints, liquidity, capital, asset / liability management and securities portfolio objectives. With respect to its impaired debt securities at September 30, 2010, management determined that it does not intend to sell and that there is no expected requirement to sell any of its impaired debt securities. Based on an analysis of its impaired securities as of September 30, 2010, the Company determined that none of such securities had other-than-temporary impairment.

4) Loans Receivable, Net and Loans Held for Sale

The following table summarizes the Company s loan and lease portfolio:

	September 30, 2010		December 31, 2009		September 30, 2009	
(Dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent
Real estate loans						
Residential	$ 675,107	17.5%	$ 746,050	18.7%	$ 736,595	18.8%
Held for sale	114,926	3.0%	66,330	1.7%	54,475	1.4%
Total	790,033	20.5%	812,380	20.4%	791,070	20.2%
Commercial loans						
Real estate	1,848,976	48.0%	1,900,438	47.7%	1,934,200	49.3%
Other commercial	670,391	17.5%	724,966	18.2%	627,083	16.0%
Total	2,519,367	65.5%	2,625,404	65.9%	2,561,283	65.3%
Consumer and other loans						
Consumer	180,367	4.7%	201,001	5.0%	195,742	5.0%
Home equity	501,235	13.0%	501,920	12.6%	504,343	12.9%
Total	681,602	17.7%	702,921	17.6%	700,085	17.9%
Net deferred loan fees premiums and discounts	(7,042)	-0.2%	(10,460)	-0.3%	(6,188)	-0.2%
Loans receivable, gross	3,983,960	103.5%	4,130,245	103.6%	4,046,250	103.2%
Allowance for loan and lease losses	(134,257)	-3.5%	(142,927)	-3.6%	(125,330)	-3.2%

Loans receivable, net	$ 3,849,703	100.0%	$ 3,987,318	100.0%	$ 3,920,920	100.0%

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The following table sets forth information regarding the Company s non-performing assets at the dates indicated:

(Dollars in thousands)	September 30, 2010	December 31, 2009	September 30, 2009
Real estate and other assets owned	$ 63,440	57,320	54,537
Accruing loans 90 days or more overdue	5,335	5,537	2,891
Non-accrual loans	192,695	198,281	185,577
Total non-performing assets	$ 261,470	261,138	243,005
Non-performing assets as a percentage of total subsidiary assets	4.03%	4.13%	4.10%

The following table summarizes impaired loans at the dates indicated:

(Dollars in thousands)	September 30, 2010	December 31, 2009	September 30, 2009
Impaired loans, without a valuation allowance	$ 144,498	141,613	111,877
Impaired loans, with a valuation allowance	87,927	77,129	95,177
Impaired loans, gross	232,425	218,742	207,054
Valuation allowance included in ALLL	(18,622)	(19,760)	(23,056)
Impaired loans, net	$ 213,803	198,982	183,998

The loans without a specific impairment resulting in no valuation allowance are attributable to the loan s fair value, less estimated cost to sell, exceeding the loans carrying value.

The following table illustrates the loan and lease loss experience:

(Dollars in thousands)	September 30, 2010	December 31, 2009	September 30, 2009
Balance at the beginning of the year	$ 142,927	76,739	76,739
Charge-offs	(68,868)	(60,896)	(40,991)
Recoveries	2,880	2,466	1,677
Provision	57,318	124,618	87,905
Balance at the end of the period	$ 134,257	142,927	125,330
Net charge-offs as a percentage of total loans	1.66%	1.42%	0.97%

In June 2009, FASB issued an amendment to FASB ASC Topic 860, *Accounting for Transfers and Servicing of Financial Assets*, and is effective for transfers occurring after the beginning of the first annual reporting period that begins after November 15, 2009. The Company adopted this amendment for all new transfers, primarily consisting of transfers of loans, occurring on or subsequent to January 1, 2010. The Company generally sells its long-term mortgage loans originated, retaining servicing only when required by certain lenders. The sale of loans in the secondary mortgage market reduces the Company s risk of holding residential fixed rate loans in the loan portfolio.

Mortgage loans sold with no servicing rights retained for the nine months ended September 30, 2010 and 2009 were $674,989,000 and $982,207,000, respectively. The amount of loans sold and serviced for others at September 30, 2010 and 2009 was approximately $180,700,000 and $178,533,000, respectively.

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In accordance with this amendment, transfers of SBA loans are recognized as sales when the warranty period expires, which is typically 90 days. The Company has been active in originating commercial SBA loans, some of which are sold to investors. As of September 30, 2010, the Company had $6,280,000 of SBA loans sold for which there was a deferred gain of $641,000 due to unexpired warranty periods.

The Company occasionally purchases and sells other loan participations, the majority of which are large commercial loans. For participation transactions after the adoption of the amendment, the bank subsidiaries typically originate and sell the loan participations, at fair value, on a proportionate ownership basis, with no recourse conditions.

5) Goodwill and Other Intangible Assets

The following table sets forth information regarding the Company s core deposit intangible and mortgage servicing rights as of September 30, 2010:

(Dollars in thousands)	Core Deposit Intangible	Mortgage Servicing Rights[1]	Total
Gross carrying value	$ 31,847		
Accumulated amortization	(20,332)		
Net carrying value	$ 11,515	933	12,448
Weighted-average amortization period (Period in years)	9.1	9.3	9.1
Aggregate amortization expense			
For the three months ended September 30, 2010	$ 801	51	852
For the nine months ended September 30, 2010	2,422	132	2,554
Estimated amortization expense			
For the year ended December 31, 2010	$ 2,603	166	2,769
For the year ended December 31, 2011	1,895	67	1,962
For the year ended December 31, 2012	1,534	65	1,599
For the year ended December 31, 2013	1,283	63	1,346
For the year ended December 31, 2014	1,034	61	1,095

1 The mortgage servicing rights are included in other assets and gross carrying value and accumulated amortization are not readily available.

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Acquisitions are accounted for as prescribed by FASB ASC Topic 805, *Business Combinations*. Acquisition accounting requires the total purchase price to be allocated to the estimated fair values of assets acquired and liabilities assumed, including certain intangible assets. Goodwill is recorded if the purchase price exceeds the net fair value of assets acquired and a bargain purchase gain is recorded in other income if the net fair value of assets acquired exceeds the purchase price. Adjustment of the allocated purchase price may be related to fair value estimates for which all information has not been obtained of the acquired entity known or discovered during the allocation period, the period of time required to identify and measure the fair values of the assets and liabilities acquired in the business combination. The allocation period is generally limited to one year following consummation of a business combination.

6) Deposits

The following table illustrates the amounts outstanding for deposits $100,000 and greater at September 30, 2010 according to the time remaining to maturity. Included in Certificates of Deposit are brokered certificates of deposit and deposits issued through the Certificate of Deposit Account Registry System of $347,732,000. Included in Demand Deposits are brokered deposits of $164,224,000.

(Dollars in thousands)	Certificates of Deposit	Demand Deposits	Totals
Within three months	$ 382,925	1,762,898	2,145,823
Three months to six months	161,662		161,662
Seven months to twelve months	173,545		173,545
Over twelve months	156,334		156,334

Totals	$ 874,466	1,762,898	2,637,364

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7) Borrowings

The following chart illustrates the average balances and the maximum outstanding month-end balances for FHLB advances, repurchase agreements and borrowings through the FRB:

(Dollars in thousands)	As of and for the Nine Months ended September 30, 2010	As of and for the Year ended December 31, 2009	As of and for the Nine Months ended September 30, 2009
FHLB advances			
Amount outstanding at end of period	$ 579,184	790,367	640,735
Average balance	$ 657,698	473,038	413,446
Maximum outstanding at any month-end	$ 807,644	790,367	640,735
Weighted average interest rate	1.44%	1.68%	1.86%
Repurchase agreements			
Amount outstanding at end of period	$ 237,609	212,506	210,519
Average balance	$ 224,690	204,503	196,562
Maximum outstanding at any month-end	$ 252,083	234,914	210,519
Weighted average interest rate	0.73%	0.98%	0.99%
Federal Reserve Bank discount window			
Amount outstanding at end of period	$	225,000	370,000
Average balance	$ 47,637	658,262	776,592
Maximum outstanding at any month-end	$ 235,000	1,005,000	1,005,000
Weighted average interest rate	0.25%	0.26%	0.27%
Total FHLB advances, repurchase agreements, and Federal Reserve Bank discount window			
Amount outstanding at end of period	$ 816,793	1,227,873	1,221,254
Average balance	$ 930,025	1,335,803	1,386,600
Maximum outstanding at any month-end	$ 1,294,727	2,030,281	1,856,254
Weighted average interest rate	1.21%	0.87%	0.84%

8) Earnings Per Share

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

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The following schedule contains the data used in the calculation of basic and diluted earnings per share:

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2010	2009	2010	2009
Net earnings (loss) available to common stockholders, basic and diluted	$ 9,445,000	(1,531,000)	32,737,000	24,900,000
Average outstanding shares basic	71,915,073	61,519,808	68,897,348	61,499,662
Add: dilutive stock options			1,880	2,411
Average outstanding shares diluted	71,915,073	61,519,808	68,899,228	61,502,073
Basic earnings (loss) per share	$ 0.13	(0.03)	0.48	0.40
Diluted earnings (loss) per share	$ 0.13	(0.03)	0.48	0.40

There were approximately 2,309,410 and 2,723,109 average shares excluded from the diluted average outstanding share calculation for the nine months ended September 30, 2010 and 2009, respectively, due to the option exercise price exceeding the market price.

9) Comprehensive Income

The Company s only component of comprehensive income other than net earnings is the unrealized gains and losses on available-for-sale securities.

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
(Dollars in thousands)	2010	2009	2010	2009
Net earnings (loss)	$ 9,445	(1,531)	32,737	24,900
Unrealized holding gain arising during the period	14,620	31,492	30,208	29,626
Tax expense	(5,730)	(12,342)	(11,839)	(11,615)
Net after tax	8,890	19,150	18,369	18,011
Reclassification adjustment for gains included in net earnings	(2,041)	(2,667)	(2,597)	(2,667)
Tax expense	800	1,045	1,018	1,045
Net after tax	(1,241)	(1,622)	(1,579)	(1,622)
Net unrealized gain on securities	7,649	17,528	16,790	16,389
Total comprehensive income	$ 17,094	15,997	49,527	41,289

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10) Federal and State Income Taxes

The Company and its bank subsidiaries join together in the filing of consolidated income tax returns in the following jurisdictions: federal, Montana, Idaho, Colorado and Utah. Although 1st Bank and First National have operations in Wyoming and Mountain West has operations in Washington, neither Wyoming nor Washington imposes a corporate-level income tax. All required income tax returns have been timely filed. The following schedule summarizes the years that remain subject to examination as of September 30, 2010:

	Years ended December 31,
Federal	2007, 2008 and 2009
Montana	2003, 2004, 2005, 2007, 2008 and 2009
Idaho	2003, 2004, 2005, 2007, 2008 and 2009
Colorado	2006, 2007, 2008 and 2009
Utah	2007, 2008 and 2009

During 2010 and 2009, the Company made investments in CDE s which received NMTC allocations. Administered by the Community Development Financial Institutions Fund of the U.S. Department of the Treasury, the NMTC program is aimed at stimulating economic and community development and job creation in low-income communities. The federal income tax credits received are claimed over a seven-year credit allowance period. The Company also has made investments in LIHTC s which are indirect Federal subsidies used to finance the development of affordable rental housing for low-income households. The federal income tax credits received are claimed over a ten-year credit allowance period. The Company invests in Qualified Zone Academy and Qualified School Construction bonds whereby the Company receives quarterly federal income tax credits in lieu of taxable interest income until the bonds mature. The federal income tax credits on these bonds are subject to federal and state income tax.

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

Years ended (Dollars in thousands)	New Markets Tax Credits	Low-Income Housing Tax Credits	Investment Securities Tax Credits	Total
2010	$ 2,000	337	916	3,253
2011	2,000	785	970	3,755
2012	2,306	785	970	4,061
2013	2,400	785	970	4,155
2014	2,400	785	970	4,155
Thereafter	2,964	3,551	8,349	14,864
	$ 14,070	7,028	13,145	34,243

The Company determined its unrecognized tax benefit to be $0 and $113,000 as of September 30, 2010 and 2009, respectively. The Company recognizes interest related to unrecognized income tax benefits in interest expense and penalties are recognized in other expense. During the nine months ended September 30, 2010 and 2009, the Company did not recognize interest expense or penalties with respect to income tax liabilities. The Company had approximately $0 and $20,000 accrued for the payment of interest at September 30, 2010 and 2009, respectively. The Company had no accrued liabilities for the payment of penalties at September 30, 2010 and 2009.

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11) Operating Segment Information

FASB ASC Topic 280, *Segment Reporting*, requires that a public business enterprise report financial and descriptive information about its reportable operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision makers in deciding how to allocate resources and in assessing performance. The Company defines operating segments and evaluates segment performance internally based on individual bank charters. If required, VIEs are consolidated into the operating segment which invested in the entities.

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

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

Three months ended and as of September 30, 2010

(Dollars in thousands)	Glacier	Mountain West	First Security	1st Bank	Western	Big Sky	Valley	First National
External revenues	$ 18,988	21,498	13,871	8,134	9,075	4,983	5,715	3,824
Intersegment revenues	218	197	41	81	130		165	21
Expenses	(15,326)	(25,208)	(11,549)	(6,782)	(7,212)	(4,444)	(3,951)	(3,214)
Net Earnings (Loss)	$ 3,880	(3,513)	2,363	1,433	1,993	539	1,929	631
Total Assets	$ 1,332,594	1,177,317	948,692	655,334	682,635	365,254	341,219	305,353

	Citizens	First Bank of MT	San Juans	GORE	Parent	Eliminations	Total Consolidated
External revenues	$ 4,426	2,553	2,730	156	135		96,088
Intersegment revenues	106	96	125		14,442	(15,622)	
Expenses	(3,795)	(1,725)	(2,323)	(754)	(4,712)	4,352	(86,643)
Net Earnings (Loss)	$ 737	924	532	(598)	9,865	(11,270)	9,445
Total Assets	$ 271,309	183,672	212,152	19,757	997,670	(1,220,299)	6,272,659

	Three months ended and as of September 30, 2009						
(Dollars in thousands)	Glacier	Mountain West	First Security	1st Bank	Western	Big Sky	Valley
External revenues	$ 20,546	23,641	14,188	8,310	8,782	5,233	5,433
Intersegment revenues	47	6	76	110	65		11
Expenses	(17,995)	(34,135)	(12,019)	(7,556)	(7,170)	(5,907)	(3,865)
Net Earnings (Loss)	$ 2,598	(10,488)	2,245	864	1,677	(674)	1,579
Total Assets	$ 1,289,115	1,246,907	901,579	597,536	590,689	362,396	306,937

	Citizens	First Bank of MT	San Juans	Parent	Eliminations	Total Consolidated
External revenues	$ 4,452	2,643	2,849	53		96,130
Intersegment revenues		3		2,926	(3,244)	
Expenses	(3,822)	(1,894)	(2,473)	(4,510)	3,685	(97,661)
Net Earnings (Loss)	$ 630	752	376	(1,531)	441	(1,531)
Total Assets	$ 244,238	204,224	179,799	827,473	(1,042,593)	5,708,300

	Nine Months ended and as of September 30, 2010							
(Dollars in thousands)	Glacier	Mountain West	First Security	1st Bank	Western	Big Sky	Valley	First National
External revenues	$ 56,692	62,631	39,524	23,863	26,014	14,918	16,605	11,523
Intersegment revenues	314	235	79	202	385	1	241	43
Expenses	(49,468)	(65,451)	(31,766)	(20,202)	(20,215)	(13,345)	(11,503)	(10,070)
Net Earnings (Loss)	$ 7,538	(2,585)	7,837	3,863	6,184	1,574	5,343	1,496
Total Assets	$ 1,332,594	1,177,317	948,692	655,334	682,635	365,254	341,219	305,353

	Citizens	First Bank of MT	San Juans	GORE	Parent	Eliminations	Total Consolidated
External revenues	$ 13,182	7,445	8,055	199	254		280,905
Intersegment revenues	134	178	149		46,963	(48,924)	
Expenses	(11,207)	(5,121)	(6,919)	(1,022)	(14,060)	12,181	(248,168)
Net Earnings (Loss)	$ 2,109	2,502	1,285	(823)	33,157	(36,743)	32,737

Total Assets	$ 271,309	183,672	212,152	19,757	997,670	(1,220,299)	6,272,659

	Nine Months ended and as of September 30, 2009						
(Dollars in thousands)	Glacier	Mountain West	First Security	1st Bank	Western	Big Sky	Valley
External revenues	$ 61,568	68,880	40,832	25,091	26,776	16,401	16,907
Intersegment revenues	140	7	631	236	436		96
Expenses	(51,761)	(77,178)	(32,410)	(24,496)	(21,981)	(15,191)	(12,142)
Net Earnings (Loss)	$ 9,947	(8,291)	9,053	831	5,231	1,210	4,861
Total Assets	$ 1,289,115	1,246,907	901,579	597,536	590,689	362,396	306,937

	Citizens	First Bank of MT	San Juans	Parent	Eliminations	Total Consolidated
External revenues	$ 12,557	7,576	8,020	169		284,777
Intersegment revenues	2	3		38,168	(39,719)	
Expenses	(10,732)	(5,505)	(6,779)	(13,437)	11,735	(259,877)
Net Earnings (Loss)	$ 1,827	2,074	1,241	24,900	(27,984)	24,900
Total Assets	$ 244,238	204,224	179,799	827,473	(1,042,593)	5,708,300

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12) Fair Value of Financial Instruments

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, requires the Company to disclose information relating to fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Topic establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The following is a description of the inputs and valuation methodologies used for financial assets measured at fair value on a recurring basis. There have been no significant changes in the valuation techniques during the period ended September 30, 2010.

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

The following schedule discloses the major class of assets measured at fair value on a recurring basis for the period ended September 30, 2010:

(Dollars in thousands)	Assets/ Liabilities Measured at Fair Value 9/30/10	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
U.S. Government and federal agency	$ 213		213	
Government sponsored enterprises	40,330		40,330	
State and local governments and other issues	561,761		561,761	
Collateralized debt obligations	7,292			7,292
Residential mortgage-backed securities	1,150,544		1,149,468	1,076
Total financial assets	$ 1,760,140		1,751,772	8,368

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The following schedule discloses the major class of assets measured at fair value on a recurring basis for the period ended September 30, 2009:

(Dollars in thousands)	Assets/ Liabilities Measured at Fair Value 9/30/09	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
U.S. Government and federal agency	$ 209		209	
Government sponsored enterprises	278		278	
State and local governments and other issues	451,115		450,851	264
Collateralized debt obligations	6,600			6,600
Residential mortgage-backed securities	692,625		615,466	77,159
Total financial assets	$ 1,150,827		1,066,804	84,023

The following schedules reconcile the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the nine month periods ended September 30, 2010 and 2009.

		Significant Unobservable Inputs (Level 3)		
(Dollars in thousands)	Total	State and Local Government and Other Issues	Collateralized Debt Obligations	Residential Mortgage-backed Securities
Balance as of December 31, 2009	$ 9,988	2,088	6,789	1,111
Total unrealized gains (losses) included in other comprehensive income	2,755		2,790	(35)
Amortization, accretion and principal payments	(327)		(327)	
Sales, maturities and calls	(1,960)		(1,960)	
Transfers out of Level 3	(2,088)	(2,088)		
Balance as of September 30, 2010	$ 8,368		7,292	1,076

		Significant Unobservable Inputs (Level 3)		
(Dollars in thousands)	Total	State and Local Government and Other Issues	Collateralized Debt Obligations	Residential Mortgage-backed Securities
Balance as of December 31, 2008	$ 23,421	284	15,540	7,597
Total unrealized gains included in other comprehensive income	7,864		(8,780)	16,644
Amortization, accretion and principal payments	(1,142)	(20)	(160)	(962)

Purchases	60,515			60,515
Transfers out of Level 3	(6,635)			(6,635)
Balance as of September 30, 2009	$ 84,023	264	6,600	77,159

The change in unrealized gains related to available-for-sale securities is reported in the accumulated other comprehensive income (loss). A state and local government security was transferred out of Level 3 and into Level 2 during the first quarter 2010 as a result of obtaining third party pricing which is also expected to be obtained in future quarters, whereas third party pricing was unavailable prior to first quarter 2010 for such security and there was a greater reliance on unobservable inputs for fair value.

The following is a description of the inputs and valuation methodologies used for assets recorded at fair value on a non-recurring basis. There have been no significant changes in the valuation techniques during the period ended September 30, 2010.

Other real estate owned: real estate and other assets owned are carried at the lower of fair value at acquisition date or current estimated fair value, less estimated cost to sell. Estimated fair value of real estate and other assets owned is based on appraisals. Real estate and other assets owned are classified within Level 3 of the fair value hierarchy.

Collateral-dependent impaired loans, net of ALLL: loans included in the Company s financials for which it is probable that the Company will not collect all principal and interest due according to contractual terms are considered impaired in accordance with FASB ASC Topic 310, *Receivables*. Estimated fair value of collateral-dependent impaired loans is based on the fair value of the collateral, less estimated cost to sell. Collateral-dependent impaired loans are classified within Level 3 of the fair value hierarchy.

The following schedule discloses the major class of assets with a recorded change in the financial statements resulting from re-measuring the assets at fair value on a non-recurring basis for the nine month period ending September 30, 2010 and 2009. The disclosure includes only individual financial assets that had a change in the balance during the period ended September 30, 2010 and 2009.

(Dollars in thousands)	Assets/ Liabilities Measured at Fair Value 9/30/10	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Other real estate owned	$ 18,673			18,673
Collateral-dependent impaired loans, net of allowance for loan and lease losses	67,382			67,382
Total financial assets	$ 86,055			86,055

(Dollars in thousands)	Assets/ Liabilities Measured at Fair Value 9/30/09	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Other real estate owned	$ 2,038			2,038
Collateral-dependent impaired loans, net of allowance for loan and lease losses	68,184			68,184
Total financial assets	$ 70,222			70,222

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

Financial Assets

The estimated fair value of cash, federal funds sold, interest bearing cash deposits, and accrued interest receivable is the book value of such financial assets.

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The estimated fair value of FHLB and FRB stock is book value due to the restrictions that such stock may only be sold to another member institution or the FHLB or FRB at par value.

Loans receivable, net of ALLL: fair value for loans, net of ALLL, is estimated by discounting the future cash flows using the rates at which similar notes would be written for the same remaining maturities.

Financial Liabilities

The estimated fair value of accrued interest payable is the book value of such financial liabilities.

Deposits: fair value of term deposits is estimated by discounting the future cash flows using rates of similar deposits with similar maturities. The estimated fair value of demand, NOW, savings, and money market deposits is the book value since rates are regularly adjusted to market rates.

Advances from FHLB: fair value of advances is estimated based on borrowing rates currently available to the Company for advances with similar terms and maturities.

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

Subordinated debentures: fair value of the subordinated debt is estimated by discounting the estimated future cash flows using current estimated market rates for subordinated debt issuances with similar characteristics.

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

The following presents the carrying amounts and estimated fair values as of September 30, 2010 and 2009:

	September 30, 2010		September 30, 2009	
(Dollars in thousands)	Amount	Fair Value	Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 115,514	115,514	143,323	143,323
Investment securities	1,760,745	1,760,745	1,151,291	1,151,291
FHLB and FRB stock	64,414	64,414	61,656	61,656
Loans receivable, net of allowance for loan and lease losses	3,849,703	3,856,353	3,920,920	3,919,067
Accrued interest receivable	30,863	30,863	29,489	29,489
Total financial assets	$ 5,821,239	5,827,889	5,306,679	5,304,826
Financial liabilities				
Deposits	$ 4,417,841	4,429,962	3,611,017	3,621,869
Federal Home Loan Bank advances	579,184	594,593	640,735	645,829
Federal Reserve Bank discount window			370,000	370,000
Repurchase agreements and other borrowed funds	254,995	255,004	225,583	225,603
Subordinated debentures	125,096	64,933	120,167	69,935
Accrued interest payable	7,750	7,750	8,015	8,015
Total financial liabilities	$ 5,384,866	5,352,242	4,975,517	4,941,251

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

Forward Looking Statements

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

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

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

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Results of Operations The three months ended September 30, 2010
Compared to June 30, 2010 and September 30, 2009

Performance Summary

The Company reported net earnings of $9.4 million for the third quarter of 2010, an increase of $10.9 million, or 717 percent, from the $1.5 million net loss reported for the third quarter of 2009. The diluted earnings per share of $0.13 for the quarter represented a 533 percent increase from the diluted loss per share of $0.03 for the same quarter of 2009. This quarter s earnings per share includes $0.02 per share from the gain on sale of investments, net of tax. Annualized return on average assets and return on average equity for the third quarter were 0.60 percent and 4.37 percent, respectively, which compares with prior year returns for the third quarter of (0.11) percent and (0.88) percent, respectively.

Revenue Summary

	Three Months ended		
(Unaudited - Dollars in thousands)	September 30, 2010	June 30, 2010	September 30, 2009
Net interest income			
Interest income	$ 72,103	73,818	74,430
Interest expense	13,581	13,749	13,801
Total net interest income	58,522	60,069	60,629
Non-interest income			
Service charges, loan fees, and other fees	13,222	11,900	12,103
Gain on sale of loans	7,367	6,133	5,613
Gain on sale of investments	2,041	242	2,667
Other income	1,355	3,143	1,317
Total non-interest income	23,985	21,418	21,700
	$ 82,507	81,487	82,329
Net interest margin (tax-equivalent)	4.19%	4.35%	4.80%

(Unaudited - Dollars in thousands)	$ Change from June 30, 2010	$ Change from September 30, 2009	% Change from June 30, 2010	% Change from September 30, 2009
Net interest income				
Interest income	$ (1,715)	(2,327)	-2%	-3%
Interest expense	(168)	(220)	-1%	-2%
Total net interest income	(1,547)	(2,107)	-3%	-3%
Non-interest income				
Service charges, loan fees, and other fees	1,322	1,119	11%	9%

Gain on sale of loans	1,234	1,754	20%	31%
Gain on sale of investments	1,799	(626)	743%	-23%
Other income	(1,788)	38	-57%	3%
Total non-interest income	2,567	2,285	12%	11%
	$ 1,020	178	1%	0%

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Net Interest Income

Net interest income decreased $1.5 million from the prior quarter and decreased $2.1 million over prior year s third quarter. The current quarter net interest margin as a percentage of earning assets, on a tax-equivalent basis, was 4.19 percent which is 16 basis points lower than the 4.35 percent for the prior quarter and included a 7 basis points reduction from the reversal of interest on non-accrual loans. The net interest margin for the current quarter is 61 basis points lower than the 4.80 percent result for the third quarter of 2009. The decrease in interest income is due to a lower yield and volume of loans coupled with an increase in lower yielding investment securities. The decrease in interest expense is primarily attributable to the rate decreases on interest bearing deposits and lower cost borrowings.

Non-interest Income

Non-interest income for the quarter totaled $24.0 million, an increase of $2.6 million over the prior quarter and $2.3 million over the same quarter as last year. Fee income of $13.2 million increased $1.3 million, or 11 percent, during the quarter and $1.1 million, or 9 percent over prior year s quarter, such increases resulting from significant growth in debit card income. Gain on sale of loans increased $1.2 million, or 20 percent, over the prior quarter due to a reduction in mortgage interest rates during the second quarter which continued in the third quarter and led to greater loan origination volume. Gain on sale of loans increased $1.8 million, or 31 percent, over the same period last year, primarily the result of significant purchase and refinance activity this period compared to the third quarter 2009. Net gain on sale of investments was $2.0 million for the current quarter 2010 compared to $242 thousand for the previous quarter and $2.7 million for the prior year s quarter. Such sales were executed with the proceeds used to purchase securities that enable the investment portfolio to perform well across varying interest rates. Other income of $1.4 million for the current quarter is a decrease of $1.8 million from the prior quarter, such decrease relates to the second quarter sale of Mountain West s merchant card servicing portfolio.

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Non-interest Expense

(Unaudited - Dollars in thousands)	Three Months ended September 30, 2010	June 30, 2010	September 30, 2009
Compensation, employee benefits and related expense	$ 22,235	21,652	20,935
Occupancy and equipment expense	6,034	5,988	5,835
Advertising and promotions	1,912	1,644	1,596
Outsourced data processing expense	750	761	830
Core deposit intangibles amortization	801	801	758
Other real estate owned expense	9,655	7,373	2,881
Federal Deposit Insurance Corporation premiums	2,633	2,165	1,699
Other expenses	7,995	7,852	7,362
Total non-interest expense	$ 52,015	48,236	41,896

(Unaudited - Dollars in thousands)	$ Change from June 30, 2010	$ Change from September 30, 2009	% Change from June 30, 2010	% Change from September 30, 2009
Compensation, employee benefits and related expense	$ 583	1,300	3%	6%
Occupancy and equipment expense	46	199	1%	3%
Advertising and promotions	268	316	16%	20%
Outsourced data processing expense	(11)	(80)	-1%	-10%
Core deposit intangibles amortization		43	0%	6%
Other real estate owned expense	2,282	6,774	31%	235%
Federal Deposit Insurance Corporation premiums	468	934	22%	55%
Other expenses	143	633	2%	9%
Total non-interest expense	$ 3,779	10,119	8%	24%

Non-interest expense of $52.0 million for the quarter increased by $3.8 million, or 8 percent, from the prior quarter and increased $10.1 million, or 24 percent, from the prior year third quarter. Compensation and employee benefits of $22.2 million increased $583 thousand, or 3 percent, from the previous quarter, partly the result of higher commission expense paid on mortgage originations, and $1.3 million, or 6 percent, from the prior year third quarter which is primarily due to the addition of First National employees in October 2009. The number of full-time equivalent employees increased slightly from 1,654 to 1,658 during the quarter, and increased from 1,577 since the end of the 2009 third quarter.

Occupancy and equipment expense increased $46 thousand, or 1 percent, from the prior quarter and increased $199 thousand, or 3 percent, from the prior year third quarter. Advertising and promotion expense increased $268 thousand, or 16 percent, from prior quarter and increased $316 thousand, or 20 percent, from the third quarter of 2009. The majority of such increases were driven by aggressive advertising relating to the disposal of other real estate owned. Other real estate owned expenses increased $2.3 million, or 31 percent, from prior quarter and increased $6.8 million, or 235 percent, from the prior year third quarter. The current quarter other real estate owned expense of $9.7 million included $1.2 million of operating expenses, $6.4 million of fair value write-downs, and $2.1 million of loss on sale of other real estate owned. The other real estate owned expenses have increased as the Company continues to aggressively dispose of problem assets and other real estate owned. FDIC premiums increased $468 thousand, or 22 percent, from prior quarter and increased $934 thousand, or 55 percent, from the prior year third quarter. Other expenses increased $143 thousand, or 2 percent, from the prior quarter and increased $633 thousand, or 9 percent, from the prior year third quarter which was primarily due to an increase in debt card expenses reflecting the increase in debit card activity and number of debit cards.

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In the current quarter, the Company revised the efficiency ratio calculation to be consistent with industry reporting by SNL Financial and has also revised the efficiency ratio reported for all prior periods. The efficiency ratio is now calculated as non-interest expense before other real estate owned expenses, core deposit intangible amortization, and non-recurring expense items as a percentage of fully taxable-equivalent net interest income and non-interest income, excluding gains and losses on sale of investment securities, other real estate owned income, and non-recurring income items. The efficiency ratio for the quarter was 50 percent compared to 47 percent for the prior year third quarter. The increase resulted from continuing pressure on net interest income in the current low interest rate environment coupled with small increases in operating expenses.

Provision for Loan Losses

The current quarter provision for loan loss expense was $19.2 million, an increase of $1.9 million from the prior quarter and a decrease of $27.9 million from the same quarter in 2009. Net charged-off loans for the current quarter were $26.6 million compared to $19.2 million for the prior quarter and $19.1 million for the same quarter in 2009. The determination of the allowance for loan and lease losses (ALLL or allowance) and the related provision for loan losses is a critical accounting estimate that involves management s judgments about current environmental factors which affect loan losses, such factors including economic conditions, changes in collateral values, net charge-offs, and other factors discussed in Additional Management s Discussion and Analysis Allowance for Loan and Lease Losses.

Results of Operations The nine months ended September 30, 2010
Compared to the nine months ended September 30, 2009

Performance Summary

Net earnings for the nine months ended September 30, 2010 were $32.7 million, which is an increase of $7.8 million or 31 percent, over the prior year. Diluted earnings per share of $0.48 is an increase of 20 percent over $0.40 earned in 2009.

Revenue Summary

(Unaudited - Dollars in thousands)	Nine Months ended September 30, 2010	September 30, 2009	$ Change	% Change
Net interest income				
Interest income	$ 219,319	$ 224,382	$ (5,063)	-2%
Interest expense	41,214	42,894	(1,680)	-4%
Total net interest income	178,105	181,488	(3,383)	-2%
Non-interest income				
Service charges, loan fees, and other fees	35,768	33,659	2,109	6%
Gain on sale of loans	17,391	20,834	(3,443)	-17%
Gain on sale of investments	2,597	2,667	(70)	-3%
Other income	5,830	3,235	2,595	80%
Total non-interest income	61,586	60,395	1,191	2%
	$ 239,691	$ 241,883	$ (2,192)	-1%
Net interest margin (tax-equivalent)	4.32%	4.87%		

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Net Interest Income

Net interest income for the nine month period decreased $3.4 million, or 2 percent, over the same period in 2009. Total interest income decreased $5.1 million, or 2 percent, while total interest expense decreased $1.7 million, or 4 percent. The net interest margin as a percentage of earning assets, on a tax-equivalent basis, decreased 55 basis points from 4.87 percent for 2009 to 4.32 percent for 2010 and included a 6 basis points reduction from the reversal of interest on non-accrual loans.

Non-interest Income

Non-interest income increased for the nine month period of 2010 by $1.2 million over the same period in 2009. Fee income for the first nine months of 2010 has increased $2.1 million, or 6 percent, compared to the prior year primarily from an increase in debit card income. Gain on sale of loans decreased $3.4 million, or 17 percent, over the first nine months of last year, primarily the result of significant refinance activity in the first half of 2009. Other income increased $2.6 million over the same period in 2009, of which $1.8 million relates to the second quarter 2010 sale of Mountain West s merchant card servicing portfolio.

Non-interest Expense

	Nine Months ended			
	September 30,	September 30,		
(Unaudited - Dollars in thousands)	2010	2009	$ Change	% Change
Compensation, employee benefits and related expense	$ 65,243	$ 63,589	$ 1,654	3%
Occupancy and equipment expense	17,970	17,341	629	4%
Advertising and promotions	5,148	5,042	106	2%
Outsourced data processing expense	2,205	2,181	24	1%
Core deposit intangibles amortization	2,422	2,294	128	6%
Other real estate owned expense	19,346	5,722	13,624	238%
Federal Deposit Insurance Corporation premiums	6,998	6,700	298	4%
Other expenses	22,880	21,616	1,264	6%
Total non-interest expense	$ 142,212	$ 124,485	$ 17,727	14%

Non-interest expense for the first nine months of 2010 increased by $17.7 million, or 14 percent, from the same period last year, of which 11 percent related to other real estate owned expense. The other real estate owned expenses of $19.3 million for the first nine months of 2010 included $3.3 million of operating expenses, $9.7 million of fair value write-downs, and $6.3 million of loss on sale of other real estate owned. FDIC premiums increased $298 thousand, or 4 percent, from the prior year which included a second quarter special assessment of $2.5 million. Compensation and employee benefits increased $1.7 million, or 3 percent, from 2009. Occupancy and equipment expense increased $629 thousand, or 4 percent, from 2009. Advertising and promotion expense increased by $106 thousand, or 2 percent, from 2009. Other real estate owned expense increased $13.6 million, or 238 percent, from the prior year first nine months. Other expense increased $1.3 million, or 6 percent, from the prior year.

The efficiency ratio for the first nine months of 2010 was 50 percent compared to 46 percent for the prior year s first nine months. The increase in efficiency ratio resulted from continuing pressure on net interest income in the current low interest rate environment coupled with small increases in operating expenses.

Provision for Loan Losses

The provision for loan loss expense was $57.3 million for the first nine months of 2010, a decrease of $30.6 million, or 35 percent, from the same period in 2009. Net charged-off loans during the nine months ended September 30, 2010 was $66.0 million, an increase of $26.7 million from the same period in 2009.

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Financial Condition Analysis

Assets

(Unaudited - Dollars in thousands)	September 30, 2010	December 31, 2009	September 30, 2009	$ Change from December 31, 2009	$ Change from September 30, 2009
Cash on hand and in banks	$ 83,684	120,731	93,728	(37,047)	(10,044)
Investments, interest bearing deposits, FHLB stock, FRB stock, and fed funds	1,856,989	1,596,238	1,262,542	260,751	594,447
Loans					
Residential real estate	787,335	797,626	787,911	(10,291)	(576)
Commercial	2,515,767	2,613,218	2,558,270	(97,451)	(42,503)
Consumer and other	680,858	719,401	700,069	(38,543)	(19,211)
Loans receivable, gross	3,983,960	4,130,245	4,046,250	(146,285)	(62,290)
Allowance for loan and lease losses	(134,257)	(142,927)	(125,330)	8,670	(8,927)
Loans receivable, net	3,849,703	3,987,318	3,920,920	(137,615)	(71,217)
Other assets	482,283	487,508	431,110	(5,225)	51,173
Total assets	$ 6,272,659	6,191,795	5,708,300	80,864	564,359

Total assets at September 30, 2010 were $6.273 billion, which is $81 million, or 1 percent greater than total assets of $6.192 billion at December 31, 2009. Total assets increased $564 million, or 10 percent, from September 30, 2009, of which $272 million, including $161 million in loans, related to the acquisition of First National in October 2009. Investment securities, including interest bearing deposits, FHLB and FRB stock, and federal funds sold, have increased $261 million, or 16 percent, from December 31, 2009 and increased $594 million, or 47 percent, from September 30, 2009. The Company continues to purchase investment securities as loan originations slow, such purchases predominately mortgage-backed securities issued by Freddie Mac and Fannie Mae with low yields and short-weighted average lives. The Company also continues to selectively purchase tax-exempt investment securities. Investment securities represent 30 percent of total assets at September 30, 2010 versus 22 percent of total assets at September 30, 2009.

At September 30, 2010, gross loans were $3.984 billion, a decrease of $146 million over gross loans of $4.130 billion at December 31, 2009. The largest category decrease was in commercial loans which decreased $97 million, or 4 percent. The decrease in each loan category is due to the slowing loan demand within the Company s market areas resulting from the current economic downturn. Excluding net charge-offs of $66 million, loans transferred to other real estate of $67 million, and an increase in loans held for sale of $49 million, loans decreased $62 million, or 2 percent annualized, from December 31, 2009.

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Liabilities

(Unaudited - Dollars in thousands)	September 30, 2010	December 31, 2009	September 30, 2009	$ Change from December 31, 2009	$ Change from September 30, 2009
Non-interest bearing deposits	$ 887,637	810,550	801,261	77,087	86,376
Interest bearing deposits	3,530,204	3,289,602	2,809,756	240,602	720,448
Federal Home Loan Bank advances	579,184	790,367	640,735	(211,183)	(61,551)
Federal Reserve Bank discount window		225,000	370,000	(225,000)	(370,000)
Securities sold under agreements to repurchase and other borrowed funds	254,995	226,251	225,583	28,744	29,412
Other liabilities	41,889	39,147	42,696	2,742	(807)
Subordinated debentures	125,096	124,988	120,167	108	4,929
Total liabilities	$ 5,419,005	5,505,905	5,010,198	(86,900)	408,807

As of September 30, 2010, non-interest bearing deposits of $888 million increased $77 million, or 13 percent annualized, since December 31, 2009 and increased $86 million, or 11 percent, since September 30, 2009. Interest bearing deposits of $3.530 billion at September 30, 2010 include $187 million issued through the Certificate of Deposit Account Registry System (CDARS). Interest bearing deposits increased $241 million, or 10 percent annualized, from December 31, 2009 and $720 million, or 26 percent from September 30, 2009. The increase in interest bearing deposits from December 31, 2009 and September 30, 2009 includes $175 million and $292 million, respectively, from wholesale deposits, including CDARS. The increase in non-interest bearing deposits and interest bearing deposits from September 30, 2009 includes $39 million and $197 million, respectively, from the First National acquisition. The increase in both interest bearing and non-interest bearing deposits was driven by a greater number of personal and business customers, as well as existing customers retaining cash deposits because of the uncertainty in the current interest rate environment and for liquidity purposes.

Increases in both interest and non-interest bearing deposits have allowed the Company to reduce overall borrowings. Federal Home Loan Bank advances decreased $211 million, or 27 percent, from December 31, 2009 and decreased $62 million, or 10 percent, from September 30, 2009. There were no Federal Reserve Bank borrowings through the Term Auction Facility program (TAF) at September 30, 2010 due to cessation of the TAF program by the Federal Reserve. TAF borrowings totaled $225 million at December 31, 2009 and $345 million at September 30, 2009. Repurchase agreements and other borrowed funds were $255 million at September 30, 2010, an increase of $29 million from December 31, 2009 and September 30, 2009.

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Stockholders Equity

Unaudited - Dollars in thousands, except per share data)		September 30, 2010	December 31, 2009	September 30, 2009	$ Change from December 31, 2009	$ Change from September 30, 2009
Common equity	$	837,212	686,238	682,956	150,974	154,256
Accumulated other comprehensive income (loss)		16,442	(348)	15,146	16,790	1,296
Total stockholders equity		853,654	685,890	698,102	167,764	155,552
Goodwill and core deposit intangible, net		(157,774)	(160,196)	(156,978)	2,422	(796)
Tangible stockholders equity	$	695,880	525,694	541,124	170,186	154,756
Stockholders equity to total assets		13.61%	11.08%	12.23%		
Tangible stockholders equity to total tangible assets		11.38%	8.72%	9.75%		
Book value per common share	$	11.87	11.13	11.35	0.74	0.52
Tangible book value per common share	$	9.68	8.53	8.80	1.15	0.88
Market price per share at end of year	$	14.59	13.72	14.94	0.87	(0.35)

Total stockholders equity and book value per share increased $168 million and $0.74 per share and $156 million and $0.52 per share, from December 31, 2010 and September 30, 2009, respectively, such increases are largely the result of the $146 million in net proceeds from the Company s March equity offering of 10.291 million shares. Tangible stockholders equity has increased $170 million, or 32 percent, and $155 million, or 29 percent, since December 31, 2009 and September 30, 2009, respectively, with tangible stockholders equity to tangible assets at 11.38 percent, 8.72 percent, and 9.75 percent as of September 30, 2010, December 31, 2010, and September 30, 2009, respectively. Accumulated other comprehensive income (loss), representing net unrealized gains or losses (net of tax) on investment securities, increased $16.8 million since December 31, 2009 and $1.3 million from September 30, 2009. On September 29, 2010, the Board of Directors declared a cash dividend of $0.13 per share, payable October 21, 2010 to shareholders of record on October 12, 2010. Future cash dividends will depend on a variety of factors, including net income, capital, asset quality and general economic conditions.

Additional Management s Discussion and Analysis

Loan Portfolio

The following tables summarize selected information by bank and regulatory classification on the Company s loan portfolio:

	Loans Receivable, Gross by Bank				% Change	% Change
(Dollars in thousands)		Balance 9/30/10	Balance 12/31/09	Balance 9/30/09	from 12/31/09	from 9/30/09
Glacier	$	891,508	942,254	950,000	-5%	-6%
Mountain West		884,648	957,451	971,240	-8%	-9%
First Security		575,980	566,713	574,371	2%	0%
1st Bank		275,650	296,913	299,095	-7%	-8%
Western		322,452	323,375	332,709	0%	-3%
Big Sky		259,474	270,970	283,110	-4%	-8%
Valley		194,705	187,283	188,221	4%	3%

First National	151,134	153,058		-1%	n/m
Citizens	173,941	166,049	172,769	5%	1%
First Bank-MT	114,665	117,017	123,846	-2%	-7%
San Juans	143,616	149,162	150,889	-4%	-5%
Eliminations	(3,813)			n/m	n/m
Total	$ 3,983,960	4,130,245	4,046,250	-4%	-2%

(Dollars in thousands)	Land, Lot and Other Construction Loans by Bank Balance 9/30/10	Balance 12/31/09	Balance 9/30/09	% Change from 12/31/09	% Change from 9/30/09
Glacier	$ 150,167	165,734	164,448	-9%	-9%
Mountain West	173,543	217,078	238,268	-20%	-27%
First Security	74,168	71,404	73,432	4%	1%
1st Bank	29,520	36,888	39,218	-20%	-25%
Western	30,552	32,045	37,887	-5%	-19%
Big Sky	56,440	71,365	73,944	-21%	-24%
Valley	13,423	14,704	15,450	-9%	-13%
First National	12,630	10,247		23%	n/m
Citizens	12,622	13,263	21,816	-5%	-42%
First Bank-MT	799	1,010	5,804	-21%	-86%
San Juans	31,389	39,621	36,202	-21%	-13%
Total	$ 585,253	673,359	706,469	-13%	-17%

	Land, Lot and Other Construction Loans by Bank, by Type at 9/30/10					
(Dollars in thousands)	Land Development	Consumer Land or Lot	Unimproved Land	Developed Lots for Operative Builders	Commercial Developed Lot	Other Construction
Glacier	$ 60,405	28,784	28,513	8,873	23,592	
Mountain West	45,079	63,388	17,680	23,407	8,855	15,134
First Security	27,795	6,994	20,125	4,512	499	14,243
1st Bank	7,968	10,565	3,782	218	2,305	4,682
Western	15,190	5,938	4,858	587	1,863	2,116
Big Sky	20,402	17,622	9,290	729	2,377	6,020
Valley	2,259	5,485	1,308	106	3,288	977
First National	2,074	3,992	1,426	477	2,139	2,522
Citizens	2,790	2,292	2,957	50	657	3,876
First Bank-MT		50	749			
San Juans	3,384	16,821	2,253		7,862	1,069
Total	$ 187,346	161,931	92,941	38,959	53,437	50,639

(Dollars in thousands)	Residential Construction Loans by Bank, by Type Balance 9/30/10	Balance 12/31/09	Balance 9/30/09	% Change from 12/31/09	% Change from 9/30/09	Custom & Owner Occupied 9/30/10	Pre-Sold & Spec 9/30/10
Glacier	$ 42,975	57,183	72,828	-25%	-41%	$ 9,037	33,938
Mountain West	22,829	57,437	63,572	-60%	-64%	7,461	15,368
First Security	12,375	19,664	15,981	-37%	-23%	4,628	7,747

1st Bank	10,037	17,633	18,783	-43%	-47%	6,589	3,448
Western	1,294	2,245	3,709	-42%	-65%	871	423
Big Sky	13,724	20,679	27,803	-34%	-51%	256	13,468
Valley	5,550	5,170	5,380	7%	3%	4,455	1,095
First National	2,105	2,612		-19%	n/m	1,626	479
Citizens	11,175	13,211	16,705	-15%	-33%	5,166	6,009
First Bank-MT	135	234	179	-42%	-25%	135	
San Juans	8,421	13,811	13,549	-39%	-38%	8,026	395
Total	$ 130,620	209,879	238,489	-38%	-45%	$ 48,250	82,370

	Single Family Residential Loans by Bank, by Type			% Change from	% Change from		
(Dollars in thousands)	Balance 9/30/10	Balance 12/31/09	Balance 9/30/09	12/31/09	9/30/09	1st Lien 9/30/10	Junior Lien 9/30/10
Glacier	$ 193,110	204,789	205,203	-6%	-6%	$ 170,746	22,364
Mountain West	297,676	278,158	275,936	7%	8%	258,331	39,345
First Security	93,629	82,141	82,349	14%	14%	79,130	14,499
1st Bank	59,102	65,555	63,893	-10%	-7%	54,069	5,033
Western	56,914	50,502	45,764	13%	24%	54,701	2,213
Big Sky	34,895	33,308	33,840	5%	3%	31,327	3,568
Valley	66,344	66,644	65,261	0%	2%	55,241	11,103
First National	15,169	19,239		-21%	n/m	11,794	3,375
Citizens	25,940	20,937	21,659	24%	20%	23,958	1,982
First Bank-MT	9,314	10,003	10,592	-7%	-12%	8,138	1,176
San Juans	29,164	22,811	22,790	28%	28%	27,571	1,593
Total	$ 881,257	854,087	827,287	3%	7%	$ 775,006	106,251

	Commercial Real Estate Loans by Bank, by Type			% Change from	% Change from		
(Dollars in thousands)	Balance 9/30/10	Balance 12/31/09	Balance 9/30/09	12/31/09	9/30/09	Owner Occupied 9/30/10	Non-Owner Occupied 9/30/10
Glacier	$ 228,090	232,552	235,576	-2%	-3%	$ 113,859	114,231
Mountain West	221,761	230,383	212,865	-4%	4%	145,032	76,729
First Security	225,806	224,425	223,756	1%	1%	152,480	73,326
1st Bank	61,460	64,008	66,924	-4%	-8%	43,559	17,901
Western	104,052	107,173	104,450	-3%	0%	54,236	49,816
Big Sky	90,337	82,303	83,489	10%	8%	54,758	35,579
Valley	51,985	48,144	48,202	8%	8%	33,866	18,119
First National	28,336	26,703		6%	n/m	22,406	5,930
Citizens	60,070	55,660	53,424	8%	12%	44,161	15,909
First Bank-MT	17,095	18,827	13,772	-9%	24%	11,070	6,025
San Juans	49,530	47,838	54,525	4%	-9%	28,820	20,710
Total	$ 1,138,522	1,138,016	1,096,983	0%	4%	$ 704,247	434,275

	Consumer Loans by Bank, by Type			% Change from	% Change from	Home Equity Line of Credit	Other Consumer
(Dollars in thousands)	Balance 9/30/10	Balance 12/31/09	Balance 9/30/09	12/31/09	9/30/09	9/30/10	9/30/10
Glacier	$ 155,150	162,723	161,416	-5%	-4%	$ 139,773	15,377
Mountain West	71,818	71,702	72,696	0%	-1%	62,729	9,089
First Security	74,765	78,345	80,444	-5%	-7%	48,793	25,972
1st Bank	41,937	46,455	46,686	-10%	-10%	16,654	25,283
Western	46,772	48,946	49,912	-4%	-6%	33,309	13,463

Big Sky	27,462	28,903	28,906	-5%	-5%	24,584	2,878
Valley	25,204	24,625	25,753	2%	-2%	15,771	9,433
First National	26,416	27,320		-3%	n/m	16,292	10,124
Citizens	30,566	29,253	28,276	4%	8%	24,174	6,392
First Bank-MT	7,937	7,650	7,699	4%	3%	3,803	4,134
San Juans	13,900	14,189	13,935	-2%	0%	12,605	1,295
Total	$ 521,927	540,111	515,723	-3%	1%	$ 398,487	123,440

n/m not measurable

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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 each bank subsidiary s loan and lease portfolios. Accordingly, the ALLL is maintained within a range of estimated losses. The determination of the ALLL and the related provision for loan losses is a critical accounting estimate that involves management s judgments about all known relevant internal and external environmental factors that affect loan losses, including the credit risk inherent in the loan and lease portfolios, economic conditions nationally and in the local markets in which the community bank subsidiaries operate, changes in collateral values, delinquencies, non-performing assets and net charge-offs.

Although the Company and Banks continue 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 and lease portfolios may adversely affect the credit risk and potential for loss to the Company.

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

At the end of each quarter, each of the community bank subsidiaries analyzes it s loan and lease portfolio and maintain an ALLL at a level that is appropriate and determined in accordance with accounting principles generally accepted in the United States of America. The allowance consists of a specific component and a general component. The specific component relates to loans that are determined to be impaired. A valuation allowance is established when the fair value of collateral-dependent loans 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 and lease. The general component relates to probable credit losses inherent in the balance of the portfolio based on prior loss experience, adjusted for changes in trends and conditions of qualitative or environmental factors. Each of the Bank s ALLL is considered adequate to absorb losses from any segment of its loan and lease portfolio.

Management of each bank subsidiary exercises significant judgment when evaluating the effect of applicable qualitative or environmental factors on each bank subsidiary s historical loss experience for loans not identified as impaired. Quantification of the impact upon each bank s allowance 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 bank s unimpaired loan and lease portfolio as of each evaluation date. Bank management 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.

The Company is committed to a conservative management of the credit risk within the loan and lease portfolios, 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 and lease portfolios, semi-annual review of loans by industry, and periodic stress testing of the loans secured by real estate.

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The Company s model of eleven independent wholly-owned community banks, each with its own loan committee, chief credit officer and Board of Directors, provides substantial local oversight to the lending and credit management function. Unlike a traditional, single-bank holding company, the Company s decentralized 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 and the community bank subsidiaries operate 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, utilizing each of the Banks internal credit risk rating process, 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.

The Company considers the ALLL balance of $134.3 million adequate to cover inherent losses in the loan and lease portfolios as of September 30, 2010. However, no assurance can be given that the Company will not, in any particular period, sustain losses that are significant relative to the amount reserved, or that subsequent evaluations of the loan and lease portfolios 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 Part II, ITEM 1A. Risk Factors.

The following table summarizes the allocation of the ALLL:

	September 30, 2010		December 31, 2009		September 30, 2009	
(Unaudited - Dollars in thousands)	Allowance for Loan and Lease Losses	Percent of Loans in Category	Allowance for Loan and Lease Losses	Percent of Loans in Category	Allowance for Loan and Lease Losses	Percent of Loans in Category
Residential real estate	$ 11,872	19.8%	13,496	19.6%	11,959	19.5%
Commercial real estate	61,092	46.3%	66,791	45.9%	59,471	47.7%
Other commercial	39,768	16.8%	39,558	17.5%	33,406	15.5%
Consumer and other loans	21,525	17.1%	23,082	17.0%	20,494	17.3%
Totals	$ 134,257	100.0%	142,927	100.0%	125,330	100.0%

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The following tables summarize the ALLL experience at the dates indicated, including breakouts by regulatory and bank subsidiary classification:

(Unaudited Dollars in thousands)	Nine Months ended September 30, 2010	Year ended December 31, 2009	Nine Months ended September 30, 2009
Balance at beginning of period	$ 142,927	76,739	76,739
Charge-offs			
Residential real estate	(12,287)	(18,854)	(10,031)
Commercial loans	(51,274)	(35,077)	(26,408)
Consumer and other loans	(5,307)	(6,965)	(4,552)
Total charge-offs	(68,868)	(60,896)	(40,991)
Recoveries			
Residential real estate	695	423	372
Commercial loans	1,841	1,636	1,011
Consumer and other loans	344	407	294
Total recoveries	2,880	2,466	1,677
Charge-offs, net of recoveries	(65,988)	(58,430)	(39,314)
Provision for loan losses	57,318	124,618	87,905
Balance at end of period	$ 134,257	142,927	125,330
Allowance for loan and lease losses as a percentage of total loan and leases	3.37%	3.46%	3.10%
Net charge-offs as a percentage of total loans	1.66%	1.42%	0.97%

(Dollars in thousands)	Allowance for Loan and Lease Losses Balance 9/30/10	Balance 12/31/09	Balance 9/30/09	Provision for Year-to-Date Ended 9/30/10	Provision for the Year-to-Date Ended 9/30/10 Over Net Charge-Offs	ALLL as a Percent of Loans 9/30/10
Glacier	$ 34,936	38,978	35,835	18,300	0.8	3.92%
Mountain West	28,963	37,551	32,686	23,300	0.7	3.27%
First Security	19,007	18,242	15,673	5,100	1.2	3.30%
1st Bank	11,224	10,895	10,038	2,150	1.2	4.07%
Western	8,719	8,762	8,020	700	0.9	2.70%

Big Sky	10,450	10,536	8,862	2,900	1.0	4.03%
Valley	4,752	4,367	4,132	500	4.3	2.44%
First National	2,498	1,679		1,453	2.3	1.65%
Citizens	6,000	4,865	4,064	1,900	2.5	3.45%
First Bank MT	3,070	2,904	2,699	265	2.7	2.68%
San Juans	4,638	4,148	3,321	750	2.9	3.23%
Total	$ 134,257	142,927	125,330	57,318	0.9	3.37%

(Dollars in thousands)	Net Charge-Offs, Year-to-Date Period Ending, By Bank Balance 9/30/10	Balance 12/31/09	Balance 9/30/09	Charge-Offs 9/30/10	Recoveries 9/30/10
Glacier	$ 22,342	12,012	4,155	22,762	420
Mountain West	31,888	28,931	21,296	32,521	633
First Security	4,335	3,745	1,889	5,431	1,096
1st Bank	1,821	5,917	5,024	2,288	467
Western	743	1,500	1,342	827	84
Big Sky	2,986	4,896	4,370	3,073	87
Valley	115	414	349	125	10
First National	634	4		655	21
Citizens	765	656	532	771	6
First Bank-MT	99	26	31	104	5
San Juans	260	329	326	311	51
Total	$ 65,988	58,430	39,314	68,868	2,880

(Dollars in thousands)	Net Charge-Offs (Recoveries), Year-to-Date Period Ending, By Loan Type Balance 9/30/10	Balance 12/31/09	Balance 9/30/09	Charge-Offs 9/30/10	Recoveries 9/30/10
Residential construction	$ 6,248	13,455	6,363	6,530	282
Land, lot and other construction	37,456	28,310	22,567	38,465	1,009
Commercial real estate	7,965	1,187	763	8,108	143
Commercial and industrial	4,010	3,610	2,022	4,655	645
1-4 family	6,771	7,242	4,745	7,195	424
Home equity lines of credit	2,987	2,357	1,419	3,015	28
Consumer	583	1,895	1,370	854	271
Other	(32)	374	65	46	78
Total	$ 65,988	58,430	39,314	68,868	2,880

At September 30, 2010, the allowance for loan and lease losses was $134.3 million, an increase of $8.9 million from a year ago and a decrease of $8.7 million from year end. The allowance was 3.37 percent of total loans outstanding at September 30, 2010, such percentage was down from the 3.51 percent at June 30, 2010, but higher than the 3.10 percent at September 30, 2009. Loan portfolio growth, composition, average loan size, credit quality considerations, and other environmental factors will continue to determine the level of additional provision for loan loss expense at each subsidiary bank.

The allowance determined by each of the community bank subsidiaries is combined together into a single allowance for the Company. As of September 30, 2010 and 2009, the Company s allowance consisted of the following components:

(Unaudited Dollars in thousands)	September 30, 2010	September 30, 2009

Specific allowance	$	18,622	23,056
General allowance		115,635	102,274
Total allowance	$	134,257	125,330

The specific valuation allowance of $18.6 million pertains to total impaired loans of $232.4 million. Included in the impaired loans is $144.5 million of loans which have no specific valuation allowance since the fair values (less estimated costs to sell) exceed the carrying values of such loans.

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The increase in the ALLL was primarily due to the increase in non-performing assets since September 30, 2009 and a continuing downturn in global, national and local economies. The eleven bank subsidiaries provide commercial services to individuals, small to medium size businesses, community organizations and public entities from 105 locations, including 96 branches, across Montana, Idaho, Wyoming, Colorado, Utah, and Washington. The Rocky Mountain areas in which the bank subsidiaries operate have diverse economies and markets that are tied to commodities (crops, livestock, minerals, oil and natural gas), tourism, real estate and land development and an assortment of industries, both manufacturing and service-related. Thus, the downturn in the global, national, and local economies is not uniform across each of the bank subsidiaries.

The soft economic conditions during much of 2009, though stabilized during the first nine months of 2010, included the declining sales of existing real property (e.g., single family residential, multi-family, commercial buildings), an increase in existing inventory of real property, increase in real property delinquencies and foreclosures, and corresponding decrease in absorption rates, and lower values of real property that collateralize most of the Company s loan and lease portfolios, among other factors. While national unemployment increased steadily from 7.4 percent at the start of 2009 to 10.0 percent at year end 2009 and dropping to 9.6 at September 30, 2010, the unemployment rates for the states in which the community bank subsidiaries conduct operations were significantly lower throughout 2009 and in the first nine months of 2010 than the national unemployment percentages. Agricultural prices declines in livestock and grain in 2009 have significantly recovered in the first nine months of 2010. Concurrently, prices for oil held strong, while prices for natural gas remain below the exceptionally high price levels of 2008. The decline in the cost of living, as reflected in CPI measures, helped buffer the general softening of the economy nationally, regionally and locally, and the impact of lower real property values. The tourism industry and related lodging continues to be a source of strength for those banks whose market areas have national parks and similar recreational areas in the market areas served. Such changes affected the bank subsidiaries in distinctly different ways as each bank has its own geographic area and local economy influences over both a short-term and long-term horizon. The Company s allowance is commensurate with the risk in the Company s loan and lease portfolio and is directionally consistent with the change in the quality of the Company s loan and lease portfolio as determined at each bank subsidiary.

The Banks charge-off policy is consistent with bank regulatory standards. Consumer loans generally are charged off when the loan becomes over 120 days delinquent. Real estate acquired as a result of foreclosure or by deed-in-lieu of foreclosure is classified as real estate owned until such time as it is sold. When such property is acquired, it is recorded at estimated fair value, less estimated cost to sell. Any write-down at the time of recording real estate owned is charged to the ALLL. Subsequent write-downs, if any, are charged to current expense.

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Non-performing Assets

The following tables summarize information regarding non-performing assets at the dates indicated, including breakouts by regulatory and bank subsidiary classification:

(Unaudited - Dollars in thousands)	September 30, 2010	December 31, 2009	September 30, 2009
Non-accrual loans			
Residential real estate	$ 23,705	20,093	17,295
Commercial	161,838	168,328	159,894
Consumer and other	7,152	9,860	8,388
Total	192,695	198,281	185,577
Accruing loans 90 days or more overdue			
Residential real estate	709	1,965	371
Commercial	4,202	1,311	1,586
Consumer and other	424	2,261	934
Total	5,335	5,537	2,891
Other real estate owned	63,440	57,320	54,537
Total non-performing loans and real estate and other assets owned	$ 261,470	261,138	243,005
Allowance for loan and lease losses as a percentage of non-performing assets	51%	55%	52%
Non-performing assets as a percentage of total subsidiary assets	4.03%	4.13%	4.10%
Accruing loans 30-89 days overdue	$ 40,923	87,491	43,606
Interest income [1]	$ 8,263	11,730	8,175

[1] Amounts represent estimated interest income that would have been recognized on loans accounted for on a non-accrual basis for the nine months ended September 30, 2010, year

ended December 31, 2009 and nine months ended September 30, 2009 had such loans performed pursuant to contractual terms.

	Non-performing Assets, by Loan Type			Non-Accruing	Accruing Loans 90 Days or More	Other Real Estate
(Dollars in thousands)	Balance 9/30/10	Balance 12/31/09	Balance 9/30/09	Loans 9/30/10	Overdue 9/30/10	Owned 9/30/10
Custom and owner occupied construction	$ 4,126	3,281	1,131	1,752	1,609	765
Pre-sold and spec construction	19,628	29,580	39,812	17,016		2,612
Land development	81,505	88,488	84,929	58,443		23,062
Consumer land or lots	11,488	10,120	12,092	7,101	678	3,709
Unimproved land	40,082	32,453	29,779	25,366		14,716
Developed lots for operative builders	8,721	11,565	10,909	7,297		1,424
Commercial lots	3,219	909	1,011	3,183		36
Other construction	3,485			3,485		
Commercial real estate	30,107	32,300	21,475	20,757	379	8,971
Commercial and industrial	14,005	12,271	9,235	12,195	1,780	30
Agriculture loans	5,645	283	1,121	5,115	125	405
1-4 family	31,782	30,868	24,615	24,652	412	6,718
Home equity lines of credit	5,446	6,234	5,539	4,432	253	761
Consumer	746	1,042	923	416	99	231
Other	1,485	1,744	434	1,485		
Total	$ 261,470	261,138	243,005	192,695	5,335	63,440

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Accruing 30-89 Days Delinquent Loans and Non-Performing Assets, by Bank (Dollars in thousands)	Balance 9/30/10	Balance 12/31/09	Balance 9/30/09	Accruing 30-89 Days Overdue 9/30/10	Non-Accrual & Accruing Loans 90 Days or More Overdue 9/30/10	Other Real Estate Owned 9/30/10
Glacier	$ 77,144	97,666	99,792	8,267	62,413	6,464
Mountain West	71,780	109,187	76,073	14,989	53,756	3,035
First Security	55,627	59,351	46,321	7,245	35,950	12,432
1st Bank	18,166	21,117	19,744	2,890	6,566	8,710
Western	10,293	9,315	8,917	533	6,622	3,138
Big Sky	23,882	31,711	26,941	1,653	15,910	6,319
Valley	1,916	2,542	1,638	840	1,003	73
First National	10,519	9,290		701	9,073	745
Citizens	7,989	5,340	5,653	1,965	4,412	1,612
First Bank MT	669	800	538	245	320	104
San Juans	5,252	2,310	994	1,595	2,005	1,652
GORE	19,156					19,156
Total	$ 302,393	348,629	286,611	40,923	198,030	63,440

The allowance was 51 percent of non-performing assets at September 30, 2010, compared to 55 percent at the prior year end and down slightly from 52 percent a year ago. Non-performing assets as a percentage of total subsidiary assets at September 30, 2010 were at 4.03 percent, down from 4.13 percent as of prior year end, and down from 4.10 percent at September 30, 2009. Each bank subsidiary evaluates the level of its non-performing assets, the values of the underlying real estate and other collateral, and related trends in net charge-offs. Through pro-active credit administration, the Banks work closely with borrowers to seek favorable resolution to the extent possible, thereby attempting to minimize net charge-offs or losses to the Company.

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, the Company believes the value of the underlying real estate collateral is adequate to minimize significant charge-offs or loss to the Company.

Loans are designated non-accrual and the accrual of interest is discontinued when the collection of the contractual principal or interest is unlikely. A loan is typically placed on non-accrual when principal or interest is due and has remained unpaid for ninety days or more unless the loan is in process of collection and well-secured by collateral the fair value of which is sufficient to pay off the debt in full. When a loan is placed on non-accrual status, interest previously accrued but not collected is reversed against current period interest income. Subsequent payments are applied to the outstanding principal balance if doubt remains as to the ultimate collectability of the loan. Interest accruals are resumed on such loans only when they are brought fully current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to both principal and interest.

Loans are designated impaired when the Company has serious doubts as to the ability of such borrowers to comply with the present loan repayment terms which includes loans, based upon current information and events, where 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. Impaired loans include non-performing loans (i.e., non-accrual loans and accruing loans 90 days or more overdue) and accruing loans under ninety days overdue where it is probable payments will not be received according to the loan agreement. An insignificant delay or shortfall in the amounts of payments would not cause a loan or lease to be considered impaired. The Company determines the significance of payment delays and shortfalls on a case-by-case basis, taking into consideration all of the facts and circumstances surrounding the loan and the borrower, including the length and reasons for the delay, the borrower s prior payment record, and the amount of the shortfall in relation to the principal and interest due. At the time a loan is identified as impaired, it is measured for impairment and thereafter reviewed and measured on at least a quarterly basis for additional impairment.

The amount of the impairment is measured based on the present value of expected future cash flows discounted at the loan s effective interest rate, except when it is determined that repayment of the loan is expected to be provided solely by the underlying collateral. For impairment based on expected future cash flows, the Company considers all information available as of a measurement date, including past events, current conditions, potential prepayments, and estimated costs to sell when such costs are expected to reduce the cash flows available to repay or otherwise satisfy the loan. For alternative ranges of cash flows, the likelihood of the possible outcomes is considered in determining the best estimate of expected future cash flows. The effective interest rate for a loan restructured in a troubled debt restructuring is based on the original contractual rate.

For collateral-dependent loans and real estate loans for which foreclosure or a deed-in-lieu of foreclosure is probable, impairment is measured by the fair value of the collateral less the estimated cost to sell. The Company measures impairment on collateral-dependent loans on a loan-by-loan basis. Fair value of collateral-dependent loans (and other real estate acquired by foreclosure or deed-in-lieu of foreclosure) is determined primarily based upon appraisal or evaluation of the underlying real property value.

When the ultimate collectability of the total principal of an impaired loan is in doubt and designated as non-accrual, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the total principal on an impaired loan is not in doubt, contractual interest is generally credited to interest income when received under the cash basis method. Total interest income recognized for impaired loans under the cash basis for the nine months ended September 30, 2010 and 2009 was not significant. Of the $232.4 million impaired loans as of September 30, 2010, there were 48 commercial real estate loans that accounted for $117.4 million, or 51 percent, of the impaired loans. The 48 loans were collateralized by 142 percent of the loan value, the majority of which had appraisals (new or updated) in the later half of 2009 or 2010. Of the $232.4 million impaired loans, there was $159.4 million, or 69 percent, of multiple impaired loans issued to a single or related party group of borrowers. The amount of impaired loans that have had partial charge-offs during the first nine months of 2010 for which the Company continues to have concern about the collectability of the remaining loan balance was $38.4 million. Of these loans, there were charge-offs of $25.8 million during 2010.

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. With respect to the types of loan modifications made to the identified restructured loans, the following modifications were made:

- Reduction of the stated interest rate for the remaining term of the debt

- Extension of the maturity date(s) at a stated rate of interest lower than the current market rate for newly originated debt having similar risk characteristics, and

- Reduction of the face amount of the debt as stated in the debt agreements.

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 has not restructured any commercial real estate loans that resulted in the creation of multiple new loans. The Company does not utilize the multiple loan strategy when restructuring loans regardless of whether or not the notes are TDR loans. The Company s TDR loans are considered impaired loans, of which the majority are designated as nonaccrual. The Company does not have any commercial TDR loans as of September 30, 2010 that have repayment dates extended at or near the original maturity date for which the Company has not classified as impaired. The Company had troubled debt restructuring loans of $71.3 million as of September 30, 2010. The Company has troubled debt restructured loans issued to a single borrower or related party groups that are currently in nonaccrual status or that have had charge-offs during the year, but which continue to have other loans that are currently recorded on accrual status. The amount of these troubled debt restructures is $19.7 million as of September 30, 2010 and the amount of the accruing loans is $30.6 million as of September 30, 2010.

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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 as well as land acquisition, development and construction (ADC) 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 collateral. Interest reserves provide an effective means for addressing the cash flow characteristics of construction and ADC loans. In response to the downturn in the housing market and potential impact upon construction and ADC lending, the Company discourages the creation or continued use of interest reserves.

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, including construction and ADC loans, include assessing, based on current information, the borrowers and guarantors creditworthiness, value of the real estate and other collateral, the project s performance against projections, and monthly inspections by employees or external parties until the real estate project is complete.

Interest reserves are advanced provided the related construction or ADC 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 or an ADC 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 or ADC 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 designated as non-accrual when the collection of the contractual principal or interest is unlikely and the accrual of interest and its capitalization into the loan balance will be discontinued for such loans.

The Company had loans with interest reserves of $156.5 million and $216.4 million of which there was remaining interest reserves of $991 thousand and $3.4 million as of September 30, 2010 and December 31, 2009, respectively.

Income Tax Expense

Income tax expense for the nine months ended September 30, 2010 and 2009 was $7.4 million and $4.6 million, respectively. The Company s effective tax rate for the nine months ended September 30, 2010 and 2009 was 18.5 percent and 15.6 percent, respectively. The primary reason for the low effective rate is the amount of tax-exempt investment income and federal tax credits. The tax-exempt income was $17.4 million and $16.7 million for the nine months ended September 30, 2010 and 2009, respectively. The federal tax credit benefits were $300 thousand and $1.8 million for the three and nine months ended September 30, 2010, respectively, and $359 thousand and $634 thousand for the three and nine months ended September 30, 2009, respectively. The Company continues its investments in select municipal securities and various VIEs whereby the Company receives federal tax credits and therefore the Company expects to maintain a moderate amount of tax-exempt items. For additional information on income taxes see Note 10, *Federal and State Income Taxes,* in ITEM 1. Financial Statements.

Other-Than-Temporary Impairment on Securities Accounting Policy and Analysis

The Company views the determination of whether an investment security is temporarily or other-than-temporarily impaired as a critical accounting policy, as the estimate is susceptible to significant change from period to period because it requires management to make significant judgments, assumptions and estimates in the preparation of its consolidated financial statements. The Company assesses individual securities in its investment securities portfolio for impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant. An investment is impaired if the fair value of the security is less than its carrying value at the financial statement date. If impairment is determined to be other-than-temporary, an impairment loss is recognized by reducing the amortized cost for the credit loss portion of the impairment with a corresponding charge to earnings for a like amount.

The Company believes that macroeconomic conditions occurring the first nine months of 2010 and in 2009 have unfavorably impacted the fair value of certain debt securities in its investment portfolio. For debt securities with limited or inactive markets, the impact of these macroeconomic conditions upon fair value estimates includes higher risk-adjusted discount rates and downgrades in credit ratings provided by nationally recognized credit rating agencies, (e.g., Moody s, S&P, Fitch, and DBRS).

For fair value estimates provided by third party vendors, management also considered the models and methodology, for appropriate consideration of both observable and unobservable inputs, including appropriately adjusted discount rates and credit spreads for securities with limited or inactive markets, and whether the quoted prices reflect orderly transactions. For certain securities, the Company obtained independent estimates of inputs, including cash flows, in supplement to third party vendor provided information. The Company also reviewed financial statements of select issuers, with follow up discussions with issuers management for clarification and verification of information relevant to the Company s impairment analysis.

In evaluating equity securities for other-than-temporary impairment losses, management assesses the Company s ability and intent to retain the equity securities for a period of time sufficient to allow for anticipated recovery in fair value. Equity securities owned at September 30, 2010 primarily consisted of stock issued by the Federal Home Loan Bank and the Federal Reserve Bank, such shares are measured at cost for purposes in recognition of the transferability restrictions imposed by the issuers. Other equity securities include Federal Agriculture Mortgage Corporation and Bankers Bank of the West Bancorporation, Inc. The fair value of other stock in an unrealized loss position was $5 thousand, with unrealized losses of $6 thousand or 115 percent of fair value, at September 30, 2010.

In evaluating debt securities for other-than-temporary impairment, management assesses whether the Company intends to sell or if it is more likely-than-not that it will be required to sell impaired debt securities. In so doing, management considers contractual constraints, liquidity, capital, asset / liability management and securities portfolio objectives. During the first nine months of 2010, the Company sold 83 securities of which 69 were tax-exempt state and local government securities, 66 of which were sold at a gross realized gain aggregating $2.868 million, 3 of which were sold at a gross realized loss aggregating $66 thousand, a net realized gain of $2.802 million. Of the 83 securities, 11 were non-guaranteed private label whole loan mortgages, 8 of which were sold at a gross realized gain aggregating $522 thousand, 3 of which were sold at a gross realized loss aggregating $727 thousand, a net realized loss of $205 thousand, 3 were US Treasury bonds, 1 of which was sold at a gross realized gain of $160 dollars, 2 of which were sold at a gross realized loss aggregating $10 dollars, a net realized gain of $150 dollars. Such sales were executed with the proceeds used to buy additional investment securities such that the investment portfolio performs well across varying interest rate environments.

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During the first half of 2009, the Company sold no investment securities as the Company continued its then historical approach to managing the investment portfolio, i.e., to buy and hold securities to maturity, although such securities may be sold given that all of the securities held in the investment portfolio are designated as available-for-sale. During the second half of 2009, the Company sold 59 securities of which 53 were tax-exempt state and local government securities, 7 of which were each sold at a gross realized loss of $1.118 million and 46 of which were each sold at a gross realized gain of $3.922 million, a net realized gain of $2.804 million. Of the 59 securities sold in the second half of 2009, 6 were residential mortgage-backed securities, with such securities sold at a gross realized gain aggregating $3.191 million.

Of the securities sold at a realized loss, none had previously been subject to an other-than-temporary impairment charge, and none were subject to an expectation or requirement to sell. With respect to its impaired debt securities at September 30, 2010, management determined that it does not intend to sell and that there is no expected requirement to sell any of its impaired debt securities.

As of September 30, 2010, there were 161 investments in an unrealized loss position of which 159 were debt securities and 2 were equity securities. With respect to the 159 debt securities, residential mortgage-backed securities have the largest unrealized loss. The fair value of these securities, which have underlying collateral consisting of U.S. government sponsored enterprise guaranteed mortgages and non-guaranteed private label whole loan mortgages, were $372.867 million at September 30, 2010 of which $212.219 million was purchased during 2010, the remainder of which had a fair market value of $233.108 million at December 31, 2009. For the securities purchased in 2010, there has been an unrealized loss of $1.263 million since purchase. Of the remaining residential mortgage-backed securities in a loss position, the unrealized loss decreased from 4.9 percent of fair value at December 31, 2009 to 3.23 percent of fair value at September 30, 2010. The fair value of Collateralized Debt Obligation (CDO) securities in an unrealized loss position is $7.292 million, with unrealized losses of $5.068 million at September 30, 2010; the unrealized loss decreased from 162.7 percent of fair value at December 31, 2009 to 69.5 percent of fair value at September 30, 2010. The fair value of state and local government securities in an unrealized loss position were $29.792 million at September 30, 2010 of which $5.246 million was purchased during 2010, the remainder of which had a fair market value of $23.565 million at December 31, 2009. For the securities purchased in 2010, there has been an unrealized loss of $109 thousand since purchase. Of the remaining state and local government securities in a loss position, the unrealized loss decreased from 5.9 percent of fair value at December 31, 2009 to 1.5 percent of fair value at September 30, 2010. 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.

(Dollars in thousands)	Unrealized Loss	Number of Debt Securities	Number of Equity Securities
Greater than 40.0%	$ 5,072	6	1
30.1% to 40.0%	3		1
20.1% to 30.0%			
15.1% to 20.0%	3,264	4	
10.1% to 15.0%	1,221	6	
5.1% to 10.0%			
0.1% to 5.0%	2,449	143	
Total	$ 12,009	159	2

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With respect to the duration of the impaired debt securities, the Company identified 33 which have been continuously impaired for the 12 months ending September 30, 2010. The valuation history of such securities in the prior year(s) was also reviewed to determine the number of months in prior year(s) in which the identified securities was in an unrealized loss position. 15 of the 33 securities are state and local tax-exempt securities with an unrealized loss of $329,549, the most notable of which had an unrealized loss of $159,376. 6 of the 33 securities are identical CDO securities with an aggregate unrealized loss of $5,068,357, the most notable of which had an unrealized loss of $1,267,089.

With respect to the CDO securities, each is in the in the form of pooled trust preferred structure of which the Company owns a portion of the Senior Notes tranche. All of the assets underlying the pooled trust preferred structure are capital securities issued by trust subsidiaries of holding companies of banks and thrifts. Since December 31, 2009, the Senior Notes have been rated A3 by Moody s and rated A by Fitch. As of the end of the third and second quarters of 2010, 8 of the 26 trust subsidiaries have elected to defer the interest on their respective obligations underlying the CDO structure. As of the end of the first quarter of 2010 and the fourth quarter of 2009, 6 of the 26 trust subsidiaries were deferring interest compared to 3 of the 26 trust subsidiaries deferring interest on their respective obligations as of the end of the first three quarters of 2009. In accordance with the prospectus for the CDO structure, the priority of payments favors holders of the Senior Notes over holders of the Mezzanine Notes and Income Notes. Though the maturity of the CDO structure is June 15, 2031, 17.40% of the outstanding principle of the Senior Notes has been prepaid through September 30 and June 30, 2010 compared to 15.22% at March 31, 2010 and December 31, 2009. More specifically, at any time the Senior Notes are outstanding, if either the Senior Principle or Senior Interest Coverage Tests (the Senior Coverage Tests) are not satisfied as of a calculation date, then funds that would have otherwise been used to make payments on the Mezzanine Notes or Income Notes shall instead be applied as principle prepayments on the Senior Notes. For each of the first three quarters of 2010 and the fourth quarter of 2009, the Senior Principle Coverage Test was below its threshold level, while the Senior Interest Coverage Test exceeded its threshold level. The Senior Coverage Tests exceeded the threshold levels for each of the first three quarters of 2009.

In its assessment of the Senior Notes for potential other-than-temporary impairment, the Company evaluated the underlying issuers and engaged a third party vendor to stress test the performance of the underlying capital securities and related obligors. Such stress testing has been performed as of the end of each of the first three quarters of 2010 and at each quarter end in 2009. In each instance of stress testing, the results reflect no credit loss for the Senior Notes. In evaluating such results, the Company reviewed with the third party vendor the stress test assumptions and concurred with the analyses in concluding that the impairment at September 30, 2010 and for each of the prior quarters of 2010 and 2009 was temporary, and not other-than-temporary.

Of the 33 securities temporarily impaired continuously for twelve months, 10 are non-guaranteed private label whole loan mortgages with an aggregate unrealized loss of $4,324,373, the most notable of which had an unrealized loss of $869,092. Of the 10 non-guaranteed private label whole loan mortgages, 3 are collateralized by 30-year fixed residential mortgages considered to be Prime and 7 are collateralized by 30-year fixed residential mortgages considered to be ALT A. Moreover, none of the underlying mortgage collateral is considered subprime .

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The Company s engages a third-party to perform detailed analysis for other-than-temporary impairment of such securities. Such analysis takes into consideration original and current data for the tranche and CMO structure, the non-guaranteed classification of each CMO tranche, current and deal inception credit ratings, credit support (protection) afforded the tranche through the subordination of other tranches in the CMO structure, the nature of the collateral (e.g., Prime or Alt-A) underlying each CMO tranche, and realized cash flows since purchase. When available, the collateral loss estimates are compared against loss estimates obtained from the credit rating agencies for the CMO structure and the resulting impact upon the tranche.

The analysis includes performance projections based upon cash flow assumptions designed to assess risk by capturing key performance data and trends such as delinquencies, severity of defaults, severity of collateral loss, and a range of prepayment speeds taking into account both voluntary (CRR) and involuntary (CDR) payments and the seniority of the CMO tranche within the CMO deal. The projected cash flows incorporate a range of macroeconomic trends, including for example, interest rates, gross domestic product and employment, as well as home price appreciation/depreciation (HPA) and geographic affordability (Geo Aff).

HPA scenarios are performed at loan-level capturing characteristics such as loan-to-value, credit scores (e.g., FICO), loan type, occupancy, purpose, and geography. Geographic Affordability is also a house price appreciation scenario and such refers to house price affordability levels by geography (relative to income). Prior to performing any HPA or Geo Aff-based analysis, significant fine-tuning adjustments are made to factor in the current state of the housing market. Tuning adjustments include delinquency roll rates, cure rates, voluntary prepayments, loan-to-values, and credit scores. Additionally, other factors used in the analyses are updated for current market conditions and trends, including loss severities and collateral loss estimates provided by the credit rating agencies for the CMO structures.

Based on the analysis of its impaired securities as of September 30, 2010, the Company determined that none of such securities had other-than-temporary impairment.

Rate/Volume Analysis

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

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	Nine Months ended September 30, 2010 vs. 2009 Increase (Decrease) Due to:		
(Dollars in thousands)	Volume	Rate	Net
Interest income			
Residential real estate loans	$ (2,896)	(4,025)	(6,921)
Commercial loans	(983)	(1,910)	(2,893)
Consumer and other loans	(501)	(1,171)	(1,672)
Investment securities	23,982	(17,559)	6,423
Total interest income	19,602	(24,665)	(5,063)
Interest expense			
NOW accounts	508	1	509
Savings accounts	94	(306)	(212)
Money market demand accounts	733	(1,478)	(745)
Certificate accounts	3,024	(5,913)	(2,889)
Wholesale deposits	6,587	(4,354)	2,233
FHLB advances	3,399	(2,074)	1,325
Repurchase agreements and other borrowed funds	(5,208)	3,307	(1,901)
Total interest expense	9,137	(10,817)	(1,680)
Net interest income	$ 10,465	(13,848)	(3,383)

Average Balance Sheet

The following schedule provides (i) the total dollar amount of interest and dividend income of the Company for earning assets and the resultant average yield; (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average rate; (iii) net interest and dividend income and interest rate spread; and (iv) net interest margin and net interest margin (tax-equivalent). Non-accrual loans are included in the average balance of the loans.

(Dollars in thousands)	Three Months ended 9/30/10 Average Balance	Interest & Dividends	Average Yield/ Rate	Nine Months ended 9/30/10 Average Balance	Interest & Dividends	Average Yield/ Rate
Assets						
Residential real estate loans	$ 773,672	11,367	5.88%	$ 774,973	34,621	5.96%
Commercial loans	2,543,798	35,734	5.57%	2,574,842	109,409	5.68%
Consumer and other loans	687,139	10,599	6.12%	691,373	31,959	6.18%
Total loans	4,004,609	57,700	5.72%	4,041,188	175,989	5.82%
Tax-exempt investment securities[1]	489,658	5,972	4.88%	474,324	17,410	4.89%
Taxable investment securities[2]	1,339,456	8,431	2.52%	1,272,642	25,920	2.72%
Total earning assets	5,833,723	72,103	4.90%	5,788,154	219,319	5.07%
Goodwill and intangibles	158,239			159,037		
Non-earning assets	287,128			282,368		
Total assets	$ 6,279,090			$ 6,229,559		
Liabilities						
NOW accounts	$ 707,097	622	0.35%	$ 712,650	2,028	0.38%
Savings accounts	346,652	175	0.20%	340,125	568	0.22%
Money market demand accounts	858,942	1,737	0.80%	839,585	5,662	0.90%
Certificate accounts	1,088,215	5,402	1.97%	1,080,434	15,997	1.98%
Wholesale deposits[3]	622,032	1,206	0.77%	533,425	3,440	0.86%
FHLB advances	539,791	2,318	1.70%	657,698	7,083	1.44%
Securities sold under agreements to repurchase and other borrowed funds	383,279	2,121	2.19%	414,238	6,436	2.08%
Total interest bearing liabilities	4,546,008	13,581	1.19%	4,578,155	41,214	1.20%
Non-interest bearing deposits	849,977			813,038		
Other liabilities	25,259			32,078		
Total liabilities	5,421,244			5,423,271		

Stockholders Equity				
Common stock	719		689	
Paid-in capital	643,567		600,732	
Retained earnings	200,159		196,708	
Accumulated other comprehensive income	13,401		8,159	
Total stockholders equity	857,846		806,288	
Total liabilities and stockholders equity	$ 6,279,090		$ 6,229,559	
Net Interest Income		$ 58,522		$ 178,105
Net Interest Spread		3.71%		3.87%
Net Interest Margin		3.98%		4.11%
Net Interest Margin (tax-equivalent)		4.19%		4.32%

1 Excludes tax effect of $7,708,000 and $2,644,000 on tax-exempt investment security income for the year-to-date and quarter ended September 30, 2010, respectively.

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Liquidity Risk

Liquidity risk is the possibility that the Company will not be able to fund present and future obligations. The objective of liquidity management is to maintain cash flows adequate to meet current and future needs for credit demand, deposit withdrawals, maturing liabilities and corporate operating expenses. The Banks source of funds is generated by deposits, principal and interest payments on loans, sale of loans and securities, short and long-term borrowings, and net earnings. In addition, all of the Banks are members of FHLB. As of September 30, 2010, the Banks had $1.091 billion of available FHLB borrowing capacity of which $579 million was utilized. The Banks may also borrow funds through the FRB and from the U.S. Treasury Tax and Loan program of which the Banks have remaining borrowing capacity of $396 million and $9 million, respectively. Management of the Company has a wide range of versatility in managing the liquidity and asset/liability mix for each bank subsidiary as well as the Company as a whole.

Capital Resources and Adequacy

Maintaining capital strength continues to be a long term objective. Abundant capital is necessary to sustain growth, provide protection against unanticipated declines in asset values, and to safeguard the funds of depositors. Capital also is a source of funds for loan demand and enables the Company to effectively manage its assets and liabilities. Stockholders equity increased $168 million since prior year end, or 24 percent, the net result of earnings of $33 million, a public offering of stock of $146 million, an increase of $17 million in net unrealized gains on available-for-sale investment securities, less cash dividend payments of $28 million.

The Federal Reserve Board has adopted capital adequacy guidelines that are used to assess the adequacy of capital in supervising a bank holding company. The following table illustrates the Federal Reserve Board s capital adequacy guidelines and the Company s compliance with those guidelines as of September 30, 2010.

(Dollars in thousands)	Tier 1 (Core) Capital	Tier 2 (Total) Capital	Leverage Capital
Total stockholders equity	$ 853,654	853,654	853,654
Less:			
Goodwill and intangibles	(151,279)	(151,279)	(151,279)
Accumulated other comprehensive unrealized gain on AFS securities	(16,442)	(16,442)	(16,442)
Plus:			
Allowance for loan and lease losses		57,499	
Subordinated debentures	124,500	124,500	124,500
Regulatory capital	$ 810,433	867,932	810,433
Risk weighted assets	$ 4,523,412	4,523,412	
Total adjusted average assets			$ 6,127,811
Capital as % of risk weighted assets	17.92%	19.19%	13.23%
Regulatory well capitalized requirement	6.00%	10.00%	5.00%
Excess over well capitalized requirement	11.92%	9.19%	8.23%

Lending Commitments

In the normal course of business, there are various outstanding commitments to extend credit, such as letters of credit and un-advanced loan commitments, which are not reflected in the accompanying condensed consolidated financial statements. Management does not anticipate any material losses as a result of these transactions.

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Effect of inflation and changing prices

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

Impact of Recent Authoritative Accounting Guidance

The Accounting Standards Codification is FASB s officially recognized source of authoritative U.S. generally accepted accounting principles (GAAP) applicable to all public and non-public non-governmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under the authority of the federal securities laws are also sources of authoritative GAAP for SEC registrants. All other accounting literature is considered non-authoritative.

In July 2010, FASB issued an amendment to FASB ASC Subtopic 310-30, *Disclosures about the Credit Quality of Financing*. As a result of the amendments in this Update, the Company will provide additional information to assist financial users in assessing the Company s credit risk exposures and evaluating the adequacy of the Company s allowance for loan loss. For public entities, the disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The company is currently evaluating the impact of the adoption of this amendment, but does not expect it to have a material effect on the Company s financial position or results of operations.

In April 2010, FASB issued an amendment to FASB ASC Subtopic 310-30, *Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality*. As a result of the amendments in this Update, modifications of loans that are accounted for within a pool under Subtopic 310-30 do not result in the removal of those loans from the pool even if the modification of those loans would otherwise be considered a troubled debt restructuring. An entity will continue to be required to consider whether the pool of assets in which the loan is included is impaired if expected cash flows for the pool change. The amendments in this Update are effective for modifications of loans accounted for within pools under Subtopic 310 30 occurring in the first interim or annual period ending on or after July 15, 2010. The Company has evaluated the impact of the adoption of this standard and determined there was not a material effect on the Company s financial position or results of operations.

In January 2010, FASB issued an amendment to FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, that provides for more robust disclosures about 1) the different classes of assets and liabilities measured at fair value, 2) the valuation techniques and inputs used, 3) the activity in Level 3 fair value measurements, and 4) the transfers between Levels 1, 2, and 3. The new disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about the activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010. The Company has evaluated the impact of the adoption of this standard and determined there was not a material effect on the Company s financial position or results of operations.

In June 2009, FASB issued an amendment to FASB ASC Topic 810, *Consolidation*. The objective of this standard is to amend certain requirements to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. This standard is effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company has evaluated the impact of the adoption of this standard and determined there was not a material effect on the Company s financial position or results of operations.

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In June 2009, FASB issued an amendment to FASB ASC Topic 860, *Transfers and Servicing*. The objective of this standard is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor s continuing involvement in transferred financial assets. This standard is effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company has evaluated the impact of the adoption of this standard and determined there was not a material effect on the Company s financial position or results of operations.

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

The Company believes that there have not been any material changes in information about the Company s market risk than was provided in the Form 10-K/A report for the year ended December 31, 2009.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Controls

There have not been any changes in the Company s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the third quarter 2010, to which this report relates that have materially affected, or are reasonably likely to materially affect the Company s internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

There are no pending material legal proceedings to which the registrant or its subsidiaries are a party.

ITEM 1A. Risk Factors

The Company and its eleven independent wholly-owned community bank subsidiaries are exposed to 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.

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The Company cannot accurately predict the effect of the continuing economic downturn on the Company s future results of operations or the market price of its common stock.

The national economy and the financial services sector in particular continue to face challenges of a scope unprecedented in recent history. The Company cannot accurately predict the severity or duration of the continuing economic downturn, which has adversely impacted the Company s markets. Any further deterioration in the economies of the nation as a whole or in the Company s markets would have an adverse effect, which could be material, on the Company s business, financial condition, results of operations and prospects, and could also cause the market price of the Company s common stock to decline. While the Company cannot accurately predict how long these conditions may exist, the economic downturn could continue to present risks for some time for the industry and Company.

Further economic deterioration in the market areas the Company serves, including Montana, Idaho, Wyoming, Utah, Colorado and Washington, as well as the continuation of the current economic downturn, may continue to adversely impact earnings and could increase credit risk associated with the loan portfolio.

The inability of borrowers to repay loans can erode earnings by reducing earnings and by requiring the Company to add to its allowance for loan and lease losses. The effects of the national economic downturn are significantly impacting the market areas the Company serves. Further deterioration in the market areas the Company serves, as well as the continuation of the current economic downturn, 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 further;
- problem assets and foreclosures may increase further;
- 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;
- demand for banking products and services may decline; and
- low cost or non-interest bearing deposits may decrease.

The allowance for loan and lease losses may not be adequate to cover actual loan losses, which could adversely affect earnings.

The Company maintains an ALLL in an amount that it believes is adequate to provide for losses in the loan portfolio. While the Company 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. By closely monitoring credit quality, the Company attempts to identify deteriorating loans before they become nonperforming assets and adjust the ALLL accordingly. However, because future events are uncertain, and if the economic downturn continues or deteriorates further, 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 as a result of incorrect assumptions by management in determining the ALLL. Additionally, federal banking regulators, as an integral part of their supervisory function, periodically review the Company s loan portfolio and the adequacy of the ALLL. These regulatory agencies may require the Company to recognize further loan loss provisions or charge-offs based upon their judgments, which may be different from the Company s judgments. Any increase in the ALLL would have an adverse effect, which could be material, on the Company s financial condition and results of operations.

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The Company has a high concentration of loans secured by real estate, so any further deterioration in the real estate markets could require material increases in ALLL and adversely affect the Company s financial condition and results of operations.

A continuation of the downturn in the economic conditions or real estate values of the Company s market areas, and particularly a further deterioration of such economic conditions or real estate values, may cause the Company to have lower earnings and could increase credit risk associated with the loan portfolio, as the collateral securing those loans may decrease in value. The continued downturn in the local economy or a further deterioration of the local economy could have a material adverse effect both on the borrowers ability to repay these loans, as well as the value of the real property held as collateral. The Company s ability to recover on these loans by selling or disposing of the underlying real estate collateral is adversely impacted by declining real estate values, which increases the likelihood that the Company 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, perhaps materially.

A continued tightening of the credit markets may make it difficult to obtain adequate funding for loan growth, which could adversely affect earnings.

A continued tightening of the credit markets and the inability to obtain or retain adequate funds for continued loan growth at an acceptable cost may negatively affect the Company s asset growth and liquidity position and, therefore, earnings capability. In addition to core deposit growth, maturity of investment securities and loan payments, the Company also relies on alternative funding sources through correspondent banking, and borrowing lines with the FRB and FHLB to fund loans. In the event the current economic downturn continues, particularly in the housing market, these resources could be negatively affected, both as to price and availability, which would limit and or raise the cost of the funds available to the Company.

There can be no assurance the Company will be able to continue paying dividends on the common stock at recent levels.

The ability to pay dividends on the Company s common stock depends on a variety of factors. The Company paid dividends of $0.13 per share in each quarter of 2009 and the first three quarters of 2010. There can be no assurance that the Company will be able to continue paying quarterly dividends commensurate with recent levels. In that regard, the Federal Reserve now is requiring the Company to provide prior written notice and related information for staff review before declaring or paying dividends. In addition, current guidance from the Federal Reserve provides, among other things, that dividends per share generally should not exceed earnings per share. As a result, future dividends will depend on sufficient earnings to support them. Furthermore, the Company s ability to pay dividends depends on the amount of dividends paid to the Company by its subsidiaries, which is also subject to government regulation, oversight and review. In addition, the ability of some of the bank subsidiaries to pay dividends to the Company is subject to prior regulatory approval.

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 potential future acquisitions. In particular, while the Company intends to focus any near-term acquisition efforts on FDIC-assisted transactions within its existing market areas, there can be no assurance that such opportunities will become available on terms that are acceptable to the Company. Furthermore, there can be no assurance that the Company can successfully complete such transactions, since they are subject to a formal bid process and regulatory review and approval.

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The FDIC has increased insurance premiums to rebuild and maintain the federal deposit insurance fund and there may be additional future premium increases and special assessments.

The FDIC recently adopted a new deposit insurance fund restoration plan to ensure that the fund reserve ratio reaches 1.35 percent by September 30, 2020, as required by financial reform legislation passed in 2010.

On May 22, 2009, the FDIC imposed a special deposit insurance assessment of five basis points on all insured institutions. This emergency assessment was calculated based on the insured institution s assets at June 30, 2009, and collected on September 30, 2009. This special assessment was in addition to the regular quarterly risk-based assessment.

The FDIC has required insured institutions to prepay estimated quarterly risk-based assessments for the fourth quarter of 2009 and for 2010, 2011 and 2012. The prepayment was collected on December 30, 2009, and was accounted for as a prepaid expense amortized over the prepayment period. In 2009, the FDIC also adopted a final rule revising its risk-based assessment system, which became effective April 1, 2009. The changes to the assessment system involve adjustments to the risk-based calculation of an institution s unsecured debt, secured liabilities and brokered deposits. Despite the FDIC s recently adopted plan to restore the deposit insurance fund, the fund may suffer additional losses in the future due to bank failures. There can be no assurance that there will not 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 Company 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 Company 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 an adverse impact on results of operations and financial condition.

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Non-performing assets have increased significantly and could continue to increase, which could adversely affect the Company s results of operations and financial condition.

Non-performing assets (which include foreclosed real estate) adversely affects the Company s net income and financial condition in various ways. The Company does not record interest income on non-accrual loans or other real estate owned, thereby adversely affecting its income. When the Company takes collateral in foreclosures and similar proceedings, it is required to mark the related asset to the then fair market value of the collateral less cost to sell, which may result in a charge-off of the value of the asset and lead the Company to increase the provision for loan losses. An increase in the level of non-performing assets also increases the Company s risk profile and may impact the capital levels its regulators believe is appropriate in light of such risks. Continued 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 Company 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 other real estate owned, the resolution of non-performing assets increases the Company s loan administration costs generally, and requires significant commitments of time from management and the Company s directors, which can be detrimental to performance of their other responsibilities. There can be no assurance that the Company will not experience further increases in non-performing assets in the future.

The Company s ability to access markets for funding and acquire and retain customers could be adversely affected by the deterioration of other financial institutions or to the extent the financial service industry s reputation is damaged.

Reputation risk is the risk to liquidity, earnings and capital arising from negative publicity regarding the financial services industry. The financial services industry continues to be featured in negative headlines about the global and national credit crisis and the resulting stabilization legislation enacted by the U.S. federal government. These reports can be damaging to the industry s image and potentially erode consumer confidence in insured financial institutions, such as the Company s bank subsidiaries. In addition, the Company s ability to engage in routine funding and other transactions could be adversely affected by the actions and financial condition of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, correspondent, counterparty or other relationships. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry in general, could lead to market-wide liquidity problems, losses of depositor, creditor and counterparty confidence and could lead to losses or defaults by us or by other institutions. The Company could experience material changes in the level of deposits as a direct or indirect result of other banks difficulties or failure, which could affect the amount of capital needed.

Decline in the fair value of the Company s investment portfolio could adversely affect earnings

The fair value of the Company s investment securities could decline as a result of factors including changes in market interest rates, credit quality and ratings, lack of market liquidity and other economic conditions. Investment securities are impaired if the fair value of the security is less than the carrying value. When a security is impaired, the Company determines whether 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 an other-than-temporary loss with a corresponding charge to earnings for a like amount.

Fluctuating interest rates can adversely affect profitability.

The Company s profitability is dependent to a large extent upon net interest income, which is the difference (or spread) between the interest earned on loans, 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 Company s interest rate spread, and, in turn, profitability. The Company seeks to manage its interest rate risk within well established guidelines. Generally, the Company seeks an asset and liability structure that insulates net interest income from large deviations attributable to changes in market rates. However, the Company s structures and practices to manage interest rate risk may not be effective in a highly volatile rate environment.

If the goodwill recorded in connection with acquisitions becomes impaired, it could have an adverse impact on earnings and capital.

Accounting standards require that the Company 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 acquiror s balance sheet as goodwill. In accordance with generally accepted accounting principles in the United States of America, 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. Although at the current time the Company has not incurred an impairment of goodwill, there can be no assurance that future evaluations of goodwill will not result in findings of impairment and write-downs, which could be material. An impairment of goodwill could have a material adverse affect on the Company s business, financial condition and results of operations. Furthermore, an impairment of goodwill could subject the Company to regulatory limitations, including the ability to pay dividends on common stock.

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

The Company has in recent years acquired other financial institutions. The Company may in the future engage in selected acquisitions of additional financial institutions, including transactions that may receive assistance from the FDIC, although there can be no assurance that the Company will be able to successfully complete any such transactions. 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, encountering greater than anticipated cost of integrating acquired businesses into the Company s operations, and being unable to profitably deploy funds acquired in an acquisition. The Company cannot provide any assurance as to the extent to which the Company can continue to grow through acquisitions or the impact of such acquisitions on the Company s operating results or 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 may pursue additional capital in the future, which could dilute the holders of the Company s outstanding common stock and may adversely affect the market price of common stock.

In the current economic environment, the Company believes it is prudent to consider alternatives for raising capital when opportunities to raise capital at attractive prices present themselves, in order to further strengthen the Company s capital and better position itself to take advantage of opportunities that may arise in the future. Such alternatives may include issuance and sale of common or preferred stock, trust preferred securities, or borrowings by the Company, with proceeds contributed to the bank subsidiaries. Any such capital raising alternatives could dilute the holders of the Company s outstanding common stock, and may adversely affect the market price of our common stock and performance measures such as earnings per share.

Business would be harmed if the Company lost the services of any of the senior management team.
The Company believes its success to date has been substantially dependent on its Chief Executive Officer and other members of the executive management team, and on the Presidents of its bank subsidiaries. The loss of any of these persons could have an adverse effect on the Company s business and future growth prospects.

Competition in the Company s market areas may limit future success.
Commercial banking is a highly competitive business. The Company competes with other commercial banks, savings and loan associations, credit unions, finance, insurance and other non-depository companies operating in its market areas. The Company 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 Company. Some of the Company s competitors have greater financial resources than the Company. If the Company is unable to effectively compete in its market areas, the Company s business, results of operations and prospects could be adversely affected.

The Company operates in a highly regulated environment and changes of 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 is subject to extensive regulation, supervision and examination by federal and state banking authorities. In addition, as a publicly-traded company, the Company is subject to regulation by the Securities and Exchange Commission. 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.

In that regard, sweeping financial regulatory reform legislation was enacted in July 2010. Among other provisions, the new legislation (i) creates a new Bureau of Consumer Financial Protection with broad powers to regulate consumer financial products such as credit cards and mortgages, (ii) creates a Financial Stability Oversight Council comprised of the heads of other regulatory agencies, (iii) will lead to new capital requirements from federal banking agencies, (iv) places new limits on electronic debt card interchange fees, and (v) will require the Securities and Exchange Commission and national stock exchanges to adopt significant new corporate governance and executive compensation reforms. The new legislation and regulations are expected to increase the overall costs of regulatory compliance.

Further, regulators have significant discretion and authority to prevent or remedy unsafe or unsound practices or violations of laws or regulations by financial institutions and holding companies in the performance of their supervisory and enforcement duties. Recently, these powers have been utilized more frequently due to the serious national, regional and local economic conditions the Company is facing. The exercise of regulatory authority may have a negative impact on the Company s financial condition and results of operations. Additionally, the Company s business is affected significantly by the fiscal and monetary policies of the U.S. federal government and its agencies, including the Federal Reserve Board.

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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, on the Company and on the banks. 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.

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

(a) Not Applicable
(b) Not Applicable
(c) Not Applicable

ITEM 3. Defaults upon Senior Securities

(a) Not Applicable
(b) Not Applicable

ITEM 5. Other Information

(a) Not Applicable
(b) Not Applicable

ITEM 6. Exhibits

Exhibit 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
Exhibit 32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
Exhibit 101	The following financial information from Glacier Bancorp, Inc s Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 is formatted in XBRL: (i) the Unaudited Condensed Consolidated Statements of Financial Condition, (ii) the Unaudited Condensed Consolidated Statements of Operations, (iii) the Unaudited Condensed Consolidated Statements of Stockholders Equity and Comprehensive Income, (iv) the Unaudited Condensed Consolidated Statements of Cash Flows, and (v) the Notes to Unaudited Condensed Consolidated Financial Statements, tagged as blocks of text.

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SIGNATURES

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

	GLACIER BANCORP, INC.
November 8, 2010	/s/ Michael J. Blodnick Michael J. Blodnick President/CEO
November 8, 2010	/s/ Ron J. Copher Ron J. Copher Senior Vice President/CFO

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