

GLACIER BANCORP INC
Form 10-Q
May 06, 2016

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

FORM 10-Q

✓ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 000-18911

GLACIER BANCORP, INC.
(Exact name of registrant as specified in its charter)

MONTANA	81-0519541
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

49 Commons Loop, Kalispell, Montana 59901
(Address of principal executive offices) (Zip Code)
(406) 756-4200

Registrant's telephone number, including area code
Not Applicable

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

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

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

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

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

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

The number of shares of Registrant's common stock outstanding on April 18, 2016 was 76,168,388. No preferred shares are issued or outstanding.

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ABBREVIATIONS/ACRONYMS

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

GLACIER BANCORP, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands, except per share data)	March 31, 2016	December 31, 2015
Assets		
Cash on hand and in banks	\$ 104,222	117,137
Federal funds sold	1,400	6,080
Interest bearing cash deposits	45,239	70,036
Cash and cash equivalents	150,861	193,253
Investment securities, available-for-sale	2,604,625	2,610,760
Investment securities, held-to-maturity	691,663	702,072
Total investment securities	3,296,288	3,312,832
Loans held for sale	40,484	56,514
Loans receivable	5,197,193	5,078,681
Allowance for loan and lease losses	(130,071)	(129,697)
Loans receivable, net	5,067,122	4,948,984
Premises and equipment, net	192,951	194,030
Other real estate owned	22,085	26,815
Accrued interest receivable	47,363	44,524
Deferred tax asset	55,773	58,475
Core deposit intangible, net	13,758	14,555
Goodwill	140,638	140,638
Non-marketable equity securities	24,199	27,495
Other assets	69,220	71,117
Total assets	\$ 9,120,742	9,089,232
Liabilities		
Non-interest bearing deposits	\$ 1,887,004	1,918,310
Interest bearing deposits	5,129,190	5,026,698
Securities sold under agreements to repurchase	445,960	423,414
Federal Home Loan Bank advances	313,969	394,131
Other borrowed funds	6,633	6,602
Subordinated debentures	125,884	125,848
Accrued interest payable	3,608	3,517
Other liabilities	114,814	114,062
Total liabilities	8,027,062	8,012,582
Stockholders' Equity		
Preferred shares, \$0.01 par value per share, 1,000,000 shares authorized, none issued or outstanding	—	—
Common stock, \$0.01 par value per share, 117,187,500 shares authorized	762	761
Paid-in capital	736,664	736,368
Retained earnings - substantially restricted	350,933	337,532
Accumulated other comprehensive income	5,321	1,989
Total stockholders' equity	1,093,680	1,076,650
Total liabilities and stockholders' equity	\$ 9,120,742	9,089,232
Number of common stock shares issued and outstanding	76,168,388	76,086,288

See accompanying notes to unaudited condensed consolidated financial statements.

GLACIER BANCORP, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)	Three Months ended	
	March 31, 2016	March 31, 2015
Interest Income		
Investment securities	\$23,883	22,959
Residential real estate loans	8,285	7,761
Commercial loans	44,503	39,022
Consumer and other loans	7,710	7,744
Total interest income	84,381	77,486
Interest Expense		
Deposits	4,795	4,147
Securities sold under agreements to repurchase	318	241
Federal Home Loan Bank advances	1,652	2,195
Other borrowed funds	18	27
Subordinated debentures	892	772
Total interest expense	7,675	7,382
Net Interest Income	76,706	70,104
Provision for loan losses	568	765
Net interest income after provision for loan losses	76,138	69,339
Non-Interest Income		
Service charges and other fees	14,331	12,999
Miscellaneous loan fees and charges	1,021	1,157
Gain on sale of loans	5,992	5,430
Gain on sale of investments	108	5
Other income	2,800	3,102
Total non-interest income	24,252	22,693
Non-Interest Expense		
Compensation and employee benefits	36,941	32,244
Occupancy and equipment	6,676	6,060
Advertising and promotions	2,125	1,927
Data processing	3,373	2,551
Other real estate owned	390	758
Regulatory assessments and insurance	1,508	1,305
Core deposit intangibles amortization	797	731
Other expenses	10,546	9,921
Total non-interest expense	62,356	55,497
Income Before Income Taxes	38,034	36,535
Federal and state income tax expense	9,352	8,865
Net Income	\$28,682	27,670
Basic earnings per share	\$0.38	0.37
Diluted earnings per share	\$0.38	0.37
Dividends declared per share	\$0.20	0.18
Average outstanding shares - basic	76,126,257	75,206,348
Average outstanding shares - diluted	76,173,417	75,244,959

See accompanying notes to unaudited condensed consolidated financial statements.

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GLACIER BANCORP, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)	Three Months ended	
	March 31, 2016	March 31, 2015
Net Income	\$28,682	27,670
Other Comprehensive Income, Net of Tax		
Unrealized gains on available-for-sale securities	13,598	5,181
Reclassification adjustment for gains included in net income	(61)	(4)
Net unrealized gains on available-for-sale securities	13,537	5,177
Tax effect	(5,244)	(1,979)
Net of tax amount	8,293	3,198
Unrealized losses on derivatives used for cash flow hedges	(9,928)	(5,993)
Reclassification adjustment for losses included in net income	1,829	1,251
Net unrealized losses on derivatives used for cash flow hedges	(8,099)	(4,742)
Tax effect	3,138	1,827
Net of tax amount	(4,961)	(2,915)
Total other comprehensive income, net of tax	3,332	283
Total Comprehensive Income	\$32,014	27,953

See accompanying notes to unaudited condensed consolidated financial statements.

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GLACIER BANCORP, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Three Months ended March 31, 2016 and 2015

(Dollars in thousands, except per share data)	Common Stock		Paid-in Capital	Retained Earnings Substantially Restricted	Accumulated Other Compre- hensive Income	Total
	Shares	Amount				
Balance at December 31, 2014	75,026,092	\$ 750	708,356	301,197	17,744	1,028,047
Comprehensive income	—	—	—	27,670	283	27,953
Cash dividends declared (\$0.18 per share)	—	—	—	(13,631)	—	(13,631)
Stock issuances under stock incentive plans	60,294	1	(290)	—	—	(289)
Stock issued in connection with acquisitions	443,644	4	10,772	—	—	10,776
Stock-based compensation and related taxes	—	—	668	—	—	668
Balance at March 31, 2015	75,530,030	\$ 755	719,506	315,236	18,027	1,053,524
Balance at December 31, 2015	76,086,288	\$ 761	736,368	337,532	1,989	1,076,650
Comprehensive income	—	—	—	28,682	3,332	32,014
Cash dividends declared (\$0.20 per share)	—	—	—	(15,281)	—	(15,281)
Stock issuances under stock incentive plans	82,100	1	(1)	—	—	—
Stock-based compensation and related taxes	—	—	297	—	—	297
Balance at March 31, 2016	76,168,388	\$ 762	736,664	350,933	5,321	1,093,680

See accompanying notes to unaudited condensed consolidated financial statements.

GLACIER BANCORP, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Three Months ended	
	March 31, 2016	March 31, 2015
Operating Activities		
Net income	\$28,682	27,670
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	568	765
Net amortization of investment securities premiums and discounts	6,594	6,282
Loans held for sale originated or acquired	(179,471)	(192,332)
Proceeds from sales of loans held for sale	202,605	