

GLACIER BANCORP INC
 Form 10-Q
 August 05, 2014

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 June 30, 2014

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

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

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a 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 July 22, 2014 was 74,468,026. No preferred shares are issued or outstanding.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1 – Financial Statements	
<u>Unaudited Condensed Consolidated Statements of Financial Condition – June 30, 2014 and December 31, 2013</u>	<u>3</u>
<u>Unaudited Condensed Consolidated Statements of Operations – Three and Six Months ended June 30, 2014 and 2013</u>	<u>4</u>
<u>Unaudited Condensed Consolidated Statements of Comprehensive Income – Three and Six Months ended June 30, 2014 and 2013</u>	<u>5</u>
<u>Unaudited Condensed Consolidated Statements of Changes in Stockholders’ Equity – Six Months ended June 30, 2014 and 2013</u>	<u>6</u>
<u>Unaudited Condensed Consolidated Statements of Cash Flows – Six Months ended June 30, 2014 and 2013</u>	<u>7</u>
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>9</u>
<u>Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>32</u>
<u>Item 3 – Quantitative and Qualitative Disclosure about Market Risk</u>	<u>64</u>
<u>Item 4 – Controls and Procedures</u>	<u>64</u>
Part II. Other Information	<u>64</u>
<u>Item 1 – Legal Proceedings</u>	<u>64</u>
<u>Item 1A – Risk Factors</u>	<u>64</u>
<u>Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>64</u>
<u>Item 3 – Defaults upon Senior Securities</u>	<u>65</u>
<u>Item 4 – Mine Safety Disclosures</u>	<u>65</u>
<u>Item 5 – Other Information</u>	<u>65</u>
<u>Item 6 – Exhibits</u>	<u>65</u>
<u>Signatures</u>	<u>66</u>

GLACIER BANCORP, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands, except per share data)	June 30, 2014	December 31, 2013
Assets		
Cash on hand and in banks	\$ 130,114	109,995
Federal funds sold	2,852	10,527
Interest bearing cash deposits	69,392	35,135
Cash and cash equivalents	202,358	155,657
Investment securities, available-for-sale	2,559,411	3,222,829
Investment securities, held-to-maturity (fair values of \$509,977 and \$0)	483,557	—
Total investment securities	3,042,968	3,222,829
Loans held for sale	56,021	46,738
Loans receivable	4,203,279	4,062,838
Allowance for loan and lease losses	(130,636	) (130,351
Loans receivable, net	4,072,643	3,932,487
Premises and equipment, net	167,741	167,671
Other real estate owned	26,338	26,860
Accrued interest receivable	41,765	41,898
Deferred tax asset	34,505	43,549
Core deposit intangible, net	8,109	9,512
Goodwill	129,706	129,706
Non-marketable equity securities	52,715	52,192
Other assets	55,225	55,251
Total assets	\$ 7,890,094	7,884,350
Liabilities		
Non-interest bearing deposits	\$ 1,464,938	1,374,419
Interest bearing deposits	4,280,898	4,205,548
Securities sold under agreements to repurchase	315,240	313,394
Federal Home Loan Bank advances	607,305	840,182
Other borrowed funds	7,367	8,387
Subordinated debentures	125,633	125,562
Accrued interest payable	3,163	3,505
Other liabilities	75,535	50,103
Total liabilities	6,880,079	6,921,100
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	745	744
Paid-in capital	692,343	690,918
Retained earnings - substantially restricted	292,721	261,943
Accumulated other comprehensive income	24,206	9,645
Total stockholders' equity	1,010,015	963,250
Total liabilities and stockholders' equity	\$ 7,890,094	7,884,350
Number of common stock shares issued and outstanding	74,467,908	74,373,296
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		Six Months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Interest Income				
Residential real estate loans	\$ 7,220	7,026	14,307	14,286
Commercial loans	35,267	29,865	70,309	58,497
Consumer and other loans	7,583	7,909	15,226	15,773
Investment securities	23,893	17,351	48,208	31,550
Total interest income	73,963	62,151	148,050	120,106
Interest Expense				
Deposits	3,061	3,474	6,150	7,186
Securities sold under agreements to repurchase	192	210	402	437
Federal Home Loan Bank advances	2,447	2,648	4,961	5,299
Federal funds purchased and other borrowed funds	48	54	101	106
Subordinated debentures	780	799	1,554	1,615
Total interest expense	6,528	7,185	13,168	14,643
Net Interest Income	67,435	54,966	134,882	105,463
Provision for loan losses	239	1,078	1,361	3,178
Net interest income after provision for loan losses	67,196	53,888	133,521	102,285
Non-Interest Income				
Service charges and other fees	13,547	11,818	25,766	22,404
Miscellaneous loan fees and charges	1,200	1,153	2,229	2,242
Gain on sale of loans	4,778	7,472	8,373	16,561
(Loss) gain on sale of investments	(48	) 241	(99	) 104
Other income	3,027	2,538	5,623	4,861
Total non-interest income	22,504	23,222	41,892	46,172
Non-Interest Expense				
Compensation and employee benefits	28,988	24,917	57,622	49,494
Occupancy and equipment	6,733	5,906	13,346	11,731
Advertising and promotions	1,948	1,621	3,725	3,169
Outsourced data processing	2,032	813	3,320	1,638
Other real estate owned	566	2,968	1,073	3,852
Regulatory assessments and insurance	1,028	1,525	2,620	3,166
Core deposit intangibles amortization	693	505	1,403	991
Other expense	10,685	10,226	19,634	17,874
Total non-interest expense	52,673	48,481	102,743	91,915
Income Before Income Taxes	37,027	28,629	72,670	56,542
Federal and state income tax expense	8,350	5,927	17,263	13,072
Net Income	\$ 28,677	22,702	55,407	43,470
Basic earnings per share	\$ 0.38	0.31	0.74	0.60
Diluted earnings per share	\$ 0.38	0.31	0.74	0.60
Dividends declared per share	\$ 0.17	0.15	0.33	0.29
Average outstanding shares - basic	74,467,576	72,480,019	74,452,568	72,224,263
Average outstanding shares - diluted	74,499,660	72,548,172	74,491,459	72,282,104

See accompanying notes to unaudited condensed consolidated financial statements.

GLACIER BANCORP, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)	Three Months ended		Six Months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Net Income	\$28,677	22,702	55,407	43,470
Other Comprehensive Income (Loss), Net of Tax				
Unrealized gains (losses) on available-for-sale securities	20,714	(56,256	) 35,317	(55,685
Reclassification adjustment for losses (gains) included in net income	48	(241	) 121	(104
Net unrealized gains (losses) on available-for-sale securities	20,762	(56,497	) 35,438	(55,789
Tax effect	(8,056	) 21,977	(13,736	) 21,702
Net of tax amount	12,706	(34,520	) 21,702	(34,087
Unrealized (losses) gains on derivatives used for cash flow hedges	(6,190	) 12,810	(11,669	) 15,562
Tax effect	2,402	(4,983	) 4,528	(6,055
Net of tax amount	(3,788	) 7,827	(7,141	) 9,507
Total other comprehensive income (loss), net of tax	8,918	(26,693	) 14,561	(24,580
Total Comprehensive Income (Loss)	\$37,595	(3,991	) 69,968	18,890

See accompanying notes to unaudited condensed consolidated financial statements.

5

GLACIER BANCORP, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Six Months ended June 30, 2014 and 2013

(Dollars in thousands, except per share data)	Common Stock		Paid-in Capital	Retained Earnings Substantially Restricted	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
Balance at December 31, 2012	71,937,222	\$ 719	641,737	210,531	47,962	900,949
Comprehensive income	—	—	—	43,470	(24,580)	) 18,890
Cash dividends declared (\$0.29 per share)	—	—	—	(21,152)	) —	(21,152)
Stock issuances under stock incentive plans	172,422	2	2,653	—	—	2,655
Stock issued in connection with acquisitions	1,455,256	15	28,275	—	—	28,290
Stock-based compensation and related taxes	—	—	(630)	) —	—	(630)
Balance at June 30, 2013	73,564,900	\$ 736	672,035	232,849	23,382	929,002
Balance at December 31, 2013	74,373,296	\$ 744	690,918	261,943	9,645	963,250
Comprehensive income	—	—	—	55,407	14,561	69,968
Cash dividends declared (\$0.33 per share)	—	—	—	(24,629)	) —	(24,629)
Stock issuances under stock incentive plans	94,612	1	763	—	—	764
Stock-based compensation and related taxes	—	—	662	—	—	662
Balance at June 30, 2014	74,467,908	\$ 745	692,343	292,721	24,206	1,010,015

See accompanying notes to unaudited condensed consolidated financial statements.

6

GLACIER BANCORP, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Six Months ended	
	June 30, 2014	June 30, 2013
Operating Activities		
Net income	\$ 55,407	43,470
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,361	3,178
Net amortization of investment securities premiums and discounts	14,606	39,846
Loans held for sale originated or acquired	(293,098)	(527,853)
Proceeds from sales of loans held for sale	298,399	616,180
Gain on sale of loans	(8,373)	(16,561)
Loss (gain) on sale of investments	99	(104)
Stock-based compensation expense, net of tax benefits	437	607
Excess tax deficiencies from stock-based compensation	14	188
Depreciation of premises and equipment	5,545	4,742
(Gain) loss on sale of other real estate owned and writedowns, net	(969)	987
Amortization of core deposit intangibles	1,403	991
Net decrease (increase) in accrued interest receivable	133	(3,673)
Net (increase) decrease in other assets	(1,870)	1,584
Net decrease in accrued interest payable	(342)	(1,007)
Net increase in other liabilities	2,960	3,406
Net cash provided by operating activities	75,712	165,981
Investing Activities		
Sales of available-for-sale securities	16,639	79,488
Maturities, prepayments and calls of available-for-sale securities	309,569	1,086,493
Purchases of available-for-sale securities	(121,671)	(1,224,241)
Maturities, prepayments and calls of held-to-maturity securities	3,930	—
Purchases of held-to-maturity securities	(7,873)	—
Principal collected on loans	630,875	513,255
Loans originated or acquired	(783,843)	(650,378)
Net addition of premises and equipment and other real estate owned	(5,614)	(3,167)
Proceeds from sale of other real estate owned	6,730	11,066
Net (purchase) sale of non-marketable equity securities	(523)	60
Net cash received from acquisitions	—	12,123
Net cash provided by (used in) investment activities	48,219	(175,301)
Financing Activities		
Net increase (decrease) in deposits	165,869	(261,461)
Net increase in securities sold under agreements to repurchase	1,846	10,516
Net (decrease) increase in Federal Home Loan Bank advances	(232,877)	214,965
Net decrease in other borrowed funds	(949)	(1,471)
Cash dividends paid	(11,942)	(10,099)
Excess tax deficiencies from stock-based compensation	(14)	(188)
Proceeds from stock options exercised	837	2,474
Net cash used in financing activities	(77,230)	(45,264)
Net increase (decrease) in cash and cash equivalents	46,701	(54,584)

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Cash and cash equivalents at beginning of period	155,657	187,040
Cash and cash equivalents at end of period	\$ 202,358	132,456
See accompanying notes to unaudited condensed consolidated financial statements.		

7

GLACIER BANCORP, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Dollars in thousands)	Six Months ended	
	June 30, 2014	June 30, 2013
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	\$ 13,510	15,648
Cash paid during the period for income taxes	16,818	13,660
Supplemental Disclosure of Non-Cash Investing Activities		
Transfer of investment securities from available-for-sale to held-to-maturity	\$ 484,583	—
Sale and refinancing of other real estate owned	501	2,507
Transfer of loans to other real estate owned	5,740	9,889
Acquisitions		
Fair value of common stock shares issued	—	28,290
Cash consideration for outstanding shares	—	11,025
Fair value of assets acquired	—	300,541
Liabilities assumed	—	261,226

See accompanying notes to unaudited condensed consolidated financial statements.

8

GLACIER BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies

General

Glacier Bancorp, Inc. (“Company”) is a Montana corporation headquartered in Kalispell, Montana. The Company provides a full range of banking services to individual and corporate customers in Montana, Idaho, Wyoming, Colorado, Utah and Washington through thirteen divisions of its wholly-owned bank subsidiary, Glacier Bank (“Bank”). The Company offers a wide range of banking products and services, including transaction and savings deposits, real estate, commercial, agriculture and consumer loans and mortgage origination services. The Company serves individuals, small to medium-sized businesses, community organizations and public entities.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the Company’s financial condition as of June 30, 2014, the results of operations and comprehensive income for the three and six month periods ended June 30, 2014 and 2013, and changes in stockholders’ equity and cash flows for the six month periods ended June 30, 2014 and 2013. The condensed consolidated statement of financial condition of the Company as of December 31, 2013 has been derived from the audited consolidated statements of the Company as of that date.

The accompanying unaudited condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (“GAAP”) for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013. Operating results for the six months ended June 30, 2014 are not necessarily indicative of the results anticipated for the year ending December 31, 2014.

The Company is a defendant in legal proceedings arising in the normal course of business. In the opinion of management, the disposition of pending litigation will not have a material affect on the Company’s consolidated financial position, results of operations or liquidity.