GLACIER BANCORP INC
Form 10-Q
May 10, 2011

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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 March 31, 2011

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	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. þ Yes o 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). þ Yes o 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 þ	Accelerated Filer o	Non-Accelerated Filer o	Smaller reporting Company o
		(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). o Yes þ No

The number of shares of Registrant s common stock outstanding on April 21, 2011 was 71,915,073. No preferred shares are issued or outstanding.

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

(Dollars in thousands, except per share data)	March 31, 2011	December 31, 2010
Assets		
Cash on hand and in banks	$ 75,471	71,465
Federal funds sold		
Interest bearing cash deposits	22,633	33,625
Cash and cash equivalents	98,104	105,090
Investment securities, available-for-sale	2,706,315	2,396,459
Loans held for sale	23,904	76,213
Loans receivable, gross	3,646,986	3,749,289
Allowance for loan and lease losses	(140,829)	(137,107)
Loans receivable, net	3,506,157	3,612,182
Premises and equipment, net	152,922	152,492
Other real estate owned	82,594	73,485
Accrued interest receivable	33,707	30,246
Deferred tax asset	37,962	40,284
Core deposit intangible, net	10,030	10,757
Goodwill	146,259	146,259
Non-marketable equity securities	64,434	64,429
Other assets	47,476	51,391
Total assets	$ 6,909,864	6,759,287
Liabilities		
Non-interest bearing deposits	$ 888,311	855,829
Interest bearing deposits	3,663,999	3,666,073
Federal Home Loan Bank advances	960,097	965,141
Securities sold under agreements to repurchase	250,932	249,403
Other borrowed funds	14,135	20,005
Accrued interest payable	6,790	7,245
Subordinated debentures	125,167	125,132
Other liabilities	160,544	32,255
Total liabilities	6,069,975	5,921,083
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	719
Paid-in capital	642,876	643,894
Retained earnings substantially restricted	194,000	193,063
Accumulated other comprehensive income	2,294	528
Total stockholders equity	839,889	838,204
Total liabilities and stockholders equity	$ 6,909,864	6,759,287
Number of shares outstanding	71,915,073	71,915,073
Book value per share	$ 11.68	11.66

See accompanying notes to unaudited condensed consolidated financial statements.

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Glacier Bancorp, Inc.
Unaudited Condensed Consolidated Statements of Operations

	Three Months ended March 31,	
(Dollars in thousands, except per share data)	2011	2010
Interest Income		
Residential real estate loans	$ 8,716	11,833
Commercial loans	33,058	36,672
Consumer and other loans	10,450	10,640
Investment securities	16,149	14,253
Total interest income	68,373	73,398
Interest Expense		
Deposits	7,088	9,331
Federal Home Loan Bank advances	2,548	2,311
Securities sold under agreements to repurchase	357	416
Subordinated debentures	1,643	1,636
Other borrowed funds	33	190
Total interest expense	11,669	13,884
Net Interest Income	56,704	59,514
Provision for loan losses	19,500	20,910
Net interest income after provision for loan losses	37,204	38,604
Non-Interest Income		
Service charges and other fees	10,208	9,520
Miscellaneous loan fees and charges	977	1,126
Gain on sale of loans	4,694	3,891
Gain on sale of investments	124	314
Other income	1,392	1,332
Total non-interest income	17,395	16,183
Non-Interest Expense		
Compensation, employee benefits and related expense	21,603	21,356
Occupancy and equipment expense	5,954	5,948
Advertising and promotions	1,484	1,592
Outsourced data processing expense	773	694
Core deposit intangibles amortization	727	820
Other real estate owned expense	2,099	2,318
Federal Deposit Insurance Corporation premiums	2,324	2,200

Other expense		7,512	7,033
Total non-interest expense		42,476	41,961
Earnings Before Income Taxes		12,123	12,826
Federal and state income tax expense		1,838	2,756
Net Earnings	$	10,285	10,070
Basic earnings per share	$	0.14	0.16
Diluted earnings per share	$	0.14	0.16
Dividends declared per share	$	0.13	0.13
Return on average assets (annualized)		0.62%	0.67%
Return on average equity (annualized)		4.95%	5.75%
Average outstanding shares basic		71,915,073	62,763,299
Average outstanding shares diluted		71,915,073	62,763,299

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, 2010 and Three Months ended March 31, 2011

(Dollars in thousands, except per share data)	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings Substantially Restricted	Accumulated Other Comp-rehensive Income (Loss)	Total Stock-holders' Equity
Balance at January 1, 2010	61,619,803	$ 616	497,493	188,129	(348)	685,890
Comprehensive income:						
Net earnings				42,330		42,330
Unrealized gain on securities, net of reclassification adjustment and taxes					876	876
Total comprehensive income						43,206
Cash dividends declared ($0.52 per share)				(37,396)		(37,396)
Stock options exercised	3,805		58			58
Public offering of stock issued	10,291,465	103	145,493			145,596
Stock based compensation and tax benefit			850			850
Balance at December 31, 2010	71,915,073	$ 719	643,894	193,063	528	838,204
Comprehensive income:						
Net earnings				10,285		10,285
Unrealized gain on securities, net of reclassification adjustment and taxes					1,766	1,766
Total comprehensive income						12,051
Cash dividends declared ($0.13 per share)				(9,348)		(9,348)
Stock options exercised						
Stock based compensation and tax benefit			(1,018)			(1,018)
Balance at March 31, 2011	71,915,073	$ 719	642,876	194,000	2,294	839,889

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)	Three Months ended March 31 2011	2010
Operating Activities		
Net cash provided by operating activities	$ 226,910	62,937
Investing Activities		
Proceeds from sales, maturities and prepayments of investments available-for-sale	104,065	107,235
Purchases of investments available-for-sale	(420,785)	(229,917)
Principal collected on commercial and consumer loans	150,052	166,829
Commercial and consumer loans originated or acquired	(163,105)	(166,437)
Principal collections on real estate loans	102,977	40,490
Real estate loans originated or acquired	(21,882)	(28,026)
Net purchase of FHLB and FRB stock		(677)
Proceeds from sale of other real estate owned	6,033	5,689
Net addition of premises and equipment and other real estate owned	(2,961)	(2,858)
Net cash used in investment activities	(245,606)	(107,672)
Financing Activities		
Net increase in deposits	30,408	64,692
Net (decrease) increase in FHLB advances	(5,044)	12,519
Net increase in securities sold under repurchase agreements	1,529	29,604
Net decrease in Federal Reserve Bank discount window		(225,000)
Net decrease in other borrowed funds	(5,835)	(6,925)
Cash dividends paid	(9,348)	(9,348)
Proceeds from exercise of stock options and other stock issued		145,705
Net cash provided by financing activities	11,710	11,247
Net decrease in cash and cash equivalents	(6,986)	(33,488)
Cash and cash equivalents at beginning of period	105,090	210,575
Cash and cash equivalents at end of period	$ 98,104	177,087
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$ 12,236	13,829
Cash paid during the period for income taxes		
Sale and refinancing of other real estate owned	1,145	4,319
Other real estate acquired in settlement of loans	17,277	13,418

See accompanying notes to unaudited condensed consolidated financial statements.

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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 March 31, 2011, stockholders equity and comprehensive income for the three months ended March 31, 2011, the results of operations for the three month period ended March 31, 2011 and 2010, and cash flows for the three months ended March 31, 2011 and 2010. The condensed consolidated statement of financial condition and statement of stockholders equity and comprehensive income of the Company as of and for the year ended December 31, 2010 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 for the year ended December 31, 2010. Operating results for the three months ended March 31, 2011 are not necessarily indicative of the results anticipated for the year ending December 31, 2011. Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 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 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 March 31, 2011, the Company is the parent holding company (Parent) for eleven independent wholly-owned community bank subsidiaries: Glacier Bank (Glacier), First Security Bank of Missoula (First Security), Western Security Bank (Western), Valley Bank of Helena (Valley), Big Sky Western Bank (Big Sky), 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. All significant inter-company transactions have been eliminated in consolidation.

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In 2010, the Company formed a wholly-owned subsidiary, GBCI Other Real Estate (GORE), to isolate certain bank foreclosed properties for legal protection and administrative purposes. The foreclosed properties were sold to GORE from bank subsidiaries at fair market value and properties remaining 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.

FASB ASC Topic 810, *Consolidation*, states that a variable interest entity (VIE) exists when either the entity s total equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support or the equity investors as a group lack any of the following three characteristics: the power through voting rights or similar rights to direct the activities of an entity that most significantly impact the entity s economic performance, the obligation to absorb the expected losses of the entity, the right to receive the expected residual returns of the entity. A variable interest is a contractual ownership or other interest that changes with changes in the fair value of the VIE s net assets exclusive of variable interests. Under the guidance, the Company is deemed to be the primary beneficiary and required to consolidate a VIE if it has a variable interest in the VIE that provides it with a controlling financial interest. The determination of whether a controlling financial interest exists is based on whether a single party has both the power to direct the VIE s significant activities and has an obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The guidance requires continual reconsideration of conclusions reached regarding which variable interest holder is a VIE s primary beneficiary.

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 CDEs and the LIHTC partnerships are VIEs. The underlying activities of the VIEs 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 VIEs is the amount of equity invested and credit extended by the Company; however, the Company has credit protection in the form of indemnification agreements, guarantees, and collateral arrangements. The Company has evaluated the variable interests held by the Company in each CDE (NMTC) and LIHTC partnership investments and determined that the Company is the primary beneficiary of such VIEs and has consolidated the VIEs into the bank subsidiary which holds the direct investment in the VIE. For the CDE (NMTC) and LIHTC investments, the creditors and other beneficial interest holders therein have no recourse to the general credit of the bank subsidiaries. As of March 31, 2011, the Company had investments in VIEs of $39,780,000 and $3,263,000 for the CDE (NMTC) and LIHTC partnerships, respectively. The total assets consolidated into the bank subsidiaries approximated the investments in the VIEs.

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The following abbreviated organizational chart illustrates the various relationships as of March 31, 2011:

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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 designated as available-for-sale is presented below.

	Three Months ended March 31, 2011				
	Weighted	Amortized	Gross Unrealized		Fair
(Dollars in thousands)	Yield	Cost	Gains	Losses	Value
U.S. Government and federal agency					
Maturing after one year through five years	1.62%	$ 206	4		210
U.S. Government sponsored enterprises					
Maturing after one year through five years	2.21%	37,202	352		37,554
Maturing after five years through ten years	1.89%	86			86
Maturing after ten years					
	2.20%	37,288	352		37,640
State and local governments and other issues					
Maturing within one year	2.70%	1,790	20	(3)	1,807
Maturing after one year through five years	2.49%	83,067	292	(79)	83,280
Maturing after five years through ten years	2.76%	38,221	235	(39)	38,417
Maturing after ten years	4.88%	763,023	8,911	(14,057)	757,877
	4.56%	886,101	9,458	(14,178)	881,381
Collateralized debt obligations					
Maturing after ten years	8.03%	11,178		(4,103)	7,075
Residential mortgage-backed securities	2.26%	1,767,764	15,347	(3,102)	1,780,009
Total investment securities	3.04%	$ 2,702,537	25,161	(21,383)	2,706,315

	Year ended December 31, 2010				
	Weighted	Amortized	Gross Unrealized		Fair
(Dollars in thousands)	Yield	Cost	Gains	Losses	Value
U.S. Government and federal agency					
Maturing after one year through five years	1.62%	$ 207	4		211
U.S. Government sponsored enterprises					

Maturing after one year through five years	2.38%	40,715	715		41,430
Maturing after five years through ten years	1.94%	84			84
Maturing after ten years	0.73%	4			4
	2.38%	40,803	715		41,518
State and local governments and other issues					
Maturing within one year	2.62%	1,703	20	(5)	1,718
Maturing after one year through five years	3.70%	8,341	214	(10)	8,545
Maturing after five years through ten years	3.73%	18,675	379	(56)	18,998
Maturing after ten years	4.91%	639,364	5,281	(15,873)	628,772
	4.86%	668,083	5,894	(15,944)	658,033
Collateralized debt obligations					
Maturing after ten years	8.03%	11,178		(4,583)	6,595
Residential mortgage-backed securities	2.23%	1,675,319	17,569	(2,786)	1,690,102
Total investment securities	3.00%	$ 2,395,590	24,182	(23,313)	2,396,459

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Included in the residential mortgage-backed securities is $63,556,000 and $68,051,000 as of March 31, 2011 and December 31, 2010, respectively, of non-guaranteed private label whole loan mortgage-backed securities of which none of the underlying collateral is subprime. 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 are based on the constant yield method taking into account premium amortization and discount accretion. Weighted yields on tax-exempt investment securities exclude the tax effect.

Interest income from investment securities consists of the following:

(Dollars in thousands)	2011	2010
Taxable interest	$ 9,370	8,685
Tax-exempt interest	6,779	5,568
Total interest income	$ 16,149	14,253

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

	Three Months ended March 31,	
(Dollars in thousands)	2011	2010
Gross proceeds	$ 4,134	9,058
Less amortized cost	(4,010)	(8,744)
Net gain on sale of investments	$ 124	314
Gross gain on sale of investments	$ 184	390
Gross loss on sale of investments	(60)	(76)
Net gain on sale of investments	$ 124	314

At March 31, 2011 and December 31, 2010, the Company had investment securities with carrying values of $760,444,000 and $879,330,000, respectively, pledged as collateral for Federal Home Loan Bank (FHLB) advances, securities sold under agreements to repurchase, U.S. Treasury Tax and Loan borrowings and deposits of several local government units.

Investments with an unrealized loss position at March 31, 2011:

	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	$ 354,109	12,400	15,477	1,778	369,586	14,178
Collateralized debt obligations			7,074	4,103	7,074	4,103
Residential mortgage-backed securities	324,957	2,307	16,258	795	341,215	3,102
Total temporarily impaired securities	$ 679,066	14,707	38,809	6,676	717,875	21,383

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Investments with an unrealized loss position at December 31, 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	$ 365,164	(14,680)	13,129	(1,264)	378,293	(15,944)
Collateralized debt obligations			6,595	(4,583)	6,595	(4,583)
Residential mortgage-backed securities	364,925	(1,585)	19,304	(1,201)	384,229	(2,786)
Total temporarily impaired securities	$ 730,089	(16,265)	39,028	(7,048)	769,117	(23,313)

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 of a like amount.

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 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 securities. In so doing, management considers contractual constraints, liquidity, capital, asset/liability management and securities portfolio objectives. With respect to its impaired securities at March 31, 2011, management determined that it does not intend to sell and that there is no expected requirement to sell any of its impaired securities.

Based on an analysis of its impaired securities as of March 31, 2011, the Company determined that none of such securities had other-than-temporary impairment.

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4) Loans Receivable, Net

The following is a summary of the recorded investment in loans and ALLL for the periods ended March 31, 2011 and December 31, 2010 on a portfolio class basis:

		At or for the Three Months ended March 31, 2011				
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Consumer
Allowance for loan and lease losses						
Balance at beginning of period	$ 137,107	20,957	76,147	19,932	13,334	6,737
Provision for loan losses	19,500	(2,260)	14,267	2,638	2,121	2,734
Charge-offs	(16,504)	(1,769)	(10,628)	(1,753)	(1,332)	(1,022)
Recoveries	726	76	312	143	83	112
Balance at end of period	$ 140,829	17,004	80,098	20,960	14,206	8,561
Allowance for loan and lease losses						
Individually evaluated for impairment	$ 15,402	601	8,786	4,069	974	972
Collectively evaluated for impairment	125,427	16,403	71,312	16,891	13,232	7,589
Total ALLL	$ 140,829	17,004	80,098	20,960	14,206	8,561
Loans receivable						
Individually evaluated for impairment	$ 218,741	19,055	158,144	26,183	9,889	5,470
Collectively evaluated for impairment	3,428,245	524,174	1,601,737	618,667	459,245	224,422
Total Loans receivable	$ 3,646,986	543,229	1,759,881	644,850	469,134	229,892

			December 31, 2010			
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Consumer
Allowance for loan and lease losses						
Individually evaluated for impairment	$ 16,871	2,793	10,184	2,649	504	741
Collectively evaluated for impairment	120,236	18,164	65,963	17,283	12,830	5,996
Total ALLL	$ 137,107	20,957	76,147	19,932	13,334	6,737

Loans receivable						
Individually evaluated for impairment	$ 225,052	29,480	165,784	21,358	6,138	2,292
Collectively evaluated for impairment	3,524,237	603,397	1,630,719	633,230	476,999	179,892
Total Loans receivable	$ 3,749,289	632,877	1,796,503	654,588	483,137	182,184

Substantially all of the Company s loan receivables are with customers within the Company s market areas. Although the Company has a diversified loan portfolio, a substantial portion of its customers ability to honor their obligations is dependent upon the economic performance in the Company s market areas. Net deferred fees, premiums, and discounts are included in the loan receivable balances of $5,165,000 and $6,001,000 at March 31, 2011 and December 31, 2010, respectively.

The following is a summary of activity in the ALLL for the periods ended March 31, 2011 and March 31, 2010:

(Dollars in thousands)	March 31, 2011	March 31, 2010
Balance at the beginning of the year	$ 137,107	142,927
Charge-offs	(16,504)	(21,477)
Recoveries	726	1,240
Provision	19,500	20,910
Balance at the end of the period	$ 140,829	143,600

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The following is a summary of the impaired loans by portfolio class of loans for the periods ended March 31, 2011 and December 31, 2010:

	At or for the Three Months ended March 31, 2011					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Consumer
Loans with a specific valuation allowance						
Recorded balance	$ 61,141	4,736	39,106	11,457	1,778	4,064
Unpaid principal balance	64,971	4,714	41,925	12,470	1,793	4,069
Valuation allowance	15,402	601	8,786	4,069	974	972
Average impaired loans	63,155	8,604	41,722	8,678	1,255	2,896
Loans without a specific valuation allowance						
Recorded balance	$ 157,600	14,319	119,038	14,726	8,111	1,406
Unpaid principal balance	190,136	15,993	145,976	17,261	9,029	1,877
Average impaired loans	158,742	15,663	120,242	15,093	6,759	985
Totals						
Recorded balance	$ 218,741	19,055	158,144	26,183	9,889	5,470
Unpaid principal balance	255,107	20,707	187,901	29,731	10,822	5,946
Valuation allowance	15,402	601	8,786	4,069	974	972
Average impaired loans	221,897	24,267	161,964	23,771	8,014	3,881

	At or for the Year ended December 31, 2010					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Consumer
Loans with a specific valuation allowance						
Recorded balance	$ 65,170	12,473	44,338	5,898	732	1,729
Unpaid principal balance	73,195	12,970	50,614	6,934	945	1,732
Valuation allowance	16,871	2,793	10,184	2,649	504	741
Average impaired loans	71,192	10,599	51,627	5,773	1,514	1,679
Loans without a specific valuation allowance						
Recorded balance	$ 159,882	17,007	121,446	15,460	5,406	563
Unpaid principal balance	186,280	20,399	142,141	16,909	6,204	627
Average impaired loans	152,364	18,402	109,136	17,412	5,696	1,718
Totals						
Recorded balance	$ 225,052	29,480	165,784	21,358	6,138	2,292
Unpaid principal balance	259,475	33,369	192,755	23,843	7,149	2,359
Valuation allowance	16,871	2,793	10,184	2,649	504	741
Average impaired loans	223,556	29,001	160,763	23,185	7,210	3,397

The following is a loan portfolio aging analysis as of March 31, 2011 and December 31, 2010:

	At March 31, 2011					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Consumer
Accruing loans 30-59 days or more past due	$ 41,701	11,337	16,122	4,689	2,946	6,607
Accruing loans 60-89 days or more past due	10,701	404	8,317	1,040	484	456
Accruing loans 90 days or more past due	6,578	191	2,171	1,378	2,383	455
Non-accual loans	178,402	16,949	126,071	25,219	6,810	3,353
Total past due and non-accrual loans	237,382	28,881	152,681	32,326	12,623	10,871
Current loans receivable	3,409,604	514,348	1,607,200	612,524	456,511	219,021
Total loans receivable	$ 3,646,986	543,229	1,759,881	644,850	469,134	229,892

	At December 31, 2010					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Consumer
Accruing loans 30-59 days or more past due	$ 36,545	13,450	11,399	6,262	3,031	2,403
Accruing loans 60-89 days or more past due	8,952	1,494	4,424	1,053	1,642	339
Accruing loans 90 days or more past due	4,531	506	731	2,320	910	64
Non-accual loans	192,505	23,095	142,334	18,802	5,431	2,843
Total past due and non-accrual loans	242,533	38,545	158,888	28,437	11,014	5,649
Current loans receivable	3,506,756	594,332	1,637,615	626,151	472,123	176,535
Total loans receivable	$ 3,749,289	632,877	1,796,503	654,588	483,137	182,184

Interest income recognized on impaired loans for the periods ended March 31, 2011 and December 31, 2010 was not significant. The Company s TDR loans are included in the amount of impaired loans. As of March 31, 2011, the Company had TDR loans of $62,371,000 of which $36,686,000 was on non-accrual status.

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. The amount of loans sold and serviced for others at March 31, 2011 and December 31, 2010 was $170,009,000 and $173,446,000, respectively.

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

The Company considers its impaired loans to be the primary credit quality indicator for monitoring the credit quality of the loan portfolio. Loans are designated impaired when, based upon current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement; and therefore, the Company has serious doubts as to the ability of such borrowers to fulfill the contractual obligation. Impaired loans include non-performing loans (i.e., non-accrual loans and accruing loans 90 days or more past due) and accruing loans under ninety days past due where it is probable payments will not be received according to the loan agreement (e.g., troubled debt restructuring (TDR) loans). Loan impairment is measured in the same manner for each class within the loan portfolio.

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5) Other Intangible Assets

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

(Dollars in thousands)	March 31, 2011
Gross carrying value	$ 31,847
Accumulated amortization	(21,817)
Net carrying value	$ 10,030
Weighted-average amortization period	
(Period in years)	9.1
Aggregate amortization expense	
For the three months ended March 31, 2011	$ 727
Estimated amortization expense	
For the year ended December 31, 2011	$ 2,473
For the year ended December 31, 2012	2,111
For the year ended December 31, 2013	1,860
For the year ended December 31, 2014	1,611
For the year ended December 31, 2015	1,368

6) Deposits

The following table identifies the amount outstanding at March 31, 2011 for deposits of $100,000 and greater, 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 $368,012,000. Included in demand deposits are brokered deposits of $196,193,000.

(Dollars in thousands)	Certificates of Deposit	Demand Deposits	Totals
Within three months	$ 319,570	1,810,386	2,129,956
Three months to six months	236,951		236,951
Seven months to twelve months	191,102		191,102
Over twelve months	151,791		151,791
Totals	$ 899,414	1,810,386	2,709,800

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7) Short-term Borrowings

The following table provides information relating short-term borrowings which includes borrowings that mature within one year of period end:

(Dollars in thousands)	At or for the Three Months ended March 31, 2011	At or for the Year ended December 31, 2010
FHLB advances		
Amount outstanding at end of period	$ 733,028	761,064
Weighted interest rate on outstanding amount	0.44%	0.32%
Maximum outstanding at any month-end	$ 777,052	773,076
Average balance	$ 754,647	488,044
Weighted average interest rate	0.45%	0.39%
Repurchase agreements		
Amount outstanding at end of period	$ 250,932	249,403
Weighted interest rate on outstanding amount	0.60%	0.63%
Maximum outstanding at any month-end	$ 250,932	252,083
Average balance	$ 240,579	227,202
Weighted average interest rate	0.60%	0.71%
Total FHLB advances, repurchase agreements, and Federal Reserve Bank discount window		
Amount outstanding at end of period	$ 983,960	1,010,467
Weighted interest rate on outstanding amount	0.48%	0.40%
Maximum outstanding at any month-end	$ 1,027,984	1,025,159
Average balance	$ 995,226	715,246
Weighted average interest rate	0.49%	0.49%

8) Comprehensive Income

The Company s only component of comprehensive income other than net earnings is the unrealized gain or loss, net of tax, on available-for-sale securities.

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(Dollars in thousands)	Three Months ended March 31, 2011	2010
Net earnings	$ 10,285	10,070
Unrealized holding gains arising during the period	3,028	9,953
Tax expense	(1,186)	(3,900)
Net after tax	1,842	6,053
Reclassification adjustment for gains included in net earnings	(124)	(314)
Tax expense	48	123
Net after tax	(76)	(191)
Net unrealized gain on securities	1,766	5,862
Total comprehensive income	$ 12,051	15,932

9) 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 March 31, 2011:

	Years ended December 31,
Federal	2007, 2008 and 2009
Montana	2007, 2008 and 2009
Idaho	2007, 2008 and 2009
Colorado	2007, 2008 and 2009
Utah	2007, 2008 and 2009

The Company has investments in CDEs 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 LIHTCs 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 has investments 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.

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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
2011	$ 2,000	1,176	953	4,129
2012	2,306	1,270	939	4,515
2013	2,400	1,270	921	4,591
2014	2,400	1,270	899	4,569
2015	2,400	1,174	875	4,449
Thereafter	564	5,379	5,263	11,206
	$ 12,070	11,539	9,850	33,459

The Company had no unrecognized tax benefit as of March 31, 2011 and 2010. The Company recognizes interest related to unrecognized income tax benefits in interest expense and penalties are recognized in other expense. During the three months ended March 31, 2011 and 2010, the Company did not recognize interest expense or penalties with respect to income tax liabilities. The Company had no accrued liabilities for the payment of interest or penalties at March 31, 2011 and 2010.

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

	Three Months ended March 31, 2011	2010
Net earnings available to common stockholders, basic and diluted	$ 10,285,000	10,070,000
Average outstanding shares basic	71,915,073	62,763,299
Add: dilutive stock options		
Average outstanding shares diluted	71,915,073	62,763,299
Basic earnings per share	$ 0.14	0.16
Diluted earnings per share	$ 0.14	0.16

There were 1,746,472 and 2,408,381 stock options excluded from the diluted average outstanding share calculation for the three months ended March 31, 2011 and 2010, respectively, due to the option exercise price exceeding the market price.

11) 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

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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 March 31, 2011.

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 during the three month period ended March 31, 2011 and the year ended December 31, 2010.

(Dollars in thousands)	Assets/ Liabilities Measured at Fair Value 03/31/11	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	$ 210		210	
Government sponsored enterprises	37,640		37,640	
State and local governments and other issues	881,381		881,381	
Collateralized debt obligations	7,075			7,075
Residential mortgage-backed securities	1,780,009		1,779,811	198
Total financial assets	$ 2,706,315		2,699,042	7,273

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(Dollars in thousands)	Assets/ Liabilities Measured at Fair Value 12/31/10	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	$ 211		211	
Government sponsored enterprises	41,518		41,518	
State and local governments and other issues	658,033		658,033	
Collateralized debt obligations	6,595			6,595
Residential mortgage-backed securities	1,690,102		1,689,946	156
Total financial assets	$ 2,396,459		2,389,708	6,751

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 three month periods ended March 31, 2011 and 2010.

		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, 2010	$ 6,751		6,595	156
Total unrealized gains included in other comprehensive income	522		480	42
Amortization, accretion and principal payments				
Sales, maturities and calls				
Transfers out of Level 3				
Balance as of March 31, 2011	$ 7,273		7,075	198

		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 included in other comprehensive income	2,842		2,385	457
Amortization, accretion and principal payments				
Purchases				
Transfers out of Level 3	(2,088)	(2,088)		

Balance as of March 31, 2010	$ 10,742	9,174	1,568

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 March 31, 2011.

Other real estate owned: other real estate owned is carried at the lower of fair value at acquisition date or estimated fair value, less estimated cost to sell. Estimated fair value of other real estate owned is based on appraisals or evaluations. Other real estate owned is 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.

In determining fair values of other real estate owned and the collateral-dependent impaired loan, the Company considers the appraisal or evaluation as the starting point for determining fair value and the Company also considers other factors and events in the environment that may affect the fair value.

The following schedule discloses the major classes of assets with a recorded change during the year in the consolidated financial statements resulting from re-measuring the assets at fair value on a non-recurring basis for the periods ending March 31, 2011 and December 31, 2010.

(Dollars in thousands)	Assets/ Liabilities Measured at Fair Value 03/31/11	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	$ 1,393			1,393
Collateral-dependent impaired loans, net of allowance for loan and lease losses	33,930			33,930
Total financial assets	$ 35,323			35,323

(Dollars in thousands)	Assets/ Liabilities Measured at Fair Value 12/31/10	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	$ 17,492			17,492
Collateral-dependent impaired loans, net of allowance for loan and lease losses	47,283			47,283
Total financial assets	$ 64,775			64,775

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.

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. These assets are included in non-marketable equity securities reported on the Company s balance sheet.

Loans held for sale: fair value is estimated at book value due to the insignificant time between origination date and sale date.

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 March 31, 2011 and December 31, 2010:

	March 31, 2011		December 31, 2010	
(Dollars in thousands)	Amount	Fair Value	Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 98,104	98,104	105,090	105,090
Investment securities	2,706,315	2,706,315	2,396,459	2,396,459
Loans held for sale	23,904	23,904	76,213	76,213
Loans receivable, net of allowance for loan and lease losses	3,506,157	3,551,031	3,612,182	3,631,716
Non-marketable equity securities	64,434	64,434	64,429	64,429
Accrued interest receivable	33,707	33,707	30,246	30,246
Total financial assets	$ 6,432,621	6,477,495	6,284,619	6,304,153
Financial liabilities				
Deposits	$ 4,552,310	4,563,339	4,521,902	4,533,974
FHLB advances	960,097	969,977	965,141	974,853
Repurchase agreements and other borrowed funds	265,067	265,072	269,408	269,414
Subordinated debentures	125,167	70,806	125,132	70,404
Accrued interest payable	6,790	6,790	7,245	7,245
Total financial liabilities	$ 5,909,431	5,875,984	5,888,828	5,855,890

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12) 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, with the exception of GORE. 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. 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:

	At or for the Three Months ended March 31, 2011							
(Dollars in thousands)	Glacier	Mountain West	First Security	Western	1st Bank	Valley	Big Sky	First National
External revenues	$ 17,334	17,469	12,657	8,194	7,613	4,969	4,741	3,261
Intersegment revenues	66	142	20	55	3	59	3	35
Expenses	(15,041)	(18,509)	(10,714)	(6,305)	(6,515)	(3,493)	(3,782)	(2,753)
Net Earnings (Loss)	$ 2,359	(898)	1,963	1,944	1,101	1,535	962	543
Total Assets	$ 1,387,078	1,172,141	1,062,765	764,396	746,074	398,690	363,805	360,346

	Citizens	First Bank of MT	San Juans	GORE	Parent	Eliminations	Consolidated
External revenues	$ 4,156	2,314	2,629	30	401		85,768
Intersegment revenues	18	35	44		14,686	(15,166)	
Expenses	(3,583)	(1,481)	(2,210)	(324)	(4,862)	4,089	(75,483)
Net Earnings (Loss)	$ 591	868	463	(294)	10,225	(11,077)	10,285
Total Assets	$ 317,353	254,958	234,195	21,232	984,190	(1,157,359)	6,909,864

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	At or for the Three Months ended March 31, 2010						
(Dollars in thousands)	Glacier	Mountain West	First Security	Western	1st Bank	Valley	Big Sky
External revenues	$ 18,735	18,950	12,556	8,128	7,976	5,092	4,836
Intersegment revenues	48	19	18	132	91	36	
Expenses	(17,735)	(18,484)	(10,160)	(6,317)	(6,501)	(3,631)	(4,504)
Net Earnings (Loss)	$ 1,048	485	2,414	1,943	1,566	1,497	332
Total Assets	$ 1,337,314	1,246,716	912,266	625,791	633,025	318,270	376,947

	First National	Citizens	First Bank of MT	San Juans	Parent	Eliminations	Consolidated
External revenues	$ 4,040	4,148	2,420	2,637	63		89,581
Intersegment revenues	8		50		14,636	(15,038)	
Expenses	(3,676)	(3,570)	(1,691)	(2,461)	(4,629)	3,848	(79,511)
Net Earnings (Loss)	$ 372	578	779	176	10,070	(11,190)	10,070
Total Assets	$ 305,986	256,681	211,717	176,832	981,417	(1,157,094)	6,225,868

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 we have 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 our common stock and our ability to raise additional capital in the future;

competition from other financial services companies in our markets;

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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.

Financial Condition Analysis

Assets

(Unaudited - Dollars in thousands)	March 31, 2011	December 31, 2010	March 31, 2010	$ Change from December 31, 2010	$ Change from March 31, 2010
Cash on hand and in banks	$ 75,471	71,465	93,242	4,006	(17,771)
Investments, interest bearing deposits, and fed funds	2,728,948	2,430,084	1,658,230	298,864	1,070,718
Loans					
Residential real estate	543,229	632,877	717,306	(89,648)	(174,077)
Commercial	2,404,731	2,451,091	2,593,266	(46,360)	(188,535)
Consumer and other	699,026	665,321	704,789	33,705	(5,763)
Loans receivable	3,646,986	3,749,289	4,015,361	(102,303)	(368,375)
Allowance for loan and lease losses	(140,829)	(137,107)	(143,600)	(3,722)	2,771
Loans receivable, net	3,506,157	3,612,182	3,871,761	(106,025)	(365,604)
Other assets	599,288	645,556	602,635	(46,268)	(3,347)
Total assets	$ 6,909,864	6,759,287	6,225,868	150,577	683,996

Total assets at March 31, 2011 were $6.910 billion, which is $151 million, or 2 percent greater than total assets of $6.759 billion at December 31, 2010 and $684 million, or 11 percent greater than total assets of $6.226 billion at March 31, 2010.

Investment securities, including interest bearing deposits and federal funds sold, have increased $299 million, or 12 percent, from December 31, 2010 and increased $1.071 billion, or 65 percent, since March 31, 2010. The Company continues to purchase investment securities, predominately mortgage-backed securities issued by Freddie Mac and Fannie Mae, with short weighted-average-lives to offset the current lack of loan growth. The Company also continues to selectively purchase and diversify it s tax-exempt investment securities. Investment securities represent 39 percent of total assets at March 31, 2011 versus 36 percent of total assets at March 31, 2010.

At March 31, 2011, loans receivable were $3.647 billion, a decrease of $102 million, or 3 percent, over loans receivable of $3.749 billion at December 31, 2010. Excluding net charge-offs of $15.8 million and loans transferred to other real estate of $16.7 million, loans decreased $69.5 million, or 2 percent from December 31, 2010. During the past twelve months, gross loans decreased $368 million, or 9 percent, over gross loans of $4.015 billion at March 31, 2010. The largest decrease in dollars was in commercial loans which decreased $189 million, or 7 percent, from March 31, 2010.

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Liabilities

(Unaudited Dollars in thousands)	March 31, 2011	December 31, 2010	March 31, 2010	$ Change from December 31, 2010	$ Change from March 31, 2010
Non-interest bearing deposits	$ 888,311	855,829	828,141	32,482	60,170
Interest bearing deposits	3,663,999	3,666,073	3,336,703	(2,074)	327,296
FHLB advances	960,097	965,141	802,886	(5,044)	157,211
Securities sold under agreements to repurchase and other borrowed funds	265,067	269,408	248,894	(4,341)	16,173
Other liabilities	167,334	39,500	45,765	127,834	121,569
Subordinated debentures	125,167	125,132	125,024	35	143
Total liabilities	$ 6,069,975	5,921,083	5,387,413	148,892	682,562

As of March 31, 2011, non-interest bearing deposits of $888 million increased $32 million, or 4 percent, since December 31, 2010 and increased $60 million, or 7 percent, since March 31, 2010. Interest bearing deposits of $3.664 billion at March 31, 2011 include $181 million issued through the Certificate of Deposit Account Registry System (CDARS). Interest bearing deposits decreased $2 million, or .1 percent, from the prior quarter, which includes a $3.4 million reduction in wholesale deposits. Interest bearing deposits increased $327 million, or 10 percent from March 31, 2010 which included $184 million from wholesale deposits and CDARS. The increase in non-interest bearing deposits from both the prior quarter and the same quarter last year was driven by growth in the 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. The decrease in interest bearing deposits from the prior quarter resulted primarily from seasonal decreases that typically occur during the first quarter.

Increases in deposits have reduced the Company s reliance on the amount of borrowings necessary to fund investment security growth. Federal Home Loan Bank advances decreased $5 million, or 1 percent, from December 31, 2010 and increased $157 million, or 20 percent, from March 31, 2010. Repurchase agreements and other borrowed funds were $265 million at March 31, 2011, a decrease of $4.3 million, or 2 percent, from December 31, 2010. Included in Other Liabilities at March 31, 2011 is a $128.9 million obligation for securities purchased in March that will settle in April.

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Stockholders Equity

(Unaudited Dollars in thousands, except per share data)		March 31, 2011	December 31, 2010	March 31, 2010	$ Change from December 31, 2010	$ Change from March 31, 2010
Common equity	$	837,595	837,676	832,941	(81)	4,654
Accumulated other comprehensive income		2,294	528	5,514	1,766	(3,220)
Total stockholders equity		839,889	838,204	838,455	1,685	1,434
Goodwill and core deposit intangible, net		(156,289)	(157,016)	(159,376)	727	3,087
Tangible stockholders equity	$	683,600	681,188	679,079	2,412	4,521
Stockholders equity to total assets		12.15%	12.40%	13.47%		
Tangible stockholders equity to total tangible assets		10.12%	10.32%	11.19%		
Book value per common share	$	11.68	11.66	11.66	0.02	0.02
Tangible book value per common share	$	9.51	9.47	9.44	0.04	0.07
Market price per share at end of year	$	15.05	15.11	15.23	(0.06)	(0.18)

Total stockholders equity and book value per share increased $1.7 million and $0.02 per share, respectively, from the prior quarter resulting from the increase in accumulated other comprehensive income representing net unrealized gains or losses (net of tax) on the securities portfolio. Tangible stockholders equity in that same period increased $2.4 million, or $0.04 per share. Total stockholders equity and book value per share increased $1.4 million and $0.02 per share, respectively, from March 31, 2010, the increase largely the result of higher undivided profits. Tangible stockholders equity increased $4.5 million, or $0.07 per share since March 31, 2010 resulting in tangible stockholders equity to tangible assets of 10.12 percent and tangible book value per share of $9.51 as of March 31, 2011.

On March 30, 2011, the board of directors declared a cash dividend of $0.13 per share, payable April 21, 2011 to shareholders of record on April 12, 2011. Future cash dividends will depend on a variety of factors, including net income, capital, asset quality and general economic conditions.

Results of Operations The three months ended March 31, 2011 Compared to December 31, 2010 and March 31, 2010

Performance Summary

The Company reported net earnings of $10.3 million for the first quarter of 2011, an increase of $215 thousand, or 2 percent, from the $10.1 million for the first quarter of 2010. The diluted earnings per share of $0.14 for the quarter represented a 12.5 percent decrease from the diluted earnings per share of $0.16 for the same quarter of 2010. There were no non recurring income or expense items impacting this quarter s earnings per share. Annualized return on average assets and return on average equity for the first quarter were 0.62 percent and 4.95 percent, respectively, which compares with prior year returns for the first quarter of 0.67 percent and 5.75 percent, respectively.

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Revenue Summary

(Unaudited Dollars in thousands)	Three Months ended March 31, 2011	December 31, 2010	March 31, 2010
Net interest income			
Interest income	$ 68,373	69,083	73,398
Interest expense	11,669	12,420	13,884
Total net interest income	56,704	56,663	59,514
Non-interest income			
Service charges, loan fees, and other fees	11,185	12,178	10,646
Gain on sale of loans	4,694	9,842	3,891
Gain on sale of investments	124	2,225	314
Other income	1,392	1,715	1,332
Total non-interest income	17,395	25,960	16,183
	$ 74,099	82,623	75,697
Net interest margin (tax-equivalent)	3.91%	3.91%	4.43%

(Unaudited Dollars in thousands)	$ Change from December 31, 2010	$ Change from March 31, 2010	%Change from December 31, 2010	% Change from March 31, 2010
Net interest income				
Interest income	$ (710)	(5,025)	-1%	-7%
Interest expense	(751)	(2,215)	-6%	-16%
Total net interest income	41	(2,810)	0%	-5%
Non-interest income				
Service charges, loan fees, and other fees	(993)	539	-8%	5%
Gain on sale of loans	(5,148)	803	-52%	21%
Gain on sale of investments	(2,101)	(190)	-94%	-61%
Other income	(323)	60	-19%	5%
Total non-interest income	(8,565)	1,212	-33%	7%
	$ (8,524)	(1,598)	-10%	-2%

Net Interest Income

Net interest income increased $41 thousand from the prior quarter as the reduction in interest expense outpaced the decrease in interest income. The current quarter net interest margin as a percentage of earning assets, on a tax-equivalent basis, was 3.91 percent unchanged from the prior quarter. The net interest margin figure includes a 2 basis points reduction from the reversal of interest on non-accrual loans. The decrease in funding expense this past quarter was the result of the Company s banks continuing to aggressively manage their cost of funds. The decrease in interest income for the quarter was due to the continued low interest rate environment and reduction in loan balances which put further pressure on earning assets yields. In addition, premium amortization on Collateralized Mortgage Obligations (CMO s) this quarter increased by $1.2 million putting further pressure on interest income. As mortgage refinance activity continues to drop off, premium amortization should decline in future quarters.

Non-interest Income

Non-interest income for the quarter totaled $17.4 million, a decrease of $8.6 million over the prior quarter end and an increase of $1.2 million over the same quarter last year. Service charge fee income of $11.2 million decreased $1.0 million, or 8 percent, during the quarter. The decrease from the prior quarter was primarily due to seasonal factors and a shorter number of days in the quarter. Gain on sale of loans decreased $5.1 million, or 52 percent, over the prior quarter primarily the result of the dramatic drop off in refinances. Gain on sale of loans increased $1 million, or 21 percent, over the prior year s first quarter which was positively impacted by the first time home buyer tax credit. Net gain on the sale of investments was $124 thousand for the current quarter compared to $2.2 million for the previous quarter and $314 thousand for the prior year s first quarter. Such sales were executed with the proceeds used to purchase additional securities that enable the investment portfolio to perform well across varying interest rate scenarios. Other income of $1.4 million for the current quarter is a decrease of $323 thousand from the prior quarter. In the prior quarter there was a $194 thousand gain on 1st Bank s merchant card servicing portfolio that accounted for a majority of the difference.

Non-interest Expense

(Unaudited Dollars in thousands)	March 31, 2011	Three Months ended December 31, 2010	March 31, 2010
Compensation, employee benefits and related expense	$ 21,603	22,485	21,356
Occupancy and equipment expense	5,954	6,291	5,948
Advertising and promotions	1,484	1,683	1,592
Outsourced data processing expense	773	852	694
Core deposit intangibles amortization	727	758	820
Other real estate owned expense	2,099	2,847	2,318
Federal Deposit Insurance Corporation premiums	2,324	2,123	2,200
Other expenses	7,512	8,697	7,033
Total non-interest expense	$ 42,476	45,736	41,961

(Unaudited Dollars in thousands)	$ Change from December 31, 2010	$ Change from March 31, 2010	%Change from December 31, 2010	%Change from March 31, 2010
Compensation, employee benefits and related expense	$ (882)	247	-4%	1%
Occupancy and equipment expense	(337)	6	-5%	0%
Advertising and promotions	(199)	(108)	-12%	-7%
Outsourced data processing expense	(79)	79	-9%	11%
Core deposit intangibles amortization	(31)	(93)	-4%	-11%
Other real estate owned expense	(748)	(219)	-26%	-9%
Federal Deposit Insurance Corporation premiums	201	124	9%	6%
Other expenses	(1,185)	479	-14%	7%
Total non-interest expense	$ (3,260)	515	-7%	1%

Non-interest expense of $42.5 million for the quarter decreased by $3.3 million, or 7 percent, from the prior quarter and increased $515 thousand, or 1 percent, from the prior year first quarter. During the quarter all the major expense categories decreased with the exception of FDIC premiums which increased as a result of higher deposit levels. Compensation and employee benefits increased by $247 thousand, or 1 percent, to $21.6 million from the prior year first quarter. The Company and all eleven banks continue to closely manage this expense and control the number of full time equivalents.

Occupancy and equipment expense decreased $337 thousand, or 5 percent, from the prior quarter and increased $6 thousand, or .1 percent, from the prior year first quarter. Advertising and promotion expense decreased $199 thousand, or 12 percent, from the prior quarter and decreased $108 thousand, or 7 percent, from the first quarter of 2010. Other real estate owned expense of $2.1 million decreased $748 thousand, or 26 percent, from the prior quarter and decreased $219 thousand, or 9 percent, from prior year first quarter. The current quarter other real estate owned expense of $2.1 million included $881 thousand of operating expenses, $758 thousand of fair value write-downs, and $453 thousand of loss on sale of other real estate owned. FDIC premiums increased $201 thousand, or 9 percent, from prior quarter and increased $124 thousand, or 6 percent, from the prior year first quarter, the result of the increased amount of dollars on deposit. Other expenses decreased $1.2 million, or 14 percent, from the prior quarter and increased $479 thousand, or 1 percent, from the prior year first quarter.

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Efficiency Ratio

The efficiency ratio is 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 52 percent compared to 50 percent for the prior year first quarter. The increase resulted from continuing pressure on net interest income in the current low interest rate environment.

Provision for Loan Losses

Credit Quality Trends

(Unaudited $ in thousands)

	Provision for Loan Losses	Net Charge-Offs	ALLL as a Percent of Loans	Accruing Loans 30-89 Days Overdue as a Percent of Loans	Non-Performing Assets to Total Subsidiary Assets
Q1 2011	$ 19,500	15,778	3.86%	1.44%	3.78%
Q4 2010	27,375	24,525	3.66%	1.21%	3.91%
Q3 2010	19,162	26,570	3.47%	1.06%	4.03%
Q2 2010	17,246	19,181	3.58%	0.92%	4.01%
Q1 2010	20,910	20,237	3.58%	1.53%	4.19%
Q4 2009	36,713	19,116	3.52%	2.15%	4.13%
Q3 2009	47,050	19,094	3.14%	1.09%	4.10%
Q2 2009	25,140	11,543	2.41%	1.55%	3.06%

The current quarter provision for loan loss expense was $19.5 million, a decrease of $7.9 million from the prior quarter and a decrease of $1.4 million from the first quarter in 2010. Net charged-off loans for the current quarter were $15.8 million compared to $24.5 million for the prior quarter and $20.2 million for the first quarter in 2010.

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.

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.

(Dollars in thousands)	Loans Receivable by Bank Balance 03/31/11	Balance 12/31/10	Balance 03/31/10	% Change from 12/31/10	% Change from 03/31/10
Glacier	$ 829,571	857,177	911,668	-3%	-9%
Mountain West	754,491	788,028	918,668	-4%	-18%
First Security	557,986	567,303	579,529	-2%	-4%
Western	274,142	295,613	306,725	-7%	-11%
1st Bank	261,067	264,513	283,296	-1%	-8%
Valley	182,395	179,005	182,649	2%	0%
Big Sky	246,452	246,337	261,757	0%	-6%
First National	138,178	141,827	147,406	-3%	-6%
Citizens	155,379	160,416	159,750	-3%	-3%
First Bank-MT	110,025	109,309	115,425	1%	-5%
San Juans	141,113	143,574	148,488	-2%	-5%
Eliminations	(3,813)	(3,813)		0%	n/m
Total	$ 3,646,986	3,749,289	4,015,361	-3%	-9%

(Dollars in thousands)	Land, Lot and Other Construction Loans by Bank Balance 03/31/11	Balance 12/31/10	Balance 03/31/10	% Change from 12/31/10	% Change from 03/31/10
Glacier	$ 133,164	148,319	160,171	-10%	-17%
Mountain West	130,074	147,991	206,953	-12%	-37%
First Security	56,873	72,409	81,068	-21%	-30%
Western	28,748	29,535	30,893	-3%	-7%
1st Bank	31,438	29,714	30,272	6%	4%
Valley	15,234	12,816	14,204	19%	7%
Big Sky	55,369	53,648	64,484	3%	-14%
First National	10,615	12,341	10,635	-14%	0%
Citizens	9,491	12,187	13,168	-22%	-28%
First Bank-MT	818	830	982	-1%	-17%
San Juans	27,894	30,187	36,152	-8%	-23%
Total	$ 499,718	549,977	648,982	-9%	-23%

Land, Lot and Other Construction Loans by Bank, by Type at 03/31/11

(Dollars in thousands)	Land Development	Consumer Land or Lot	Unimproved Land	Developed Lots for Operative Builders	Commercial Developed Lot	Other Construction
Glacier	$ 62,671	26,922	28,275	8,480	5,756	1,060
Mountain West	32,954	57,860	8,554	14,865	4,301	11,540
First Security	25,094	6,327	18,654	4,016	495	2,287
Western	13,418	4,964	3,469	589	1,769	4,539

1st Bank	6,734	9,183	3,423	276	2,211	9,611
Valley	2,311	4,899	1,234		3,356	3,434
Big Sky	21,541	15,140	9,137	979	2,573	5,999
First National	1,867	3,900	1,620	293	602	2,333
Citizens	2,384	1,257	2,384	45	680	2,741
First Bank-MT		78	461			279
San Juans	3,160	14,355	2,023		7,591	765
Total	$ 172,134	144,885	79,234	29,543	29,334	44,588

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

	Residential Construction Loans by Bank, by Type			%	%	Custom &	
	Balance	Balance	Balance	Change from	Change from	Owner Occupied	Pre-Sold & Spec
(Dollars in thousands)	03/31/11	12/31/10	03/31/10	12/31/10	03/31/10	03/31/11	03/31/11
Glacier	$ 28,090	34,526	53,824	-19%	-48%	$ 6,703	21,387
Mountain West	18,712	21,375	43,725	-12%	-57%	8,153	10,559
First Security	8,967	10,123	17,321	-11%	-48%	4,013	4,954
Western	877	1,350	3,196	-35%	-73%	460	417
1st Bank	4,437	6,611	14,914	-33%	-70%	2,631	1,806
Valley	3,825	4,950	5,109	-23%	-25%	3,000	825
Big Sky	11,745	11,004	17,608	7%	-33%	634	11,111
First National	1,726	1,958	2,583	-12%	-33%	1,340	386
Citizens	8,799	9,441	11,553	-7%	-24%	4,577	4,222
First Bank-MT	749	502	265	49%	183%	599	150
San Juans	5,731	7,018	6,957	-18%	-18%	5,731	
Total	$ 93,658	108,858	177,055	-14%	-47%	$ 37,841	55,817

	Single Family Residential Loans by Bank, by Type			%	%		
	Balance	Balance	Balance	Change from	Change from	1st Lien	Junior Lien
(Dollars in thousands)	03/31/11	12/31/10	03/31/10	12/31/10	03/31/10	03/31/11	03/31/11
Glacier	$ 173,946	187,683	194,253	-7%	-10%	$ 152,466	21,480
Mountain West	253,094	282,429	284,456	-10%	-11%	215,455	37,639
First Security	87,441	92,011	84,665	-5%	3%	73,552	13,889
Western	34,881	42,070	43,413	-17%	-20%	32,809	2,072
1st Bank	57,089	59,337	60,576	-4%	-6%	52,532	4,557
Valley	56,349	60,085	64,268	-6%	-12%	46,160	10,189
Big Sky	30,794	32,496	32,715	-5%	-6%	27,839	2,955
First National	13,229	13,948	17,580	-5%	-25%	10,204	3,025
Citizens	13,959	19,885	21,020	-30%	-34%	12,426	1,533
First Bank-MT	8,295	8,618	9,902	-4%	-16%	7,235	1,060
San Juans	30,301	29,124	30,804	4%	-2%	28,802	1,499
Total	$ 759,378	827,686	843,652	-8%	-10%	$ 659,480	99,898

	Commercial Real Estate Loans by Bank, by Type			%	%		
	Balance	Balance	Balance	Change from	Change from	Owner Occupied	Non-Owner Occupied
(Dollars in thousands)	03/31/11	12/31/10	03/31/10	12/31/10	03/31/10	03/31/11	03/31/11
Glacier	$ 219,656	224,215	230,338	-2%	-5%	$ 113,522	106,134
Mountain West	205,842	206,732	231,804	0%	-11%	125,792	80,050

First Security	241,817	227,662	225,168	6%	7%	163,002	78,815
Western	103,719	103,443	105,358	0%	-2%	57,683	46,036
1st Bank	55,585	58,353	64,363	-5%	-14%	40,961	14,624
Valley	51,467	50,325	49,601	2%	4%	32,935	18,532
Big Sky	87,305	88,135	87,446	-1%	0%	54,935	32,370
First National	26,435	27,609	25,706	-4%	3%	19,784	6,651
Citizens	59,861	61,737	57,733	-3%	4%	38,234	21,627
First Bank-MT	17,229	17,492	18,367	-2%	-6%	9,692	7,537
San Juans	50,747	50,066	48,166	1%	5%	28,944	21,803
Total	$ 1,119,663	1,115,769	1,144,050	0%	-2%	$ 685,484	434,179

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

	Consumer Loans by Bank, by Type			% Change	% Change	Home Equity	Other
(Dollars in thousands)	Balance 03/31/11	Balance 12/31/10	Balance 03/31/10	from 12/31/10	from 03/31/10	Line of Credit 03/31/11	Consumer 03/31/11
Glacier	$ 144,537	150,082	163,345	-4%	-12%	$ 130,762	13,775
Mountain West	68,358	70,304	72,329	-3%	-5%	60,223	8,135
First Security	69,214	71,677	76,276	-3%	-9%	45,042	24,172
Western	41,338	43,081	47,836	-4%	-14%	29,355	11,983
1st Bank	38,700	40,021	42,953	-3%	-10%	15,872	22,828
Valley	23,444	23,745	25,105	-1%	-7%	14,383	9,061
Big Sky	27,119	27,733	28,054	-2%	-3%	24,304	2,815
First National	24,018	24,217	25,810	-1%	-7%	14,750	9,268
Citizens	28,961	29,040	30,314	0%	-4%	23,296	5,665
First Bank-MT	7,538	8,005	7,896	-6%	-5%	3,763	3,775
San Juans	14,221	14,848	15,359	-4%	-7%	13,199	1,022
Total	$ 487,448	502,753	535,277	-3%	-9%	$ 374,949	112,499

n/m not measurable

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)	March 31, 2011	December 31, 2010	March 31, 2010
Non-accrual loans			
Residential real estate	$ 16,949	23,095	23,287
Commercial	151,290	161,136	167,831
Consumer and other	10,163	8,274	7,051
Total	178,402	192,505	198,169
Accruing loans 90 days or more overdue			
Residential real estate	191	506	304
Commercial	3,550	3,051	7,943
Consumer and other	2,837	974	2,242
Total	6,578	4,531	10,489
Other real estate owned	82,594	73,485	59,481
Total non-performing loans and real estate and other assets owned	$ 267,574	270,521	268,139
	76%	70%	69%

Allowance for loan and lease losses as a percentage of non-performing loans			
Non-performing assets as a percentage of total subsidiary assets	3.78%	3.91%	4.19%
Accruing loans 30-89 days overdue	$ 52,402	45,497	61,255
Interest income [1]	$ 2,471	10,987	2,831

1 Amounts represent estimated interest income that would have been recognized on loans accounted for on a non-accrual basis for the three months ended March 31, 2011, year ended December 31, 2010 and three months ended March 31, 2010 had such loans performed pursuant to contractual terms.

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

(Dollars in thousands)	Non-performing Assets, by Loan Type Balance 03/31/11	Balance 12/31/10	Balance 03/31/10	Non-Accruing Loans 03/31/11	Accruing Loans 90 Days or More Overdue 03/31/11	Other Real Estate Owned 03/31/11
Custom and owner occupied construction	$ 2,362	2,575	1,842	1,439		923
Pre-sold and spec construction	12,410	16,071	30,339	4,632		7,778
Land development	82,465	83,989	76,254	54,434	122	27,909
Consumer land or lots	12,763	12,543	12,245	6,802	651	5,310
Unimproved land	42,755	44,116	38,585	23,361	759	18,635
Developed lots for operative builders	7,079	7,429	11,626	2,823		4,256
Commercial lots	2,630	3,110	1,705	787		1,843
Other construction	4,302	3,837	3,485	4,302		
Commercial real estate	35,798	36,978	35,222	26,705	1,103	7,990
Commercial and industrial	17,577	13,127	13,055	16,314	258	1,005
Agriculture loans	7,112	5,253	5,293	6,595	112	405
Municipal loans			4,495			
1-4 family	32,904	34,791	25,151	24,846	3,447	4,611
Home equity lines of credit	5,697	4,805	7,083	4,994	84	619
Consumer	641	446	850	368	42	231
Other	1,079	1,451	909			1,079
Total	$ 267,574	270,521	268,139	178,402	6,578	82,594

(Dollars in thousands)	Accruing 30-89 Days Delinquent Loans and Non-Performing Assets, by Bank Balance 03/31/11	Balance 12/31/10	Balance 03/31/10	Accruing 30-89 Days Overdue 03/31/11	Non-Accrual & Accruing Loans 90 Days or More Overdue 03/31/11	Other Real Estate Owned 03/31/11
Glacier	$ 82,529	75,869	92,315	19,808	55,133	7,588
Mountain West	82,852	83,872	94,952	14,020	52,565	16,267
First Security	58,289	59,770	57,775	9,955	34,244	14,090
Western	9,739	11,237	8,427	1,134	4,974	3,631
1st Bank	22,306	16,686	21,244	3,468	11,274	7,564
Valley	2,145	1,900	2,123	687	1,331	127
Big Sky	20,785	21,739	34,090	1,003	11,552	8,230
First National	9,539	9,901	9,009	892	7,319	1,328

Citizens	6,345	8,000	5,909	976	3,555	1,814
First Bank MT	219	553	1,394	168	51	
San Juans	5,297	6,549	2,156	291	2,982	2,024
GORE	19,931	19,942				19,931
Total	$ 319,976	316,018	329,394	52,402	184,980	82,594

Non-performing assets as a percentage of the total subsidiary assets at March 31, 2011 were 3.78 percent, down from 3.91 percent at December 31, 2010 and down from 4.19 percent at March 31, 2010. The allowance for loan and lease losses (ALLL or allowance) was 76 percent of non-performing loans at March 31, 2011, an increase from 70 percent for the prior quarter end and from 69 percent at March 31, 2010. 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. 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 in determining the adequacy of the ALLL. 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.

Loans that are thirty days or more past due based on payments received and applied to the loan are considered delinquent. Loans are designated non-accrual and the accrual of interest is discontinued when the collection of the contractual principal or interest is unlikely. A loan is typically placed on non-accrual when principal or interest is due and has remained unpaid for ninety days or more. When a loan is placed on non-accrual status, interest previously accrued but not collected is reversed against current period interest income. Subsequent payments are applied to the outstanding principal balance if doubt remains as to the ultimate collectability of the loan. Interest accruals are not resumed on partially charged-off impaired loans. For other loans on non-accrual, 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, based upon current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement; and therefore, the Company has serious doubts as to the ability of such borrowers to fulfill the contractual obligation. Impaired loans include non-performing loans (i.e., non-accrual loans and accruing loans 90 days or more past due) and accruing loans under ninety days past due where it is probable payments will not be received according to the loan agreement (e.g., troubled debt restructuring loans). The Company measures impairment on a loan-by-loan basis. 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 cost to sell when such costs are expected to reduce the cash flows available to repay or otherwise satisfy the loan. For alternative ranges of cash flows, the likelihood of the possible outcomes is considered in determining the best estimate of expected future cash flows. The effective interest rate for a loan restructured in a 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 estimated cost to sell. The fair value of the collateral is determined primarily based upon appraisal or evaluation (new or updated) of the underlying property value. The Company reviews appraisals or evaluations, giving consideration to the highest and best use of the collateral, with values reduced by discounts to consider lack of marketability and estimated cost to sell. Appraisals or evaluations (new or updated) are reviewed at least quarterly and more frequently based on current market conditions, including deterioration in a borrower s financial condition and when property values may be subject to significant volatility. After review and acceptance of the collateral appraisal or evaluation (new or updated), adjustments to an impaired loan s value may occur.

In deciding whether to obtain a new or updated appraisal or evaluation, the Company considers the impact of the following factors and environmental events:

- passage of time;
- improvements to, or lack of maintenance of, the collateral property;

stressed and volatile economic conditions, including market values;

changes in the performance, risk profile, size and complexity of the credit exposure;

limited or specific use collateral property;

high loan-to-value credit exposures;

changes in the adequacy of the collateral protections, including loan covenants and financially responsible guarantors;

competing properties in the market area;

changes in zoning and environmental contamination;

the nature of subsequent transactions (e.g., modification, restructuring, refinancing); and

the availability of alternative financing sources.

The Company also takes into account (1) the Company s experience with whether the appraised values of impaired collateral-dependent loans are actually realized, and (2) the timing of cash flows expected to be received from the underlying collateral to the extent such timing is significantly different than anticipated in the most recent appraisal.

The Company generally obtains new or updated appraisals or evaluations annually for collateral underlying impaired loans. For collateral-dependent loans for which the appraisal of the underlying collateral is more than twelve months old, the Company updates collateral valuations through procedures that include obtaining current inspections of the collateral property, broker price opinions, comprehensive market analyses and current data for conditions and assumptions (e.g., discounts, comparable sales and trends) underlying the appraisals valuation techniques. The Company s impairment/valuation procedures take into account new and updated appraisals on similar properties in the same area in order to capture current market valuation changes, unfavorable and favorable.

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. Impaired loans were $218.7 million and $225.1 million as of March 31, 2011 and December 31, 2010, respectively. The ALLL includes valuation allowances of $15.4 million and $16.9 million specific to impaired loans as of March 31, 2011 and December 31, 2010, respectively. Of the total impaired loans at March 31, 2011, there were 40 commercial real estate and other commercial loans, each exceeding $1 million, such loans aggregating $105.6 million, or 48 percent, of the impaired loans. The 40 loans were collateralized by 164 percent of the loan value, the majority of which had appraisals (new or updated) in 2010, such appraisals reviewed at least quarterly taking into account current market conditions. Of the total impaired loans at March 31, 2011, there were 244 loans aggregating to $130.2 million, or 59 percent, whereby the borrowers had more than one impaired loan. The amount of impaired loans that have had partial charge-offs during the year for which the Company continues to have concern about the collectability of the remaining loan balance was $24.0 million. Of these loans, there were charge-offs of $10.7 million during the first quarter of 2011.

A restructured loan is considered a troubled debt restructuring (TDR) if the creditor, for economic or legal reasons related to the debtor s financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Company made the following types of loan modifications, some of which were considered TDR:

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

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

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

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Each restructured debt is separately negotiated with the borrower and includes terms and conditions that reflect the borrower s prospective ability to service the debt as modified. The Company discourages the 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 March 31, 2011 that have repayment dates extended at or near the original maturity date for which the Company has not classified as impaired. The Company had TDR loans of $62.4 million as of March 31, 2011 of which $36.7 million were on non-accrual status. The Company has TDR loans of $16.4 million that are in non-accrual status or that have had partial charge-offs during the year, the borrowers of which continue to have $29.2 million in other loans that are on accrual status.

The Company recognizes that while borrowers may experience deterioration in their financial condition, many continue to be creditworthy customers who have the willingness and capacity for debt repayment. In determining whether non-restructured or unimpaired loans issued to a single or related party group of borrowers should continue to accrue interest when the borrower has other loans that are impaired or troubled debt restructurings, the Company on a quarterly or more frequent basis performs an updated and comprehensive assessment of the willingness and capacity of the borrowers to timely and ultimately repay their total debt obligations, including contingent obligations. Such analysis takes into account current financial information about the borrowers and financially responsible guarantors, if any, including for example:

- analysis of global, i.e., aggregate debt service for total debt obligations;
- assessment of the value and security protection of collateral pledged using current market conditions and alternative market assumptions across a variety of potential future situations; and
- loan structures and related covenants.

For non-performing construction loans involving residential structures, the percentage of completion exceeds 95 percent at March 31, 2011. For construction loans involving commercial structures, the percentage of completion ranges from projects not started to projects completed at March 31, 2011. During the construction loan term, all construction loan collateral properties are inspected at least monthly, or more frequently as needed, until completion. Draws on construction loans are predicated upon the results of the inspection and advanced based upon a percentage of completion basis versus original budget percentages. When construction loans become non-performing and the associated project is not complete, the Company on a case-by-case basis makes the decision to advance additional funds or to initiate collection/foreclosure proceedings. Such decision includes obtaining as-is and at completion appraisals for consideration of potential increases or decreases in the collateral s value. The Company also considers the increased costs of monitoring progress to completion, and the related collection/holding period costs should collateral ownership be transferred to the Company. With very limited exception, the Company does not disburse additional funds on non-performing loans; instead, the Company has proceeded to collection and foreclosure actions in order to reduce the Company s exposure to loss on such loans.

Interest Reserves

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

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

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

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

The ongoing accrual and recognition of uncollected interest as income continues only when facts and circumstances continue to reasonably support the contractual payment of principal or interest. Loans are typically designated as non-accrual when the collection of the contractual principal or interest is unlikely and has remained unpaid for ninety days or more. For such loans, the accrual of interest and its capitalization into the loan balance will be discontinued. The Company had loans of $121.3 million and $141.1 million with remaining interest reserves of $629 thousand and $879 thousand as of March 31, 2011 and December 31, 2010, respectively.

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, including the provision for loan losses and net charge-offs, is a critical accounting estimate that involves management s judgments about all known relevant internal and external environmental factors that affect loan losses, including the credit risk inherent in the loan 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 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 s Board of Directors, the internal audit department, independent credit reviewers and state and federal bank regulatory agencies.

At the end of each quarter, each of the community bank subsidiaries analyzes its 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 allocation component and a general allocation component. The specific allocation component relates to loans that are determined to be impaired. A valuation allowance is established when the fair value of a collateral-dependent loan or the present value of the loan s expected future cash flows (discounted at the loan s effective interest rate) is lower than the carrying value of the impaired loan. The general allocation 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.

When applied to each bank subsidiary s historical loss experience, the environmental factors result in the provision for loan losses being recorded in the period in which the loss has probably occurred. When the loss is confirmed at a later date, a charge-off is recorded.

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 subsidiary bank s ALLL is inherently subjective as data for any factor may not be directly applicable, consistently relevant, or reasonably available for management to determine the precise impact of a factor on the collectability of the bank s unimpaired loan 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.

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 $141 million adequate to cover inherent losses in the loan and lease portfolios as of March 31, 2011. However, no assurance can be given that the Company will not, in any particular period, sustain losses that are significant relative to the ALLL amount, or that subsequent evaluations of the loan 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:

(Unaudited Dollars in thousands)	March 31, 2011 Allowance for Loan and Lease Losses	March 31, 2011 Percent of Loans in Category	December 31, 2010 Allowance for Loan and Lease Losses	December 31, 2010 Percent of Loans in Category	March 31, 2010 Allowance for Loan and Lease Losses	March 31, 2010 Percent of Loans in Category
Residential real estate	$ 17,004	14.9%	20,957	16.9%	13,363	19.3%
Commercial real estate	80,098	48.3%	76,147	47.9%	66,929	46.2%
Other commercial	20,960	17.6%	19,932	17.4%	40,186	17.6%
Home equity	14,206	12.9%	13,334	12.9%	13,431	12.1%
Other consumer	8,561	6.3%	6,737	4.9%	9,691	4.8%
Totals	$ 140,829	100.0%	137,107	100.0%	143,600	100.0%

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

(Unaudited Dollars in thousands)	Three Months ended March 31, 2011	Year ended December 31, 2010	Three Months ended March 31, 2010
Balance at beginning of period	$ 137,107	142,927	142,927
Charge-offs			
Residential real estate	(5,281)	(16,575)	(2,830)
Commercial loans	(10,098)	(69,595)	(17,229)
Consumer and other loans	(1,125)	(7,780)	(1,418)
Total charge-offs	(16,504)	(93,950)	(21,477)
Recoveries			
Residential real estate	95	749	9
Commercial loans	439	2,203	1,165
Consumer and other loans	192	485	66
Total recoveries	726	3,437	1,240
Charge-offs, net of recoveries	(15,778)	(90,513)	(20,237)
Provision for loan losses	19,500	84,693	20,910
Balance at end of period	$ 140,829	137,107	143,600
Allowance for loan and lease losses as a percentage of total loan and leases	3.86%	3.66%	3.58%
Net charge-offs as a percentage of total loans	0.43%	2.41%	0.50%

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(Dollars in thousands)	Allowance for Loan and Lease Losses Balance 03/31/11	Balance 12/31/10	Balance 03/31/10	Provision for Year-to-Date Ended 03/31/11	Provision for the Year-to-Date Ended 03/31/11 Over Net Charge-Offs	ALLL as a Percent of Loans 03/31/11
Glacier	$ 35,904	34,701	37,618	5,850	1.3	4.33%
Mountain West	35,380	35,064	35,858	7,500	1.0	4.69%
First Security	20,072	19,046	18,913	3,300	1.5	3.60%
Western	7,603	7,606	8,737	300	1.0	2.77%
1st Bank	11,411	10,467	11,310	1,000	17.9	4.37%
Valley	4,588	4,651	4,634			2.52%
Big Sky	10,551	9,963	11,144	650	10.5	4.28%
First National	2,312	2,527	2,212			1.67%
Citizens	5,501	5,502	5,554	700	1.0	3.54%
First Bank MT	3,018	3,020	2,965			2.74%
San Juans	4,489	4,560	4,655	200	0.7	3.18%
Total	$ 140,829	137,107	143,600	19,500	1.2	3.86%

(Dollars in thousands)	Net Charge-Offs, Year-to-Date Period Ending, By Bank Balance 03/31/11	Balance 12/31/10	Balance 03/31/10	Charge-Offs 03/31/11	Recoveries 03/31/11
Glacier	$ 4,647	24,327	10,560	4,718	71
Mountain West	7,183	47,487	5,693	7,434	251
First Security	2,274	7,296	1,629	2,336	62
Western	303	2,106	325	363	60
1st Bank	56	2,578	335	253	197
Valley	63	216	33	71	8
Big Sky	62	4,048	1,192	95	33
First National	216	605	237	221	5
Citizens	701	1,363	61	740	39
First Bank-MT	2	149	104	2	
San Juans	271	338	68	271	
Total	$ 15,778	90,513	20,237	16,504	726

(Dollars in thousands)	Net Charge-Offs (Recoveries), Year-to-Date Period Ending, By Loan Type Balance 03/31/11	Balance 12/31/10	Balance 03/31/10	Charge-Offs 03/31/11	Recoveries 03/31/11
Residential construction	$ 2,832	7,147	853	2,852	20
Land, lot and other construction	7,434	51,580	12,090	7,572	138

Commercial real estate	890	10,181	1,532	1,046	156
Commercial and industrial	1,344	5,612	2,459	1,480	136
1-4 family	2,924	9,897	2,517	3,035	111
Home equity lines of credit	285	4,496	614	337	52
Consumer	31	951	188	135	104
Other	38	649	(16)	47	9
Total	$ 15,778	90,513	20,237	16,504	726

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The allowance determined by each of the eleven community bank subsidiaries is combined together into a single allowance for the Company. As of March 31, 2011, December 31, 2010 and March 31, 2010, the Company s allowance consisted of the following components:

(Unaudited Dollars in thousands)	March 31, 2011	December 31, 2010	March 31, 2010
Specific allowance	$ 15,402	16,871	17,036
General allowance	125,427	120,236	126,564
Total allowance	$ 140,829	137,107	143,600

Each of the Bank s ALLL is considered adequate to absorb losses from any class of its loan and lease portfolio. For the quarter ended March 31, 2011 and throughout 2010, the Company believes the 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.

In total, the ALLL has decreased $2.8 million, or 1.9 percent, from a year ago. The ALLL of $141 million is 3.86 percent of total loans outstanding at March 31, 2011, up from 3.66 percent of total loans at year end 2010, and up from 3.58 percent of total loans at prior year first quarter end. While the overall amount of the ALLL has decreased from a year ago, the increase in the ALLL as a percent of loans is the result of a continuing overall upward increase in environmental factors upon each bank subsidiary s historical loss experience. Despite the upward increase in environmental factors upon each bank subsidiary s historical loss experience, the general allocation of the Company s allowance decreased by $1.1 million due to the decrease of $368 million, or 9 percent, in total loans at March 31, 2011 compared to the prior year first quarter end.

During the first quarter of 2011, the overall total of the ALLL increased by $3.7 million, the net result of a $1.5 million decrease in the specific allocation and a $5.2 million increase in the general allocation of the allowance. The increase in the general allocation during the current quarter is due to an increase in the bank subsidiaries overall historical loss experience during the quarter although total loans decreased by $102 million during the quarter.

Presented below are select aggregated statistics that were also considered when determining the adequacy of the Company s ALLL at March 31, 2011:

Positive Trends

The provision for loan losses in the first quarter of 2011 was $19.5 million, a decrease of $7.9 million from the prior quarter.

Charge-offs, net of recoveries, in the first quarter of 2011 were $15.8 million, a decrease of $8.7 million from the prior quarter.

Non-accrual construction loans (i.e., residential construction and land, lot and other construction) were $98.6 million, or 55 percent, of the $178.4 million of non-accrual loans at March 31, 2011, a reduction of $19.1 million during the current quarter. Non-accrual construction loans at year end 2010 accounted for 61 percent of the $192.5 million of non-accrual loans.

The allowance as a percent of non-performing loans at March 31, 2011 was 76 percent versus 70 percent at year end 2010.

Non-performing loans as a percent of total loans decreased to 5.07 percent during the first quarter of 2011 as compared to 5.26 percent at year end 2010.

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Negative Trends

Net charge-offs of construction loans were $10.3 million, or 66 percent, of the $15.8 million of net charge-offs during the current quarter compared to net charge-offs of construction loans of $13.7 million, or 56 percent, of the $24.5 million of net charge-offs in fourth quarter 2010.

Impaired loans as a percent of total loans were 6 percent at March 31, 2011, the same percent at year end 2010.

Early stage delinquencies (accruing loans 30-89 days past due) increased to $52.4 million at quarter end from $45.5 million at year end 2010.

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.

Though stabilized, the soft economic conditions during much of 2010 continued in the current quarter, including declining sales of existing real property (e.g., single family residential, multi-family, commercial buildings and land), 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 the national unemployment rate increased steadily from 7.4 percent at the start of 2009 to 10.0 percent at year end 2009, dropping to 9.4 percent at year end 2010 and 8.8 percent at March 31, 2011, the unemployment rates for the states in which the community bank subsidiaries conduct operations were significantly lower throughout this time period compared to the national unemployment rate. Agricultural price declines in livestock and grain in 2009 have recovered significantly. Concurrently, prices for oil have 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 specific allowance allocation of $15.4 million pertains to total impaired loans of $218.7 million. Included in the impaired loans is $157.6 million of loans which have no specific allowance allocation since 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 higher than the carrying value of such impaired loans. In determining the need for a specific allowance allocation on impaired loans, the effects of decreases in the fair value of the underlying collateral were considered.

In evaluating the need for a specific or general valuation allowance for impaired and unimpaired loans, respectively, within the Company s construction loan portfolio, including residential construction and land, lot and other construction loans, the credit risk related to such loans was considered in the ongoing monitoring of such loans, including assessments based on current information, including new or updated appraisals or evaluations of the underlying collateral, expected cash flows and the timing thereof, as well as the estimated costs to sell when such costs are expected to reduce the cash flows available to repay or otherwise satisfy the construction loan. Construction loans are 16 percent of the Company s total loan portfolio and account for 55 percent of the Company s non-accrual loans at March 31, 2011. Collateral securing construction loans include residential buildings (e.g., single/multi-family and condominiums), commercial buildings, and associated land (multi-acre parcels and individual lots, with and without shorelines). Outstanding balances are centered in Western Montana

and Northern Idaho, as well as Boise, Sun Valley, Idaho. None of the individual bank subsidiaries have a concentration of construction loans exceeding 5 percent of the Company s total loan portfolio.
As identified below, the following four bank subsidiaries had non-accrual construction loans that aggregated 5 percent or more of the Company s $98.6 million of non-accrual construction loans at March 31, 2011. The Company had $117.7 million of non-accrual construction loans at December 31, 2010, a decrease of $19.1 million, or 16 percent. Also identified below are the principal areas of the bank subsidiaries operations in which the collateral properties of such non-accrual construction loans are located:

Mountain West	33 percent	Northern Idaho and Boise and Sun Valley, Idaho
Glacier	32 percent	Western Montana
First Security	17 percent	Western Montana
Big Sky	10 percent	Western Montana

Residential non-accrual construction loans are 6 percent of the total construction loans on non-accrual status as of March 31, 2011. Unimproved land and land development loans collectively account for the bulk of the non-accrual commercial construction loans at each of the four bank subsidiaries. With locations and operations in the contiguous northern Rocky Mountain states of Idaho and Montana, the geography and economies of each of the four bank subsidiaries are predominantly tied to real estate development given the sprawling abundance of timbered valleys and mountainous terrain with significant lakes, streams and watershed areas. Consistent with the general economic downturn, the market for upscale primary, secondary and other housing as well as the associated construction and building industries have stalled after years of significant growth. As the housing market (rental and owner-occupied) and related industries continue to recover from the downturn, the Company continues to reduce its exposure to loss in the construction loan and other segments of the total loan portfolio.

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.
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.
Equity securities owned at March 31, 2011 primarily consisted of stock issued by the FHLB of Seattle, FHLB of Topeka and the FRB, such shares measured at cost 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 equity securities in an unrealized loss position was $8 thousand, with unrealized losses of $4 thousand or 44 percent of fair value, at March 31, 2011.

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

Based on the analysis of its impaired equity securities as of March 31, 2011, the Company determined that none of such securities had other-than-temporary impairment.

The Company believes that macroeconomic conditions occurring the first three months of 2011 and in 2010 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).

In evaluating debt securities for other-than-temporary impairment losses, management assesses whether the Company intends to sell the security or if it is more likely-than-not that the Company will be required to sell the debt security. In so doing, management considers contractual constraints, liquidity, capital, asset / liability management and securities portfolio objectives.

The Company sold 7 debt securities during the first three months of 2011, including 3 sold at a realized gain of $184 thousand and 4 sold at a realized loss of $60 thousand resulting in a net realized gain of $124 thousand. Debt securities sold during 2010, included 119 securities of which 108 were sold at a realized gain of $7.8 million and 11 were sold at a realized loss of $3.0 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 March 31, 2011, 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 March 31, 2011, there were 556 investments in an unrealized loss position of which 554 were debt securities and 2 were equity securities. With respect to the 554 debt securities, state and local government securities have the largest unrealized loss. The fair value of the residential mortgage-backed securities, which have underlying collateral consisting of U.S. government sponsored enterprise guaranteed mortgages and non-guaranteed private label whole loan mortgages, were $341.2 million at March 31, 2011 of which $115.9 million was purchased during 2011, the remainder of which had a fair market value of $225.3 million at March 31, 2011. For the securities purchased in 2011, there has been an unrealized loss of $688 thousand since purchase. Of the remaining residential mortgage-backed securities in a loss position, the unrealized loss increased from .89 percent of fair value at December 31, 2010 to 1.07 percent of fair value at March 31, 2011. The fair value of Collateralized Debt Obligation (CDO) securities in an unrealized loss position is $7.1 million, with unrealized losses of $4.1 million at March 31, 2011; the unrealized loss decreased from 69.48 percent of fair value at December 31, 2010 to 58 percent of fair value at March 31, 2011. The fair value of state and local government securities in an unrealized loss position were $338.6 million at March 31, 2011 of which $21.2 million was purchased during 2011, the remainder of which had a fair market value of $317.4 million at December 31, 2010. For the securities purchased in 2011, there has been an unrealized loss of $291 thousand since purchase. Of the remaining state and local government securities in a loss position, the unrealized loss decreased from 4.68 percent of fair value at December 31, 2010 to 4.35 percent of fair value at March 31, 2011. 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.

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(Dollars in thousands)	Unrealized Loss	Number of Debt Securities	Number of Equity Securities
Greater than 40.0%	$ 4,106	6	1
30.1% to 40.0%			
20.1% to 30.0%	290	1	
15.1% to 20.0%	731	3	
10.1% to 15.0%	863	6	
5.1% to 10.0%	8,006	116	1
0.1% to 5.0%	7,388	422	
Total	$ 21,384	554	2

With respect to the duration of the impaired debt securities, the Company identified 35 securities which have been continuously impaired for the twelve months ending March 31, 2011. 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. Of the 35 securities, 18 are state and local tax-exempt securities with an unrealized loss of $1.8 million, the most notable of which had an unrealized loss of $522 thousand. Of the 35 securities, 6 are identical CDO securities with an aggregate unrealized loss of $4.1 million, the most notable of which had an unrealized loss of $1 million.

With respect to the CDO securities, each is in the form of a 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. The Senior Notes have also been rated as of March 31, 2011 by Fitch as BBB, such rating effective September 21, 2010. Prior to such downgrade, Fitch had rated the Senior Notes as A. As of March 31, 2011 and December 31, 2010, 9 of the 26 trust subsidiaries were treated by the Trustee as in default, either because of an actual default or elective deferral of interest payments on their respective obligations. As of the end of the third and second quarters of 2010, 8 of the 26 trust subsidiaries were treated by the Trustee as in default 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 treated as in default compared to 3 of the 26 trust subsidiaries treated as in default 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, 25.28 percent of the outstanding principle of the Senior Notes has been prepaid through March 31, 2011. 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 the first quarter of 2011 and the preceding five quarters, 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 first quarter of 2011 and at the end of each quarter of 2010 and 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 March 31, 2011 and at the end of each of the prior quarters of 2010 and 2009 was temporary, and not other-than-temporary.

Of the 35 securities temporarily impaired continuously for the three months ended March 31, 2011, 6 are non-guaranteed private label whole loan mortgages with an aggregate unrealized loss of $793 thousand, the most notable of which had an unrealized loss of $414 thousand. Of the 6 non-guaranteed private label whole loan mortgages, 2 are collateralized by 30-year fixed rate residential mortgages considered to be Prime and 4 are collateralized by 30-year fixed rate residential mortgages considered to be ALT A. Moreover, none of the underlying mortgage collateral is considered subprime.

The Company 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 is a primary driver of credit performance in addition to loan characteristics. Negative HPA refers to declining house price appreciation (i.e., depreciation in essence). 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. Geo Aff 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 debt securities as of March 31, 2011, the Company determined that none of such securities had other-than-temporary impairment.

Income Tax Expense

Income tax expense for the three months ended March 31, 2011 and 2010 was $1.8 million and $2.8 million, respectively. The Company s effective tax rate for the three months ended March 31, 2011 and 2010 was 15.2 percent and 21.5 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 $6.8 million and $5.6 million for the three months ended March 31, 2011 and 2010, respectively. The federal tax credit benefits were $418 thousand and $229 thousand for the three ended March 31, 2011 and March 31, 2010, respectively. The Company continues its investments in select municipal securities and various VIEs whereby the Company receives federal tax credits. For additional information on income taxes, see Note 9, *Federal and State Income Taxes,* in ITEM 1. Financial Statements.

Average Balance Sheet

The following schedule provides 1) the total dollar amount of interest and dividend income of the Company for earning assets and the average yield; 2) the total dollar amount of interest expense on interest-bearing liabilities and the average rate; 3) net interest and dividend income and interest rate spread; and 4) net interest margin and

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net interest margin tax-equivalent; and 5) return on average assets and return on average equity. Non-accrual loans are included in the average balance of the loans.

	Three Months ended 03/31/11			Three Months ended 03/31/10		
(Dollars in thousands)	Average Balance	Interest & Dividends	Average Yield/ Rate	Average Balance	Interest & Dividends	Average Yield/ Rate
Assets						
Residential real estate loans	$ 601,640	8,716	5.79%	$ 783,177	11,833	6.04%
Commercial loans	2,411,846	33,058	5.56%	2,592,529	36,672	5.74%
Consumer and other loans	702,248	10,450	6.03%	691,190	10,640	6.24%
Total loans and loans held for sale	3,715,734	52,224	5.70%	4,066,896	59,145	5.90%
Tax-exempt investment securities [1]	583,904	6,778	4.64%	459,764	5,568	4.84%
Taxable investment securities [2]	1,936,316	9,371	1.94%	1,181,846	8,685	2.94%
Total earning assets	6,235,954	68,373	4.45%	5,708,506	73,398	2.21%
Goodwill and intangibles	156,703			159,851		
Non-earning assets	284,631			268,688		
Total assets	$ 6,677,288			$ 6,137,045		
Liabilities						
NOW accounts	$ 748,058	525	0.28%	$ 716,239	733	0.41%
Savings accounts	374,031	148	0.16%	331,676	204	0.25%
Money market demand accounts	878,391	1,106	0.51%	811,580	1,963	0.98%
Certificate accounts	1,082,083	4,483	1.68%	1,072,352	5,411	5.05%
Wholesale deposits [3]	537,008	826	0.62%	373,167	1,020	1.11%
FHLB advances	946,997	2,548	1.09%	802,000	2,311	1.17%
Securities sold under agreements to repurchase and other borrowed funds	387,060	2,033	2.13%	507,963	2,242	1.79%
Total interest bearing liabilities	4,953,628	11,669	0.96%	4,614,977	13,884	1.22%
Non-interest bearing deposits	851,900			779,998		
Other liabilities	29,436			31,400		
Total liabilities	5,834,964			5,426,375		

Stockholders Equity				
Common stock	719		628	
Paid-in capital	643,937		513,808	
Retained earnings	194,596		193,643	
Accumulated other comprehensive income	3,072		2,591	
Total stockholders equity	842,324		710,670	
Total liabilities and stockholders equity	$ 6,677,288		$ 6,137,045	
Net Interest Income		$ 56,704		$ 59,514
Net Interest Spread		3.49%		3.99%
Net Interest Margin		3.69%		4.23%
Net Interest Margin (tax-equivalent)		3.91%		4.43%

1 Excludes tax effect of $3,001,000 and $2,465,000 on tax-exempt investment security income for the three months ended March 31, 2011 and 2010, respectively.

2 Excludes tax effect of $392,000 and $312,000 on investment security tax credits for the three months ended March 31, 2011 and 2010, respectively.

3 Wholesale deposits include brokered deposits classified as NOW,money market demand, and CDs.

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.

	Three Months ended March 31, 2011 vs. 2010 Increase (Decrease) Due to:		
(Dollars in thousands)	Volume	Rate	Net
Interest income			
Residential real estate loans	$ (2,743)	(374)	(3,117)
Commercial loans	(2,556)	(1,058)	(3,614)
Consumer and other loans	170	(360)	(190)
Investment securities	7,629	(5,733)	1,896
Total interest income	2,500	(7,525)	(5,025)
Interest expense			
NOW accounts	33	(241)	(208)
Savings accounts	26	(81)	(55)
Money market demand accounts	162	(1,019)	(857)
Certificate accounts	48	(978)	(930)
Wholesale deposits	448	(641)	(193)
FHLB advances	418	(181)	237
Repurchase agreements and other borrowed funds	(534)	325	(209)
Total interest expense	601	(2,816)	(2,215)
Net interest income	$ 1,899	(4,709)	(2,810)

Liquidity Risk

Liquidity risk is the possibility that the Company will not be able to fund present and future obligations as they come due because of an inability to liquidate assets or obtain adequate funding at a reasonable cost. The objective of liquidity management is to maintain cash flows adequate to meet current and future needs for credit demand, deposit withdrawals, maturing liabilities and corporate operating expenses. Effective liquidity management entails three elements:

1. Assessing on an ongoing basis, the current and expected future needs for funds, and ensuring that sufficient funds or access to funds exist to meet those needs at the appropriate time.

2. Providing for an adequate cushion of liquidity to meet unanticipated cash flow needs that may arise from potential adverse circumstances ranging from high probability/low severity events to low probability/high severity.

3. Balancing the benefits between providing for adequate liquidity to mitigate potential adverse events and the cost of that liquidity.

The Banks primary sources of funds are deposits, receipts of principal and interest payments on loans and investment securities, proceeds from sale of loans and securities, short and long-term borrowings. In addition, the Company maintains liquidity capacity through secured and unsecured borrowing programs, brokered

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deposit relationships, and unencumbered securities. The following table identifies certain liquidity sources and capacity available to the Company at March 31, 2011:

(Dollars in thousands)	March 31 2011
FHLB advances	
Borrowing capacity	$ 1,103,037
Amount utilized	(960,097)
Amount available	$ 142,940
FRB discount window	
Borrowing capacity	$ 255,764
Amount utilized	
Amount available	$ 255,764
Unsecured lines of credit available	$ 156,760
Unencumbered securities	
U.S. government and federal agency	$
U.S. government sponsored enterprises	5,054
State and local governments and other stock	809,822
Collateralized debt obligations	7,074
Residential mortgage-backed securities	1,083,080
Total unencumbered securities	$ 1,905,030

The Company and each of the bank subsidiaries has a wide range of versatility in managing the liquidity and asset/liability mix across each of the bank subsidiaries as well as the Company as a whole. Asset liability committees (ALCO) are maintained at the Parent and bank subsidiary levels with the ALCO committees meeting regularly to assess liquidity risk, among other matters. The Company monitors liquidity and contingency funding alternatives through management reports of liquid assets (e.g., investment securities), both unencumbered and pledged, as well as borrowing capacity, both secured and unsecured.

Capital Resources

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 $1.7 million from year end 2010, or .2 percent, the net result of earnings of $10.3 million, an increase of $1.8 million in unrealized gains on available-for-sale securities, less cash dividend payments of $9.3 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. Each bank subsidiary was considered well capitalized by their respective regulator as of March 31, 2011 and December 31, 2010. There are no conditions or events since quarter end that management believes have changed the Company s or subsidiaries risk-based capital category. The following table illustrates the Federal Reserve Board s capital adequacy guidelines and the Company s compliance with those guidelines as of March 31, 2011.

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(Dollars in thousands)	Tier 1 (Core) Capital	Tier 2 (Total) Capital	Leverage Capital
Total stockholders equity	$ 839,889	839,889	839,889
Less:			
Goodwill and intangibles	(154,434)	(154,434)	(154,434)
Net unrealized gain on AFS debt securities	(2,294)	(2,294)	(2,294)
Other adjustments	(80)	(80)	(80)
Plus:			
Allowance for loan and lease losses		56,541	
Subordinated debentures	124,500	124,500	124,500
Other adjustments		4	
Regulatory capital	$ 807,581	864,126	807,581
Risk weighted assets	$ 4,438,902	4,438,902	
Total adjusted average assets			$ 6,522,774
Capital as % of risk weighted assets	18.19%	19.47%	12.38%
Regulatory well capitalized requirement	6.00%	10.00%	
Excess over well capitalized requirement	12.19%	9.47%	

Dividend payments were $0.13 per share for the period ended March 31, 2011. The payment of dividends is subject to government regulation in that regulatory authorities may prohibit banks and bank holding companies from paying dividends that would constitute an unsafe or unsound banking practice. Additionally, current guidance from the Federal Reserve provides, among other things, that dividends per share on the Company s common stock generally should not exceed earnings per share, measured over the previous four fiscal quarters.

In addition to the primary and safeguard liquidity sources available, the Company has the capacity to issue 117,187,500 shares of common stock of which 71,915,073 has been issued as of March 31, 2011. The Company s capacity to issue additional shares has been demonstrated with the most recent stock issuances in 2010 and 2008, although no assurances can be made that future stock issuances would be as successful. The Company also has the capacity to issue 1,000,000 shares of preferred shares of which none are currently issued.

Short-term borrowings

A critical component of the Company s liquidity and capital resources is access to short-term borrowings to fund its operations. Short-term borrowings are accompanied by increased risks managed by ALCO such as rate increases or unfavorable change in terms which would make it more costly to obtain future short-term borrowings. The Company s short-term borrowing sources include FHLB advances, FRB borrowings, federal funds purchased, brokered deposits, and wholesale repurchase agreements. FHLB advances and certain other short-term borrowings may be extended as long-term borrowings to decrease certain risks such as liquidity or interest rate risk; however, the reduction in risks are weighed against the increased costs of funds.

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. The Company has outstanding debt maturities, the largest aggregate amount of which are FHLB advances.

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 April 2011, FASB issued an amendment to FASB ASC Topic 310, *Receivables.* The amendments in this Update provide additional guidance or clarification regarding a creditor s determination of whether a restructuring is a troubled debt restructuring. In evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor must separately conclude that both of the following exist 1) the restructuring constitutes a concession 2) the debtor is experiencing financial difficulties. The amendment provides further guidance as to when the creditor has granted a concession and the debtor is experiencing financial difficulties. The amendments in this Update are effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. As a result of applying these amendments, an entity may identify receivables that are newly considered impaired. For purposes of measuring impairment of those receivables, an entity should apply the amendments prospectively for the first interim or annual period beginning on or after June 15, 2011. An entity should disclose the information relating to troubled debt restructurings which was deferred in January 2011 by Accounting Standards Update No. 2011-01, Topic 310, *Receivables (Topic 310)*, for interim and annual periods beginning on or after June 15, 2011. 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 December 2010, FASB issued an amendment to FASB ASC Topic 805, *Business Combinations*. The amendments in this Update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The Company has evaluated the impact of the adoption of this amendment and determined there was not a material effect on the Company s financial position or results of operations.

In December 2010, FASB issued an amendment to FASB ASC Topic 350, *Intangibles Goodwill and Other*. The amendments in this Update affect all entities that have recognized goodwill and have one or more reporting units whose carrying amount for purposes of performing Step 1 of the goodwill impairment test is zero or negative. The amendments in this Update modify Step 1 so that for those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The Company has evaluated the impact of the adoption of this amendment and determined there was not a material effect on the Company s financial position or results of operations.

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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 report for the year ended December 31, 2010.

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 first quarter 2011, 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.

The continued challenging economic environment could have a material adverse effect on the Company s future results of operations or market price of stock.

The national economy, and the financial services sector in particular, are still facing significant challenges. Substantially all of the Company s loans are to businesses and individuals in Montana, Idaho, Wyoming, Utah, Colorado and Washington, markets facing many of the same challenges as the national economy, including elevated unemployment and declines in commercial and residential real estate. Although some economic indicators are improving both nationally and in the Company s markets, unemployment remains high and there remains substantial uncertainty regarding when and how strongly a sustained economic recovery will occur. 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. 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. A further deterioration in economic conditions in the nation as a whole or in the Company s markets could result in the following consequences, any of which could have an adverse impact, which may 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 stock to decline:

- 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 and increasing the potential severity of loss in the event of loan defaults;
- 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 non-performing 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 changes in the assumptions used 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.

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.

The Company has a high degree of concentration in loans secured by real estate. A sluggish recovery, or a continuation of the downturn in the economic conditions or real estate values, of the Company s market areas could adversely impact borrowers ability to repay loans secured by real estate and the value of real estate collateral, thereby increasing the credit risk associated with the loan portfolio. The 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 tightening of the credit markets may make it difficult to obtain adequate funding for loan growth, which could adversely affect earnings.

A 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 2010 and the first quarter of 2011. 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.

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.

In 2009, the FDIC imposed a special deposit insurance assessment of five basis points on all insured institutions, and also required insured institutions to prepay estimated quarterly risk-based assessments through 2012.

The Dodd-Frank Act established 1.35% as the minimum deposit insurance fund reserve ratio. The FDIC has determined that the fund reserve ratio should be 2.0% and has adopted a plan under which it will meet the statutory minimum fund reserve ratio of 1.35% by the statutory deadline of September 30, 2020. The Dodd-Frank Act requires the FDIC to offset the effect on institutions with assets less than $10 billion of the increase in the statutory minimum fund reserve ratio to 1.35% from the former statutory minimum of 1.15%. The FDIC has not announced how it will implement this offset or how larger institutions will be affected by it.

Despite the FDIC s actions to restore the deposit insurance fund, the fund will suffer additional losses in the future due to failures of insured institutions. 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.

Non-performing assets have increased 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 estimated 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 reduces the time they have to focus on growing the Company s business. There can be no assurance that the Company will not experience further increases in non-performing assets in the future.

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. Any such impairment charge would have an adverse effect, which could be material, on the Company s results of operations and financial condition.

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 acquirer 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 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 the Company s 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.

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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 1) creates a new Bureau of Consumer Financial Protection with broad powers to regulate consumer financial products such as credit cards and mortgages, 2) creates a Financial Stability Oversight Council comprised of the heads of other regulatory agencies, 3) will lead to new capital requirements from federal banking agencies, 4) places new limits on electronic debt card interchange fees, and 5) 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.

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 its bank subsidiaries. The terms and costs of these activities, or the failure of these actions to help stabilize the financial markets, asset prices, market liquidity and a continuation or worsening of current financial market and economic conditions could materially and adversely affect the Company s business, financial condition, results of operations, and the trading price of the Company s common stock.

The Company has various anti-takeover measures that could impede a takeover.

The Company s articles of incorporation include certain provisions that could make more difficult the acquisition of the Company by means of a tender offer, a proxy contest, merger or otherwise. These provisions include a requirement that any Business Combination (as defined in the articles of incorporation) be approved by at least 80 percent of the voting power of the then-outstanding shares, unless it is either approved by the Board of Directors or certain price and procedural requirements are satisfied. In addition, the authorization of preferred stock, which is intended primarily as a financing tool and not as a defensive measure against takeovers, may potentially be used by management to make more difficult uninvited attempts to acquire control of the Company. These provisions may have the affect of lengthening the time required for a person to acquire control of the Company through a tender offer, proxy contest or otherwise, and may deter any potentially unfriendly offers or other efforts to obtain control of the Company. This could deprive the Company s

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shareholders of opportunities to realize a premium for their Glacier common stock, even in circumstances where such action is favored by a majority of the Company s shareholders.

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 March 31, 2011 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.

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.
May 10, 2011	/s/ Michael J. Blodnick Michael J. Blodnick President/CEO
May 10, 2011	/s/ Ron J. Copher Ron J. Copher Senior Vice President/CFO