GLACIER BANCORP INC
Form 10-Q
May 09, 2013

Table of Contents

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

FORM 10-Q

ý Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2013

¨ Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from __________ to __________
Commission file number 000-18911

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

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

(406) 756-4200
Registrant's telephone number, including area code
Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ý Yes No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes No ¨
Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	ý	Accelerated Filer	¨
Non-Accelerated Filer	¨	Smaller reporting Company	¨

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes ý No
The number of shares of Registrant's common stock outstanding on April 19, 2013 was 72,025,000. No preferred shares are issued or outstanding.

Table of Contents

TABLE OF CONTENTS

Table of Contents

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

(Dollars in thousands, except per share data)	March 31, 2013	December 31, 2012
Assets		
Cash on hand and in banks	$ 88,132	123,270
Interest bearing cash deposits	40,925	63,770
Cash and cash equivalents	129,057	187,040
Investment securities, available-for-sale	3,658,037	3,683,005
Loans held for sale	88,035	145,501
Loans receivable	3,403,845	3,397,425
Allowance for loan and lease losses	(130,835)	(130,854)
Loans receivable, net	3,273,010	3,266,571
Premises and equipment, net	159,224	158,989
Other real estate owned	43,975	45,115
Accrued interest receivable	39,024	37,770
Deferred tax asset	17,449	20,394
Core deposit intangible, net	5,688	6,174
Goodwill	106,100	106,100
Non-marketable equity securities	48,812	48,812
Other assets	40,826	41,969
Total assets	$ 7,609,237	7,747,440
Liabilities		
Non-interest bearing deposits	$ 1,180,738	1,191,933
Interest bearing deposits	4,192,477	4,172,528
Securities sold under agreements to repurchase	312,505	289,508
Federal Home Loan Bank advances	802,004	997,013
Other borrowed funds	10,276	10,032
Subordinated debentures	125,454	125,418
Accrued interest payable	4,095	4,675
Other liabilities	67,408	55,384
Total liabilities	6,694,957	6,846,491
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	720	719
Paid-in capital	642,285	641,737
Retained earnings - substantially restricted	221,200	210,531
Accumulated other comprehensive income	50,075	47,962
Total stockholders' equity	914,280	900,949
Total liabilities and stockholders' equity	$ 7,609,237	7,747,440
Number of common stock shares issued and outstanding	72,018,617	71,937,222

See accompanying notes to unaudited condensed consolidated financial statements.

3

Table of Contents

Glacier Bancorp, Inc.
Unaudited Condensed Consolidated Statements of Operations

(Dollars in thousands, except per share data)	Three Months ended March 31, 2013	March 31, 2012
Interest Income		
Residential real estate loans	$7,260	7,784
Commercial loans	28,632	31,041
Consumer and other loans	7,864	9,170
Investment securities	14,199	19,889
Total interest income	57,955	67,884
Interest Expense		
Deposits	3,712	4,954
Securities sold under agreements to repurchase	227	299
Federal Home Loan Bank advances	2,651	3,381
Federal funds purchased and other borrowed funds	52	62
Subordinated debentures	816	902
Total interest expense	7,458	9,598
Net Interest Income	50,497	58,286
Provision for loan losses	2,100	8,625
Net interest income after provision for loan losses	48,397	49,661
Non-Interest Income		
Service charges and other fees	10,586	10,492
Miscellaneous loan fees and charges	1,089	946
Gain on sale of loans	9,089	6,813
Loss on sale of investments	(137)	—
Other income	2,323	2,087
Total non-interest income	22,950	20,338
Non-Interest Expense		
Compensation and employee benefits	24,577	23,560
Occupancy and equipment	5,825	5,968
Advertising and promotions	1,548	1,402
Outsourced data processing	825	846
Other real estate owned	884	6,822
Federal Deposit Insurance Corporation premiums	1,304	1,712
Core deposit intangibles amortization	486	552
Other expense	7,985	8,183
Total non-interest expense	43,434	49,045
Income Before Income Taxes	27,913	20,954
Federal and state income tax expense	7,145	4,621
Net Income	$20,768	16,333
Basic earnings per share	$0.29	0.23
Diluted earnings per share	$0.29	0.23
Dividends declared per share	$0.14	0.13
Average outstanding shares - basic	71,965,665	71,915,073
Average outstanding shares - diluted	72,013,177	71,915,130

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

Glacier Bancorp, Inc.
Unaudited Condensed Consolidated Statements of Comprehensive Income

(Dollars in thousands)	Three Months ended March 31, 2013	March 31, 2012
Net Income	$ 20,768	16,333
Other Comprehensive Income, Net of Tax		
Unrealized gains on available-for-sale securities	571	10,018
Reclassification adjustment for losses included in net income	137	—
Net unrealized gains on securities	708	10,018
Tax effect	(275)	(3,897)
Net of tax amount	433	6,121
Unrealized gains on derivatives used for cash flow hedges	2,752	3,112
Tax effect	(1,072)	(1,211)
Net of tax amount	1,680	1,901
Total other comprehensive income, net of tax	2,113	8,022
Total Comprehensive Income	$ 22,881	24,355

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

Glacier Bancorp, Inc.
Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity
Three Months ended March 31, 2013 and 2012

(Dollars in thousands, except per share data)	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings Substantially Restricted	Accumulated Other Compre-hensive Income	Total
Balance at December 31, 2011	71,915,073	$719	642,882	173,139	33,487	850,227
Comprehensive income	—	—	—	16,333	8,022	24,355
Cash dividends declared ($0.13 per share)	—	—	—	(9,350)	—	(9,350)
Stock-based compensation and related taxes	—	—	(1,235)	—	—	(1,235)
Balance at March 31, 2012	71,915,073	$719	641,647	180,122	41,509	863,997
Balance at December 31, 2012	71,937,222	$719	641,737	210,531	47,962	900,949
Comprehensive income	—	—	—	20,768	2,113	22,881
Cash dividends declared ($0.14 per share)	—	—	—	(10,099)	—	(10,099)
Stock issuances under stock incentive plans	81,395	1	1,265	—	—	1,266
Stock-based compensation and related taxes	—	—	(717)	—	—	(717)
Balance at March 31, 2013	72,018,617	$720	642,285	221,200	50,075	914,280

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

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

(Dollars in thousands)	Three Months ended March 31, 2013	March 31, 2012
Operating Activities		
Net income	$ 20,768	16,333
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	2,100	8,625
Net amortization of investment securities premiums and discounts	21,411	13,321
Federal Home Loan Bank stock dividends	—	(5)
Mortgage loans held for sale originated or acquired	(263,004)	(232,287)
Proceeds from sales of mortgage loans held for sale	348,970	277,146
Gain on sale of loans	(9,089)	(6,813)
Loss on sale of investments	137	—
Stock-based compensation expense, net of tax benefits	347	1
Excess tax deficiencies from stock-based compensation	97	—
Depreciation of premises and equipment	2,338	2,473
(Gain) loss on sale of other real estate owned and writedown	(202)	5,481
Amortization of core deposit intangibles	486	552
Net increase in accrued interest receivable	(1,254)	(527)
Net decrease in other assets	8,100	4,696
Net decrease in accrued interest payable	(580)	(507)
Net (decrease) increase in other liabilities	(1,565)	6,980
Net cash provided by operating activities	129,060	95,469
Investing Activities		
Proceeds from sales, maturities and prepayments of investment securities, available-for-sale	577,301	398,640
Purchases of investment securities, available-for-sale	(573,174)	(514,219)
Principal collected on loans	255,672	210,355
Loans originated or acquired	(289,693)	(217,549)
Net addition of premises and equipment and other real estate owned	(2,654)	(2,245)
Proceeds from sale of other real estate owned	7,493	8,981
Net cash used in investment activities	(25,055)	(116,037)
Financing Activities		
Net increase in deposits	8,754	106,605
Net increase in securities sold under agreements to repurchase	22,997	647
Net decrease in Federal Home Loan Bank advances	(195,009)	(74,008)
Net increase in federal funds purchased and other borrowed funds	280	399
Cash dividends paid	—	(9,350)
Excess tax deficiencies from stock-based compensation	(97)	—
Proceeds from stock options exercised	1,087	—
Net cash (used in) provided by financing activities	(161,988)	24,293
Net (decrease) increase in cash and cash equivalents	(57,983)	3,725
Cash and cash equivalents at beginning of period	187,040	128,032
Cash and cash equivalents at end of period	$ 129,057	131,757

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

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

(Dollars in thousands)	Three Months ended March 31, 2013	March 31, 2012
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$ 8,038	10,105
Cash paid during the period for income taxes	100	1,230
Sale and refinancing of other real estate owned	611	512
Transfer of loans to other real estate owned	6,683	10,959

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

Glacier Bancorp, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

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

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

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the Company’s financial condition as of March 31, 2013, the results of operations and comprehensive income for the three month periods ended March 31, 2013 and 2012, and changes in stockholders’ equity and cash flows for the three month periods ended March 31, 2013 and 2012. The condensed consolidated statement of financial condition of the Company as of December 31, 2012 has been derived from the audited consolidated statements of the Company as of that date.

The accompanying unaudited condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (“GAAP”) for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012. Operating results for the three months ended March 31, 2013 are not necessarily indicative of the results anticipated for the year ending December 31, 2013.

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

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. For the determination of the ALLL and other real estate valuation estimates, management obtains independent appraisals (new or updated) for significant items. Estimates relating to investments are obtained from independent third parties.

Principles of Consolidation
The consolidated financial statements of the Company include the parent holding company and the Bank. The Bank consists of eleven bank divisions, each of which operate under separate names, management teams and directors. The Company considers the Bank to be its sole operating segment as the Bank 1) engages in similar bank business activity from which it earns revenues and incurs expenses, 2) the operating results of the Bank are regularly reviewed by the Chief Executive Officer (i.e., the chief operating decision maker) who makes decisions about resources to be allocated to the Bank, and 3) financial information is available for the Bank. All significant inter-company transactions have been eliminated in consolidation.

The Company formed GBCI Other Real Estate (“GORE”) to isolate certain bank foreclosed properties for legal protection and administrative purposes and the remaining properties are currently held for sale. GORE is included in the Bank operating segment due to its insignificant activity.

The Company owns the following trust subsidiaries, each of which issued trust preferred securities as Tier 1 capital instruments: Glacier Capital Trust II, Glacier Capital Trust III, Glacier Capital Trust IV, Citizens (ID) Statutory Trust I, Bank of the San Juans Bancorporation Trust I, First Company Statutory Trust 2001 and First Company Statutory Trust 2003. The trust subsidiaries are not included in the Company’s consolidated financial statements.

Recent and Pending Acquisitions

On February 25, 2013, the Company announced the signing of a definitive agreement to acquire First State Bank, a community bank based in Wheatland, Wyoming. First State Bank provides community banking services to individuals and businesses from banking offices in Wheatland, Torrington and Guernsey, Wyoming. Upon closing of the transaction, which is anticipated to take place in the second quarter of 2013, First State Bank will be merged into the Bank and operate as a separate bank division doing business under its existing name.

On March 27, 2013, the Company announced the signing of a definitive agreement to acquire North Cascades National Bank, a community bank based in Chelan, Washington. North Cascades National Bank provides community banking services to individuals and businesses in central Washington, with banking offices located in Chelan, Wenatchee, East Wenatchee, Omak, Brewster, Twisp, Okanagan, Grand Coulee and Waterville, Washington. Upon closing of the transaction, which is anticipated to take place in the third quarter of 2013, North Cascades National Bank will be merged into the Bank and operate as a separate bank division doing business under its existing name.

Variable Interest Entities

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 variable interest entities ("VIE").

The following table summarizes the carrying amounts of the VIE's assets and liabilities included in the Company's consolidated financial statements at March 31, 2013 and December 31, 2012:

	March 31, 2013		December 31, 2012	
(Dollars in thousands)	CDE (NMTC)	LIHTC	CDE (NMTC)	LIHTC
Assets				
Loans receivable	$35,840	—	35,480	—
Premises and equipment, net	—	15,941	—	16,066
Accrued interest receivable	117	—	117	—
Other assets	1,048	172	1,114	143
Total assets	$37,005	16,113	36,711	16,209
Liabilities				
Other borrowed funds	$4,555	3,639	4,555	3,639
Accrued interest payable	4	6	4	6
Other liabilities	182	138	182	136
Total liabilities	$4,741	3,783	4,741	3,781

Amounts presented in the table above are adjusted for intercompany eliminations. All assets presented can be used only to settle obligations of the consolidated VIEs and all liabilities presented consist of liabilities for which creditors and other beneficial interest holders therein have no recourse to the general credit of the Company.

Loans Receivable

Loans that are intended to be held-to-maturity are reported at the unpaid principal balance less charge-offs and adjusted for deferred fees and costs on originated loans and unamortized premiums or discounts on acquired loans. Interest income is recognized using the interest method and includes discount accretion and premium amortization on acquired loans and net loan fees on originated loans which are amortized over the expected life of the loans using a method that approximates the level-yield interest method. The Company's loan segments, which are based on the purpose of the loan, include residential real estate, commercial, and consumer loans. The Company's loan classes, a further disaggregation of segments, include residential real estate loans (residential real estate segment), commercial real estate and other commercial loans (commercial segment), and home equity and other consumer loans (consumer segment).

Table of Contents

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 nonaccrual, 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.

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 ("TDR"), 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.

The Company considers 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 ninety days or more past due) and accruing loans under ninety days past due where it is probable payments will not be received according to the loan agreement (e.g., TDR). Interest income on accruing impaired loans is recognized using the interest method. The Company measures impairment on a loan-by-loan basis in the same manner for each class within the loan portfolio. 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.

A restructured loan is considered a 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. A TDR loan is considered an impaired loan and a specific valuation allowance is established when the fair value of the collateral-dependent loan or present value of the loan's expected future cash flows (discounted at the loan's effective interest rate based on the original contractual rate) is lower than the carrying value of the impaired loan. The Company made the following types of loan modifications, some of which were considered a 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.

For additional information relating to loans, see Note 3.

Allowance for Loan and Lease Losses

Based upon management’s analysis of the Company’s loan portfolio, the balance of the ALLL is an estimate of probable credit losses known and inherent within the Bank's loan portfolio as of the date of the consolidated financial statements. The ALLL is analyzed at the loan class level and is maintained within a range of estimated 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 determination of the ALLL and the related provision for loan losses is a critical accounting estimate that involves management’s judgments about all known relevant internal and external environmental factors that affect loan losses. The balance of the ALLL is highly dependent upon management’s evaluations of borrowers’ current and prospective performance, appraisals and other variables affecting the quality of the loan portfolio. Individually significant loans and major lending areas are reviewed periodically to determine potential problems at an early date. Changes in management’s estimates and assumptions are reasonably possible and may have a material impact upon the Company’s consolidated financial statements, results of operations or capital.

Table of Contents

The ALLL consists of a specific valuation allowance component and a general valuation allowance component. The specific component relates to loans that are determined to be impaired and individually evaluated for impairment. The Company measures impairment on a loan-by-loan basis 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 TDR 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 of the underlying real property value.

The general valuation allowance component relates to probable credit losses inherent in the balance of the loan portfolio based on historical loss experience, adjusted for changes in trends and conditions of qualitative or environmental factors. The historical loss experience is based on the previous twelve quarters loss experience by loan class adjusted for risk characteristics in the existing loan portfolio. The same trends and conditions are evaluated for each class within the loan portfolio; however, the risk characteristics are weighted separately at the individual class level based on the Company's judgment and experience.

The changes in trends and conditions of certain items include the following:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;
- Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments;
- Changes in the nature and volume of the portfolio and in the terms of loans;
- Changes in experience, ability, and depth of lending management and other relevant staff;
- Changes in the volume and severity of past due and nonaccrual loans;
- Changes in the quality of the Company's loan review system;
- Changes in the value of underlying collateral for collateral-dependent loans;
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations; and
- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the Company's existing portfolio.

The ALLL is increased by provisions for loan losses which are charged to expense. The portions of loan balances determined by management to be uncollectible are charged-off as a reduction of the ALLL. Recoveries of amounts previously charged-off are credited as an increase to the ALLL. The Company's charge-off policy is consistent with bank regulatory standards. Consumer loans generally are charged off when the loan becomes over 120 days delinquent. Real estate acquired as a result of foreclosure or by deed-in-lieu of foreclosure is classified as real estate owned until such time as it is sold.

Impact of Recent Authoritative Accounting Guidance

The Accounting Standards Codification™ ("ASC") is the Financial Accounting Standards Board's ("FASB") officially recognized source of authoritative 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 the Company as an SEC registrant. All other accounting literature is non-authoritative.

In June 2011, FASB amended FASB ASC Topic 220, Comprehensive Income. The amendment provides an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement or in two separate but consecutive statements. Accounting Standards Update ("ASU") No. 2011-12, Comprehensive Income (Topic 220) deferred the specific requirement of the amendment to present items that are reclassified from accumulated other comprehensive income to net income separately with their respective components of net income and other comprehensive income. The amendments were effective retrospectively during interim and annual periods beginning after December 15, 2011. ASU No. 2013-2, Comprehensive Income (Topic 220) reversed the deferment of ASU 2011-12 and will be effective prospectively for reporting periods beginning after December 15, 2012 and early adoption is permitted. The Company early adopted ASU No. 2013-2 as of December 31, 2012. The Company has evaluated the impact of the adoption of these amendments and determined there was not a material effect on the Company's financial position or results of operations.

Table of Contents

Note 2. 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.

	March 31, 2013				
	Weighted	Amortized	Gross Unrealized		Fair
(Dollars in thousands)	Yield	Cost	Gains	Losses	Value
U.S. government and federal agency					
Maturing within one year	1.62 %	$ 200	—	—	200
U.S. government sponsored enterprises					
Maturing after one year through five years	2.28 %	14,809	348	—	15,157
Maturing after five years through ten years	2.03 %	43	1	—	44
	2.28 %	14,852	349	—	15,201
State and local governments					
Maturing within one year	2.01 %	4,278	23	—	4,301
Maturing after one year through five years	2.08 %	151,885	4,502	(115)	156,272
Maturing after five years through ten years	3.04 %	42,002	1,478	(121)	43,359
Maturing after ten years	4.61 %	1,007,391	74,791	(2,802)	1,079,380
	4.23 %	1,205,556	80,794	(3,038)	1,283,312
Corporate bonds					
Maturing within one year	1.75 %	21,882	114	—	21,996
Maturing after one year through five years	2.11 %	389,200	4,868	(355)	393,713
Maturing after five years through ten years	2.28 %	18,069	361	—	18,430
	2.10 %	429,151	5,343	(355)	434,139
Collateralized debt obligations					
Maturing after ten years	8.03 %	1,829	—	—	1,829
Residential mortgage-backed securities	2.28 %	1,910,413	14,273	(1,330)	1,923,356
Total investment securities	2.92 %	$ 3,562,001	100,759	(4,723)	3,658,037

Table of Contents

	December 31, 2012				
	Weighted	Amortized	Gross Unrealized		Fair
(Dollars in thousands)	Yield	Cost	Gains	Losses	Value
U.S. government and federal agency					
Maturing within one year	1.62 %	$ 201	1	—	202
U.S. government sponsored enterprises					
Maturing after one year through five years	2.30 %	17,064	371	—	17,435
Maturing after five years through ten years	2.03 %	44	1	—	45
	2.29 %	17,108	372	—	17,480
State and local governments					
Maturing within one year	2.01 %	4,288	28	(2)	4,314
Maturing after one year through five years	2.11 %	149,497	4,142	(142)	153,497
Maturing after five years through ten years	2.95 %	38,346	1,102	(99)	39,349
Maturing after ten years	4.70 %	935,897	82,823	(1,362)	1,017,358
	4.29 %	1,128,028	88,095	(1,605)	1,214,518
Corporate bonds					
Maturing within one year	1.73 %	18,412	51	—	18,463
Maturing after one year through five years	2.22 %	250,027	4,018	(238)	253,807
Maturing after five years through ten years	2.23 %	16,144	381	—	16,525
	2.19 %	284,583	4,450	(238)	288,795
Collateralized debt obligations					
Maturing after ten years	8.03 %	1,708	—	—	1,708
Residential mortgage-backed securities	1.95 %	2,156,049	8,860	(4,607)	2,160,302
Total investment securities	2.71 %	$ 3,587,677	101,778	(6,450)	3,683,005

Included in the residential mortgage-backed securities are $43,200,000 and $46,733,000 as of March 31, 2013 and December 31, 2012, respectively, of non-guaranteed private label whole loan mortgage-backed securities of which none of the underlying collateral is considered “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 average yields are based on the level-yield method taking into account premium amortization, discount accretion and mortgage-backed securities' prepayment provisions. Weighted average yields on tax-exempt investment securities exclude the federal income tax benefit.

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

	Three Months ended	
(Dollars in thousands)	March 31, 2013	March 31, 2012
Gross proceeds	$ 3,839	—
Less amortized cost	(3,976)	—
Net loss on sale of investments	$ (137)	—
Gross gain on sale of investments	$ —	—
Gross loss on sale of investments	(137)	—
Net loss on sale of investments	$ (137)	—

Table of Contents

Investments with an unrealized loss position are summarized as follows:

(Dollars in thousands)	March 31, 2013 Less than 12 Months Fair Value	Unrealized Loss	12 Months or More Fair Value	Unrealized Loss	Total Fair Value	Unrealized Loss
State and local governments	$ 160,569	(2,749)	10,183	(289)	170,752	(3,038)
Corporate bonds	63,886	(355)	—	—	63,886	(355)
Residential mortgage-backed securities	304,037	(1,118)	26,571	(212)	330,608	(1,330)
Total temporarily impaired securities	$ 528,492	(4,222)	36,754	(501)	565,246	(4,723)

(Dollars in thousands)	December 31, 2012 Less than 12 Months Fair Value	Unrealized Loss	12 Months or More Fair Value	Unrealized Loss	Total Fair Value	Unrealized Loss
State and local governments	$ 102,896	(1,531)	4,533	(74)	107,429	(1,605)
Corporate bonds	41,856	(238)	—	—	41,856	(238)
Residential mortgage-backed securities	955,235	(4,041)	62,905	(566)	1,018,140	(4,607)
Total temporarily impaired securities	$ 1,099,987	(5,810)	67,438	(640)	1,167,425	(6,450)

With respect to the Company's review of its securities in an unrealized loss position at March 31, 2013, management determined that it did not intend to sell and there was no expected requirement to sell any of its temporarily impaired securities. Based on an analysis of its impaired securities as of March 31, 2013 and December 31, 2012, the Company determined that none of such securities had other-than-temporary impairment.

Note 3. Loans Receivable, Net

The following schedules summarize the activity in the ALLL on a portfolio class basis:

(Dollars in thousands)	Three Months ended March 31, 2013 Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Allowance for loan and lease losses						
Balance at beginning of period	$ 130,854	15,482	74,398	21,567	10,659	8,748
Provision for loan losses	2,100	23	(952)	1,699	1,457	(127)
Charge-offs	(3,614)	(177)	(765)	(1,158)	(1,338)	(176)
Recoveries	1,495	83	654	373	55	330
Balance at end of period	$ 130,835	15,411	73,335	22,481	10,833	8,775

Table of Contents

(Dollars in thousands)	Three Months ended March 31, 2012 Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Allowance for loan and lease losses						
Balance at beginning of period	$ 137,516	17,227	76,920	20,833	13,616	8,920
Provision for loan losses	8,625	3,530	1,778	2,373	737	207
Charge-offs	(11,058)	(1,849)	(6,123)	(1,283)	(1,006)	(797)
Recoveries	1,503	95	665	521	17	205
Balance at end of period	$ 136,586	19,003	73,240	22,444	13,364	8,535

The following schedules disclose the ALLL and loans receivable on a portfolio class basis:

(Dollars in thousands)	March 31, 2013 Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Allowance for loan and lease losses						
Individually evaluated for impairment	$ 11,601	1,144	5,598	3,302	270	1,287
Collectively evaluated for impairment	119,234	14,267	67,737	19,179	10,563	7,488
Total allowance for loan and lease losses	$ 130,835	15,411	73,335	22,481		