GLACIER BANCORP INC
Form 10-Q
November 01, 2018

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________
Commission file number 000-18911

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares of Registrant's common stock outstanding on October 16, 2018 was 84,521,692. No preferred shares are issued or outstanding.

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ABBREVIATIONS/ACRONYMS

ALCO – Asset Liability Committee
ALLL or allowance – allowance for loan and lease losses
ASC – Accounting Standards Codification™
ATM – automated teller machine
Bank – Glacier Bank
CDE – Certified Development Entity
CDFI Fund – Community Development Financial Institutions Fund
CEO – Chief Executive Officer
CFO – Chief Financial Officer
Collegiate – Columbine Capital Corp. and its subsidiary, Collegiate Peaks Bank
Company – Glacier Bancorp, Inc.
DDA – demand deposit account
Dodd-Frank Act – Dodd-Frank Wall Street Reform and Consumer Protection Act
Fannie Mae – Federal National Mortgage Association
FASB – Financial Accounting Standards Board
FDIC – Federal Deposit Insurance Corporation
FHLB – Federal Home Loan Bank
Final Rules – final rules implemented by the federal banking agencies that amended regulatory risk-based capital rules
FRB – Federal Reserve Bank
Freddie Mac – Federal Home Loan Mortgage Corporation
FSB – Inter-Mountain Bancorp., Inc. and its subsidiary, First Security Bank
GAAP – accounting principles generally accepted in the United States of America
Ginnie Mae – Government National Mortgage Association
LIBOR – London Interbank Offered Rate
LIHTC – Low Income Housing Tax Credit
NMTC – New Markets Tax Credit
NOW – negotiable order of withdrawal
NRSRO – Nationally Recognized Statistical Rating Organizations
OCI – other comprehensive income
OREO – other real estate owned
Repurchase agreements – securities sold under agreements to repurchase
S&P – Standard and Poor's
SEC – United States Securities and Exchange Commission
Tax Act – The Tax Cuts and Jobs Act
TBA – to-be-announced
TDR – troubled debt restructuring
VIE – variable interest entity

GLACIER BANCORP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands, except per share data)	September 30, 2018	December 31, 2017
Assets		
Cash on hand and in banks	$ 171,394	139,948
Interest bearing cash deposits	135,710	60,056
Cash and cash equivalents	307,104	200,004
Debt securities, available-for-sale	2,103,619	1,778,243
Debt securities, held-to-maturity	590,915	648,313
Total debt securities	2,694,534	2,426,556
Loans held for sale, at fair value	50,649	38,833
Loans receivable	8,123,245	6,577,824
Allowance for loan and lease losses	(132,535)	(129,568)
Loans receivable, net	7,990,710	6,448,256
Premises and equipment, net	239,006	177,348
Other real estate owned	12,399	14,269
Accrued interest receivable	62,248	44,462
Deferred tax asset	37,264	38,344
Core deposit intangible, net	50,973	14,184
Goodwill	289,535	177,811
Non-marketable equity securities	16,502	29,884
Bank-owned life insurance	81,850	59,351
Other assets	76,328	37,047
Total assets	$ 11,909,102	9,706,349
Liabilities		
Non-interest bearing deposits	$ 3,103,112	2,311,902
Interest bearing deposits	6,498,070	5,267,845
Securities sold under agreements to repurchase	408,754	362,573
Federal Home Loan Bank advances	155,328	353,995
Other borrowed funds	9,944	8,224
Subordinated debentures	134,055	126,135
Accrued interest payable	4,065	3,450
Other liabilities	103,162	73,168
Total liabilities	10,416,490	8,507,292
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	845	780
Paid-in capital	1,050,463	797,997
Retained earnings - substantially restricted	471,021	402,259
Accumulated other comprehensive loss	(29,717)	(1,979)
Total stockholders’ equity	1,492,612	1,199,057
Total liabilities and stockholders’ equity	$ 11,909,102	9,706,349
Number of common stock shares issued and outstanding	84,521,093	78,006,956

See accompanying notes to unaudited condensed consolidated financial statements.

GLACIER BANCORP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)	Three Months ended September 30, 2018	Three Months ended September 30, 2017	Nine Months ended September 30, 2018	Nine Months ended September 30, 2017
Interest Income				
Investment securities	$21,971	19,987	64,483	63,305
Residential real estate loans	10,356	8,326	29,290	24,594
Commercial loans	80,587	59,875	221,926	166,027
Consumer and other loans	9,991	8,276	27,987	24,198
Total interest income	122,905	96,464	343,686	278,124
Interest Expense				
Deposits	4,837	4,564	13,370	13,505
Securities sold under agreements to repurchase	570	537	1,541	1,362
Federal Home Loan Bank advances	2,132	1,398	6,734	4,642
Other borrowed funds	63	21	105	55
Subordinated debentures	1,558	1,132	4,345	3,228
Total interest expense	9,160	7,652	26,095	22,792
Net Interest Income	113,745	88,812	317,591	255,332
Provision for loan losses	3,194	3,327	8,707	7,938
Net interest income after provision for loan losses	110,551	85,485	308,884	247,394
Non-Interest Income				
Service charges and other fees	19,504	17,307	55,179	50,435
Miscellaneous loan fees and charges	1,807	1,211	5,527	3,283
Gain on sale of loans	7,256	9,141	21,495	23,031
(Loss) gain on sale of debt securities	(367)	77	(756)	(545)
Other income	4,216	3,449	8,885	8,326
Total non-interest income	32,416	31,185	90,330	84,530
Non-Interest Expense				
Compensation and employee benefits	49,927	41,297	144,671	120,041
Occupancy and equipment	7,914	6,500	22,850	19,706
Advertising and promotions	2,432	2,239	7,132	6,381
Data processing	3,752	3,647	11,960	10,180
Other real estate owned	2,674	817	2,957	1,532
Regulatory assessments and insurance	1,277	1,214	3,812	3,362
Core deposit intangibles amortization	1,735	640	4,539	1,880
Other expenses	13,118	12,198	40,330	34,123
Total non-interest expense	82,829	68,552	238,251	197,205
Income Before Income Taxes	60,138	48,118	160,963	134,719
Federal and state income tax expense	10,802	11,639	28,684	33,298
Net Income	$49,336	36,479	132,279	101,421
Basic earnings per share	$0.58	0.47	1.59	1.31
Diluted earnings per share	$0.58	0.47	1.59	1.31
Dividends declared per share	$0.26	0.51	0.75	0.93
Average outstanding shares - basic	84,518,407	78,004,450	83,294,111	77,379,514
Average outstanding shares - diluted	84,593,122	78,065,942	83,362,323	77,442,944

See accompanying notes to unaudited condensed consolidated financial statements.

GLACIER BANCORP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)	Three Months ended September 30, 2018	Three Months ended September 30, 2017	Nine Months ended September 30, 2018	Nine Months ended September 30, 2017
Net Income	$49,336	36,479	132,279	101,421
Other Comprehensive (Loss) Income, Net of Tax				
Unrealized (losses) gains on available-for-sale debt securities	(14,190)	(2,835)	(46,597)	17,172
Reclassification adjustment for (losses) gains included in net income	(151)	(77)	195	519
Net unrealized (losses) gains on available-for-sale debt securities	(14,341)	(2,912)	(46,402)	17,691
Tax effect	3,634	1,129	11,759	(6,853)
Net of tax amount	(10,707)	(1,783)	(34,643)	10,838
Unrealized gains (losses) on derivatives used for cash flow hedges	1,234	45	7,302	(1,799)
Reclassification adjustment for losses included in net income	469	1,182	1,946	3,776
Net unrealized gains on derivatives used for cash flow hedges	1,703	1,227	9,248	1,977
Tax effect	(431)	(476)	(2,343)	(766)
Net of tax amount	1,272	751	6,905	1,211
Total other comprehensive (loss) income, net of tax	(9,435)	(1,032)	(27,738)	12,049
Total Comprehensive Income	$39,901	35,447	104,541	113,470

See accompanying notes to unaudited condensed consolidated financial statements.

GLACIER BANCORP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Nine Months Months ended September 30, 2018 and 2017

(Dollars in thousands, except per share data)	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings Substantially Restricted	Accumulated Other Compre-hensive (Loss) Income	Total
Balance at December 31, 2016	76,525,402	$ 765	749,107	374,379	(7,382)	1,116,869
Net income	—	—	—	101,421	—	101,421
Other comprehensive income	—	—	—	—	12,049	12,049
Cash dividends declared ($0.93 per share)	—	—	—	(72,427)	—	(72,427)
Stock issued in connection with acquisitions	1,381,661	14	46,659	—	—	46,673
Stock issuances under stock incentive plans	99,893	1	(1)	—	—	—
Stock-based compensation and related taxes	—	—	1,616	—	—	1,616
Balance at September 30, 2017	78,006,956	$ 780	797,381	403,373	4,667	1,206,201
Balance at December 31, 2017	78,006,956	$ 780	797,997	402,259	(1,979)	1,199,057
Net income	—	—	—	132,279	—	132,279
Other comprehensive loss	—	—	—	—	(27,738)	(27,738)
Cash dividends declared ($0.75 per share)	—	—	—	(63,517)	—	(63,517)
Stock issued in connection with acquisitions	6,432,868	64	250,743	—	—	250,807
Stock issuances under stock incentive plans	81,269	1	(1)	—	—	—
Stock-based compensation and related taxes	—	—	1,724	—	—	1,724
Balance at September 30, 2018	84,521,093	$ 845	1,050,463	471,021	(29,717)	1,492,612

See accompanying notes to unaudited condensed consolidated financial statements.

GLACIER BANCORP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Nine Months ended September 30, 2018	September 30, 2017
Operating Activities		
Net income	$132,279	101,421
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	8,707	7,938
Net amortization of debt securities	10,088	16,265
Net accretion of purchase accounting adjustments	(2,962)	(4,534)
Amortization of debt modification costs	1,237	—
Origination of loans held for sale	(647,932)	(672,055)
Proceeds from loans held for sale	669,344	730,082
Gain on sale of loans	(21,495)	(23,031)
Loss on sale of debt securities	756	545
Bank-owned life insurance income, net	(1,782)	(1,032)
Stock-based compensation, net of tax benefits	2,523	1,449
Depreciation of premises and equipment	11,543	10,989
Loss (gain) on sale and write-downs of other real estate owned, net	2,347	(1,808)
Amortization of core deposit intangibles	4,539	1,880
Amortization of investments in variable interest entities	5,070	3,581
Net increase in accrued interest receivable	(10,581)	(3,564)
Net (increase) decrease in other assets	(6,820)	6,147
Net increase (decrease) in accrued interest payable	170	(431)
Net increase in other liabilities	10,481	4,609
Net cash provided by operating activities	167,512	178,451
Investing Activities		
Sales of available-for-sale debt securities	224,612	247,748
Maturities, prepayments and calls of available-for-sale debt securities	259,102	347,450
Purchases of available-for-sale debt securities	(550,096)	(28,301)
Maturities, prepayments and calls of held-to-maturity debt securities	55,202	18,910
Principal collected on loans	1,908,670	1,472,757
Loan originations	(2,500,098)	(2,022,508)
Net additions to premises and equipment	(13,984)	(7,682)
Proceeds from sale of other real estate owned	3,370	11,812
Proceeds from redemption of non-marketable equity securities	73,199	47,805
Purchases of non-marketable equity securities	(62,585)	(42,598)
Proceeds from bank-owned life insurance	1,331	437
Investments in variable interest entities	(30,685)	(16,541)
Net cash received from (paid in) acquisitions	101,268	(4,091)
Net cash (used in) provided by investing activities	(530,694)	25,198

See accompanying notes to unaudited condensed consolidated financial statements.

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GLACIER BANCORP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Dollars in thousands)	Nine Months ended September 30, 2018	September 30, 2017
Financing Activities		
Net increase in deposits	$706,469	98,013
Net increase (decrease) in securities sold under agreements to repurchase	17,001	(20,054)
Net decrease in short-term Federal Home Loan Bank advances	(200,000)	(62,800)
Proceeds from long-term Federal Home Loan Bank advances	—	150,000
Repayments of long-term Federal Home Loan Bank advances	(641)	(208,097)
Net (decrease) increase in other borrowed funds	(9,823)	3,803
Cash dividends paid	(41,542)	(95,332)
Tax withholding payments for stock-based compensation	(1,182)	(1,513)
Net cash provided by (used in) financing activities	470,282	(135,980)
Net increase in cash, cash equivalents and restricted cash	107,100	67,669
Cash, cash equivalents and restricted cash at beginning of period	200,004	152,541
Cash, cash equivalents and restricted cash at end of period	$307,104	220,210
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$25,925	23,223
Cash paid during the period for income taxes	18,440	29,315
Supplemental Disclosure of Non-Cash Investing Activities		
Sale and refinancing of other real estate owned	$406	531
Transfer of loans to other real estate owned	4,066	3,844
Dividends declared but not paid	22,240	232
Acquisitions		
Fair value of common stock shares issued	250,807	46,673
Cash consideration for outstanding shares	16,265	17,342
Effective settlement of a pre-existing relationship	10,054	—
Fair value of assets acquired	1,549,158	355,230
Liabilities assumed	1,383,756	321,824

See accompanying notes to unaudited condensed consolidated financial statements.

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 individuals and businesses in Montana, Idaho, Utah, Washington, Wyoming, Colorado and Arizona through its wholly-owned bank subsidiary, Glacier Bank (“Bank”). The Company offers a wide range of banking products and services, including: 1) retail banking; 2) business banking; 3) real estate, commercial, agriculture and consumer loans; and 4) mortgage origination services. The Company serves individuals, small to medium-sized businesses, community organizations and public entities.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the Company’s financial condition as of September 30, 2018, the results of operations and comprehensive income for the three and nine month periods ended September 30, 2018 and 2017, and changes in stockholders’ equity and cash flows for the nine month periods ended September 30, 2018 and 2017. The condensed consolidated statement of financial condition of the Company as of December 31, 2017 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, 2017. Operating results for the nine months ended September 30, 2018 are not necessarily indicative of the results anticipated for the year ending December 31, 2018.

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: 1) the determination of the allowance for loan and lease losses (“ALLL” or “allowance”); 2) the valuation of debt securities; 3) the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans; and 4) the evaluation of goodwill impairment. For the determination of the ALLL and real estate valuation estimates, management obtains independent appraisals (new or updated) for significant items. Estimates relating to investment valuations are obtained from independent third parties. Estimates relating to the evaluation of goodwill for impairment are determined based on internal calculations using significant independent party inputs.

Principles of Consolidation
The consolidated financial statements of the Company include the parent holding company and the Bank. The Bank consists of fourteen bank divisions, a treasury division, an information technology division and a centralized mortgage division. The treasury division includes the Bank’s investment portfolio and wholesale borrowings, the information technology division includes the Bank’s internal data processing, and the centralized mortgage division includes mortgage loan servicing and secondary market sales. The Bank divisions operate under separate names, management teams and advisory 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 ("CEO") (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 Bank has subsidiary interests in variable interest entities ("VIE") for which the Bank has both the power to direct the VIE's significant activities and the obligation to absorb losses or right to receive benefits of the VIE that could potentially be significant to the VIE. These subsidiary interests are included in the Company's consolidated financial statements. The Bank also has subsidiary interests in VIEs for which the Bank does not have a controlling financial interest and is not the primary beneficiary. These subsidiary interests are not included in the Company's consolidated financial statements.

The parent holding company owns non-bank subsidiaries that have issued trust preferred securities as Tier 1 capital instruments. The trust subsidiaries are not included in the Company's consolidated financial statements. The Company's investments in the trust subsidiaries are included in other assets on the Company's statements of financial condition.

In February 2018, the Company completed its acquisition of Inter-Mountain Bancorp., Inc. and its wholly-owned subsidiary, First Security Bank, a community bank based in Bozeman, Montana (collectively, "FSB"). In January 2018, the Company completed its acquisition of Columbine Capital Corp., and its wholly-owned subsidiary, Collegiate Peaks Bank, a community bank based in Buena Vista, Colorado (collectively, "Collegiate"). The transactions were accounted for using the acquisition method, and their results of operations have been included in the Company's consolidated financial statements as of the acquisition dates. For additional information relating to recent mergers and acquisitions, see Note 12.

Loans Receivable

Loans that are intended to be held-to-maturity are reported at the unpaid principal balance less net charge-offs and adjusted for deferred fees and costs on originated loans and unamortized premiums or discounts on acquired loans. Fees and costs on originated loans and premiums or discounts on acquired loans are deferred and subsequently amortized or accreted as a yield adjustment over the expected life of the loan utilizing the interest method. The objective of the interest method is to calculate periodic interest income at a constant effective yield. When a loan is paid off prior to maturity, the remaining fees and costs on originated loans and premiums or discounts on acquired loans are immediately recognized into interest income.

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).

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 on non-accrual loans 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 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., troubled debt restructuring). 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 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 periodically enters into restructure agreements with borrowers whereby the loans were previously identified as TDRs. When such circumstances occur, the Company carefully evaluates the facts of the subsequent restructure to determine the appropriate accounting and under certain circumstances it may be acceptable not to account for the subsequently restructured loan as a TDR. When assessing whether a concession has been granted by the Company, any prior forgiveness on a cumulative basis is considered a continuing concession. 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 has 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.

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 are TDRs, 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 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 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.

Risk characteristics considered in the ALLL analysis applicable to each loan class within the Company's loan portfolio are as follows:

Residential Real Estate. Residential real estate loans are secured by owner-occupied 1-4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans is impacted by economic conditions within the Company’s market areas that affect the value of the property securing the loans and affect the borrowers' personal incomes. Mitigating risk factors for this loan class include a large number of borrowers, geographic dispersion of market areas and the loans are originated for relatively smaller amounts.

Commercial Real Estate. Commercial real estate loans typically involve larger principal amounts, and repayment of these loans is generally dependent on the successful operation of the property securing the loan and/or the business conducted on the property securing the loan. Credit risk in these loans is impacted by the creditworthiness of a borrower, valuation of the property securing the loan and conditions within the local economies in the Company’s diverse, geographic market areas.

Commercial. Commercial loans consist of loans to commercial customers for use in financing working capital needs, equipment purchases and business expansions. The loans in this category are repaid primarily from the cash flow of a borrower’s principal business operation. Credit risk in these loans is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations across the Company’s diverse, geographic market areas.

Home Equity. Home equity loans consist of junior lien mortgages and first and junior lien lines of credit (revolving open-end and amortizing closed-end) secured by owner-occupied 1-4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans is impacted by economic conditions within the Company’s market areas that affect the value of the residential property securing the loans and affect the borrowers' personal incomes. Mitigating risk factors for this loan class are a large number of borrowers, geographic dispersion of market areas and the loans are originated for terms that range from 10 to 15 years.

Other Consumer. The other consumer loan portfolio consists of various short-term loans such as automobile loans and loans for other personal purposes. Repayment of these loans is primarily dependent on the personal income of the borrowers. Credit risk is driven by consumer economic factors (such as unemployment and general economic conditions in the Company’s diverse, geographic market area) and the creditworthiness of a borrower.

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 evaluated for each class within the loan portfolio 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 global, 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 and overdraft balances determined by management to be uncollectible are charged off as a reduction of the ALLL and 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 other real estate owned ("OREO") until such time as it is sold.

At acquisition date, the assets and liabilities of acquired banks are recorded at their estimated fair values which results in no ALLL carried over from acquired banks. Subsequent to acquisition, an allowance will be recorded on the acquired loan portfolios for further credit deterioration, if any.

Revenue Recognition

The Company recognizes revenue when services or products are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled. The Company's principal source of revenue is interest income from debt securities and loans. Revenue from contracts with customers within the scope of Accounting Standards Codification™ ("ASC") Topic 606 was $56,519,000 and $52,058,000 for the nine months ended September 30, 2018 and 2017, respectively, and largely consisted of revenue from service charges and other fees from deposits (e.g., overdraft fees, ATM fees, debit card fees). Due to the short-term nature of the Company's contracts with customers, an insignificant amount of receivables related to such revenue was recorded at September 30, 2018 and December 31, 2017 and there were no impairment losses recognized. Policies specific to revenue from contracts with customers include the following:

Service Charges. Revenue from service charges consists of service charges and fees on deposit accounts under depository agreements with customers to provide access to deposited funds and, when applicable, pay interest on deposits. Service charges on deposit accounts may be transactional or non-transactional in nature. Transactional service charges occur in the form of a service or penalty and are charged upon the occurrence of an event (e.g., overdraft fees, ATM fees, wire transfer fees). Transactional service charges are recognized as services are delivered to and consumed by the customer, or as penalty fees are charged. Non-transactional service charges are charges that are based on a broader service, such as account maintenance fees and dormancy fees, and are recognized on a monthly basis.

Debit Card Fees. Revenue from debit card fees includes interchange fee income from debit cards processed through card association networks. Interchange fees represent a portion of a transaction amount that the Company and other involved parties retain to compensate themselves for giving the cardholder immediate access to funds. Interchange rates are generally set by the card association networks and are based on purchase volumes and other factors. The Company records interchange fees as services are provided.

Accounting Guidance Adopted in 2018

The 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. The following paragraphs provide descriptions of recently adopted accounting standards that may have had a material effect on the Company's financial position or results of operations.

Financial Instruments. In January 2016, FASB amended ASC Topic 825 to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments were effective for public business entities for the first interim and annual reporting periods beginning after December 15, 2017. Amendments were to be applied by means of a cumulative-effect adjustment to the Company's statements of financial condition as of the beginning of the reporting year of adoption. The amendments impacted the Company as follows: 1) equity investments (with certain exclusions) are to be measured at fair value with the changes recognized in net income; 2) an exit price must be utilized when measuring the fair value of financial instruments; and 3) additional disclosures are required relating to other comprehensive income ("OCI"), the evaluation of a valuation allowance on a deferred tax asset related to available-for-sale debt securities in combination with the entity's other deferred tax assets, and other disclosures. The Company adopted the amendments effective January 1, 2018 and determined that the impact of these amendments did not have a significant impact on the Company's equity securities, fair value disclosures, financial position or results of operations. The amendments changed the method utilized to disclose the fair value of the loan portfolio to an exit price notion when measuring fair value. The Company developed processes to comply with the disclosure requirements of such amendments and accounting policies and procedures were updated accordingly. For additional information on fair value of assets and liabilities, see Note 11.

Revenue Recognition. In May 2014, FASB amended ASC Topic 606 to clarify the principles for recognizing revenue and develop a common revenue standard among industries. The new guidance established the following core principle: recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. Five steps were provided for a company or organization to follow to achieve such core principle. The new guidance also included a cohesive set of disclosure requirements that provided users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the new revenue recognition guidance effective January 1, 2018 and determined the majority of the Company's revenue sources, such as interest income from debt securities and loans, fee income from loans and gain on sale of loans, were not within the scope of Topic 606. The Company evaluated the revenue sources determined to be in scope of Topic 606, including service charges and fee income on deposits and gain or loss on sale of OREO and determined the adoption of the guidance did not have a significant impact to the Company's financial position or results of operations; however, OREO policies and procedures were updated and implemented and new disclosures about the Company's revenue have been incorporated into the notes to the financial statements.

Accounting Guidance Pending Adoption at September 30, 2018

The following paragraphs provide descriptions of newly issued but not yet effective accounting standards that could have a material effect on the Company's financial position or results of operations.

Derivatives and Hedging. In August 2017, FASB amended ASC Topic 815 to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. In addition, the amendments made targeted improvements to simplify the application of the hedge accounting guidance. The amendments are effective for public business entities for the first interim and annual reporting periods beginning after December 15, 2018 and early adoption is permitted. The Company is currently evaluating the full impact of the amendments on its existing interest rate swaps and whether it will early adopt. The Company does not expect there to be an impact to the Company's financial position and results of operations, although, there may be additional financial statement disclosures. The accounting policies and procedures will be modified after the Company has fully evaluated the standard, although significant changes are not expected. For additional information on derivatives, see Note 7.

Receivables - Nonrefundable Fees and Other Costs. In March 2017, FASB amended ASC Subtopic 310-20 to shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date instead of the maturity date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The amendments are effective for public business entities for the first interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted and if adopted in an interim period, any adjustments should be reflected as of the beginning of the year that includes the interim period. The entity should apply the amendments on a modified retrospective basis through a cumulative-effective adjustment directly to retained earnings as of the beginning of the period of adoption. The Company has premiums on debt securities that are currently being amortized to the maturity date, primarily in the state and local governments category. If the Company were to adopt these amendments as of October 1, 2018, the Company estimates that $22,612,000 of the premium associated with debt securities would be adjusted to retained earnings. The Company is currently reviewing the amendments to ensure it is fully compliant by the adoption date, including accounting policies and procedures, and doesn’t expect to early adopt.

Goodwill and Other Intangibles. In January 2017, FASB amended ASC Topic 350 to simplify the measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Instead, under these amendments, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss should not exceed the total amount of goodwill allocated to that reporting unit. The amendments are effective for public business entities for the first interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company has goodwill from prior business combinations and performs an annual impairment test or more frequently if changes or circumstances occur that would more-likely-than-not reduce the fair value of the reporting unit below its carrying value. During the third quarter of 2018, the Company performed its impairment assessment and determined the fair value of the aggregated reporting units exceeded the carrying value, such that the Company's goodwill was not considered impaired. Although the Company cannot anticipate future goodwill impairment assessments, based on the most recent assessment, it is unlikely that an impairment amount would need to be calculated and, therefore, the Company does not anticipate a material impact from these amendments to the Company's financial position and results of operations. The current accounting policies and processes are not anticipated to change, except for the elimination of the Step 2 analysis. For additional information regarding goodwill impairment testing, see Note 4.

Financial Instruments. In June 2016, FASB amended ASC Topic 326 to replace the incurred loss model with a methodology that reflects expected credit losses over the life of the loan and requires consideration of a broader range of reasonable and supportable information to calculate credit loss estimates. The amendments are effective for public business entities for the first interim and annual reporting periods beginning after December 15, 2019. The Company is currently evaluating the impact of these amendments to the Company's financial position and results of operations and currently does not know or cannot reasonably quantify the impact of the adoption of the amendments as a result of the complexity and extensive changes from the amendments. The ALLL is a material estimate of the Company and given the change from an incurred loss model to a methodology that considers the credit loss over the life of the loan, there is the potential for an increase in the ALLL at adoption date. The Company is anticipating a significant change in the processes and procedures to calculate the ALLL, including changes in assumptions and estimates to consider expected credit losses over the life of the loan versus the current accounting practice that utilizes the incurred loss model. The Company will also develop new procedures for determining an allowance for credit losses relating to held-to-maturity debt securities. In addition, the current accounting policy and procedures for other-than-temporary impairment on available-for-sale debt securities will be replaced with an allowance approach. The Company formed a project team and is actively reviewing the standard for developing and implementing processes and procedures to ensure it is fully compliant with the amendments at adoption date. For additional information on the ALLL, see Note 3.

Leases. In February 2016, FASB amended ASC Topic 842 to address several aspects of lease accounting with the significant change being the recognition of lease assets and lease liabilities for leases previously classified as operating leases. The amendments are effective for public business entities for the first interim and annual reporting periods beginning after December 15, 2018, and early adoption is permitted. The Company has lease agreements for which the amendments will require the recognition of a lease liability to make lease payments and a right-of-use asset which will represent its right to use the underlying asset for the lease term. The Company is currently reviewing the amendments to ensure it is fully compliant by the adoption date and doesn't expect to early adopt. The Company does not expect the amendments to have a material effect on the Company's financial position or results of operations since the Company does not have a significant amount of lease agreements. New processes and accounting policies will be implemented to comply with the amendments.

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Note 2. Debt Securities

The following tables present the amortized cost, the gross unrealized gains and losses and the fair value of the Company's debt securities:

	September 30, 2018			
	Amortized Cost	Gross Unrealized		Fair Value
(Dollars in thousands)		Gains	Losses	
Available-for-sale				
U.S. government and federal agency	$25,363	64	(160)	25,267
U.S. government sponsored enterprises	120,498	—	(1,948)	118,550
State and local governments	647,908	10,040	(13,934)	644,014
Corporate bonds	306,057	696	(1,528)	305,225
Residential mortgage-backed securities	855,183	183	(29,202)	826,164
Commercial mortgage-backed securities	188,273	—	(3,874)	184,399
Total available-for-sale	2,143,282	10,983	(50,646)	2,103,619
Held-to-maturity				
State and local governments	590,915	7,482	(14,840)	583,557
Total held-to-maturity	590,915	7,482	(14,840)	583,557
Total debt securities	$2,734,197	18,465	(65,486)	2,687,176

	December 31, 2017			
	Amortized Cost	Gross Unrealized		Fair Value
(Dollars in thousands)		Gains	Losses	
Available-for-sale				
U.S. government and federal agency	$31,216	54	(143)	31,127
U.S. government sponsored enterprises	19,195	—	(104)	19,091
State and local governments	614,366	20,299	(5,164)	629,501
Corporate bonds	216,443	802	(483)	216,762
Residential mortgage-backed securities	785,960	1,253	(7,930)	779,283
Commercial mortgage-backed securities	104,324	25	(1,870)	102,479
Total available-for-sale	1,771,504	22,433	(15,694)	1,778,243
Held-to-maturity				
State and local governments	648,313	20,346	(8,573)	660,086
Total held-to-maturity	648,313	20,346	(8,573)	660,086
Total debt securities	$2,419,817	42,779	(24,267)	2,438,329

The following table presents the amortized cost and fair value of available-for-sale and held-to-maturity debt securities by contractual maturity at September 30, 2018. Actual maturities may differ from expected or contractual maturities since issuers have the right to prepay obligations with or without prepayment penalties.

(Dollars in thousands)	September 30, 2018			
	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$151,030	150,658	—	—
Due after one year through five years	322,470	319,836	4,551	4,555
Due after five years through ten years	284,496	285,279	108,553	106,980
Due after ten years	341,830	337,283	477,811	472,022
	1,099,826	1,093,056	590,915	583,557
Mortgage-backed securities [1]	1,043,456	1,010,563	—	—
Total	$2,143,282	2,103,619	590,915	583,557

[1] Mortgage-backed securities, which have prepayment provisions, are not assigned to maturity categories due to fluctuations in their prepayment speeds.

Proceeds from sales and calls of debt securities and the associated gains and losses that have been included in earnings are listed below:

(Dollars in thousands)	Three Months ended		Nine Months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Available-for-sale				
Proceeds from sales and calls of debt securities	$12,135	155,894	245,581	268,557
Gross realized gains [1]	188	278	203	3,345
Gross realized losses [1]	(37)	(201)	(398)	(3,864)
Held-to-maturity				
Proceeds from calls of debt securities	28,435	3,675	57,370	18,910
Gross realized gains [1]	12	—	76	153
Gross realized losses [1]	(530)	—	(637)	(179)

[1] The gain or loss on the sale or call of each debt security is determined by the specific identification method.

Debt securities with an unrealized loss position are summarized as follows:

	September 30, 2018					
	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale						
U.S. government and federal agency	$6,553	(28)	8,887	(132)	15,440	(160)
U.S. government sponsored enterprises	112,590	(1,791)	5,960	(157)	118,550	(1,948)
State and local governments	215,703	(4,959)	145,908	(8,975)	361,611	(13,934)
Corporate bonds	173,308	(820)	60,862	(708)	234,170	(1,528)
Residential mortgage-backed securities	328,829	(6,397)	471,471	(22,805)	800,300	(29,202)
Commercial mortgage-backed securities	104,099	(1,240)	74,278	(2,634)	178,377	(3,874)
Total available-for-sale	$941,082	(15,235)	767,366	(35,411)	1,708,448	(50,646)
Held-to-maturity						
State and local governments	$201,181	(6,234)	90,502	(8,606)	291,683	(14,840)
Total held-to-maturity	$201,181	(6,234)	90,502	(8,606)	291,683	(14,840)

	December 31, 2017					
	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale						
U.S. government and federal agency	$1,208	(5)	13,179	(138)	14,387	(143)
U.S. government sponsored enterprises	14,926	(56)	3,425	(48)	18,351	(104)
State and local governments	61,126	(689)	121,181	(4,475)	182,307	(5,164)
Corporate bonds	99,636	(264)	29,034	(219)	128,670	(483)
Residential mortgage-backed securities	372,175	(3,050)	254,721	(4,880)	626,896	(7,930)
Commercial mortgage-backed securities	37,650	(469)	62,968	(1,401)	100,618	(1,870)
Total available-for-sale	$586,721	(4,533)	484,508	(11,161)	1,071,229	(15,694)
Held-to-maturity						
State and local governments	$21,207	(186)	105,486	(8,387)	126,693	(8,573)
Total held-to-maturity	$21,207	(186)	105,486	(8,387)	126,693	(8,573)

Based on an analysis of its debt securities with unrealized losses as of September 30, 2018 and December 31, 2017, the Company determined that none of such securities had other-than-temporary impairment and the unrealized losses were primarily the result of interest rate changes and market spreads subsequent to acquisition. The fair value of the debt securities is expected to recover as payments are received and the securities approach maturity. At September 30, 2018, management determined that it did not intend to sell debt securities with unrealized losses, and there was no expected requirement to sell any of its debt securities with unrealized losses before recovery of their amortized cost.

Note 3. Loans Receivable, Net

The Company's loan portfolio is comprised of three segments: residential real estate, commercial, and consumer and other loans. The loan segments are further disaggregated into the following classes: residential real estate, commercial real estate, other commercial, home equity and other consumer loans. The following table presents loans receivable for each portfolio class of loans:

(Dollars in thousands)	At or for the Nine Months ended September 30, 2018	At or for the Year ended December 31, 2017
Residential real estate loans	$ 862,830	720,728
Commercial loans		
Real estate	4,527,577	3,577,139
Other commercial	1,921,955	1,579,353
Total	6,449,532	5,156,492
Consumer and other loans		
Home equity	528,404	457,918
Other consumer	282,479	242,686
Total	810,883	700,604
Loans receivable	8,123,245	6,577,824
Allowance for loan and lease losses	(132,535)	(129,568)
Loans receivable, net	$ 7,990,710	6,448,256
Net deferred origination (fees) costs included in loans receivable	$ (4,876)	(2,643)
Net purchase accounting (discounts) premiums included in loans receivable	$ (26,601)	(16,325)
Weighted-average interest rate on loans (tax-equivalent)	4.94 %	4.81 %

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The following tables summarize the activity in the ALLL by loan class:

(Dollars in thousands)	Three Months ended September 30, 2018					
	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Balance at beginning of period	$131,564	10,903	71,245	38,664	6,092	4,660
Provision for loan losses	3,194	54	2,922	(257)	(165)	640
Charge-offs	(4,294)	(210)	(909)	(897)	(82)	(2,196)
Recoveries	2,071	7	308	447	83	1,226
Balance at end of period	$132,535	10,754	73,566	37,957	5,928	4,330

(Dollars in thousands)	Three Months ended September 30, 2017					
	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Balance at beginning of period	$129,877	11,522	68,503	36,984	7,662	5,206
Provision for loan losses	3,327	(10)	2,214	696	(682)	1,109
Charge-offs	(5,983)	(44)	(3,227)	(374)	(15)	(2,323)
Recoveries	2,355	12	735	514	16	1,078
Balance at end of period	$129,576	11,480	68,225	37,820	6,981	5,070

(Dollars in thousands)	Nine Months ended September 30, 2018					
	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Balance at beginning of period	$129,568	10,798	68,515	39,303	6,204	4,748
Provision for loan losses	8,707	135	5,941	415	(359)	2,575
Charge-offs	(11,905)	(257)	(2,132)	(3,325)	(101)	(6,090)
Recoveries	6,165	78	1,242	1,564	184	3,097
Balance at end of period	$132,535	10,754	73,566	37,957	5,928	4,330

(Dollars in thousands)	Nine Months ended September 30, 2017					
	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Balance at beginning of period	$129,572	12,436	65,773	37,823	7,572	5,968
Provision for loan losses	7,938	(946)	6,403	551	(324)	2,254
Charge-offs	(14,801)	(87)	(5,261)	(1,855)	(458)	(7,140)
Recoveries	6,867	77	1,310	1,301	191	3,988
Balance at end of period	$129,576	11,480	68,225	37,820	6,981	5,070

The following tables disclose the recorded investment in loans and the balance in the ALLL by loan class:

	September 30, 2018					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Loans receivable						
Individually evaluated for impairment	$123,576	14,007	81,170	21,973	3,569	2,857
Collectively evaluated for impairment	7,999,669	848,823	4,446,407	1,899,982	524,835	279,622
Total loans receivable	$8,123,245	862,830	4,527,577	1,921,955	528,404	282,479
ALLL						
Individually evaluated for impairment	$1,690	83	650	687	5	265
Collectively evaluated for impairment	130,845	10,671	72,916	37,270	5,923	4,065
Total ALLL	$132,535	10,754	73,566	37,957	5,928	4,330

	December 31, 2017					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Loans receivable						
Individually evaluated for impairment	$119,994	12,399	77,536	23,032	3,755	3,272
Collectively evaluated for impairment	6,457,830	708,329	3,499,603	1,556,321	454,163	239,414
Total loans receivable	$6,577,824	720,728	3,577,139	1,579,353	457,918	242,686
ALLL						
Individually evaluated for impairment	$5,223	246	500	3,851	56	570
Collectively evaluated for impairment	124,345	10,552	68,015	35,452	6,148	4,178
Total ALLL	$129,568	10,798	68,515	39,303	6,204	4,748

Substantially all of the Company’s loans receivable are with customers in the Company’s geographic 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.

The following tables disclose information related to impaired loans by loan class:

(Dollars in thousands)	At or for the Three or Nine Months ended September 30, 2018					
	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Loans with a specific valuation allowance						
Recorded balance	$20,021	2,367	9,843	6,878	38	895
Unpaid principal balance	20,327	2,442	10,043	6,878	38	926
Specific valuation allowance	1,690	83	650	687	5	265
Average balance - three months	18,267	2,434	10,005	4,775	19	1,034
Average balance - nine months	19,599	2,868	8,286	7,034	72	1,339
Loans without a specific valuation allowance						
Recorded balance	103,555	11,640	71,327	15,095	3,531	1,962
Unpaid principal balance	125,552	12,845	88,290	18,245	4,110	2,062
Average balance - three months	113,734	10,783	76,027	21,604	3,560	1,760
Average balance - nine months	111,037	10,154	77,489	18,293	3,488	1,613
Total						
Recorded balance	123,576	14,007	81,170	21,973	3,569	2,857
Unpaid principal balance	145,879	15,287	98,333	25,123	4,148	2,988
Specific valuation allowance	1,690	83	650	687	5	265
Average balance - three months	132,001	13,217	86,032	26,379	3,579	2,794
Average balance - nine months	130,636	13,022	85,775	25,327	3,560	2,952

(Dollars in thousands)	At or for the Year ended December 31, 2017					
	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Loans with a specific valuation allowance						
Recorded balance	$17,689	2,978	4,545	8,183	186	1,797
Unpaid principal balance	18,400	3,046	4,573	8,378	199	2,204
Specific valuation allowance	5,223	246	500	3,851	56	570
Average balance	18,986	2,928	5,851	8,477	359	1,371
Loans without a specific valuation allowance						
Recorded balance	102,305	9,421	72,991	14,849	3,569	1,475
Unpaid principal balance	122,833	10,380	89,839	16,931	4,098	1,585
Average balance	107,945	9,834	76,427	15,129	4,734	1,821
Total						
Recorded balance	119,994	12,399	77,536	23,032	3,755	3,272
Unpaid principal balance	141,233	13,426	94,412	25,309	4,297	3,789
Specific valuation allowance	5,223	246	500	3,851	56	570
Average balance	126,931	12,762	82,278	23,606	5,093	3,192

Interest income recognized on impaired loans for the nine months ended September 30, 2018 and 2017 was not significant.

The following tables present an aging analysis of the recorded investment in loans by loan class:

	September 30, 2018					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Accruing loans 30-59 days past due	$13,973	667	5,621	4,325	1,856	1,504
Accruing loans 60-89 days past due	11,208	6,242	989	2,049	1,015	913
Accruing loans 90 days or more past due	4,333	2,063	466	1,461	122	221
Non-accrual loans	55,373	7,855	34,267	9,833	2,924	494
Total past due and non-accrual loans	84,887	16,827	41,343	17,668	5,917	3,132
Current loans receivable	8,038,358	846,003	4,486,234	1,904,287	522,487	279,347
Total loans receivable	$8,123,245	862,830	4,527,577	1,921,955	528,404	282,479

	December 31, 2017					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Accruing loans 30-59 days past due	$26,375	6,252	12,546	3,634	2,142	1,801
Accruing loans 60-89 days past due	11,312	794	5,367	3,502	987	662
Accruing loans 90 days or more past due	6,077	2,366	609	2,973	—	129
Non-accrual loans	44,833	4,924	27,331	8,298	3,338	942
Total past due and non-accrual loans	88,597	14,336	45,853	18,407	6,467	3,534
Current loans receivable	6,489,227	706,392	3,531,286	1,560,946	451,451	239,152
Total loans receivable	$6,577,824	720,728	3,577,139	1,579,353	457,918	242,686

The following tables present TDRs that occurred during the periods presented and the TDRs that occurred within the previous twelve months that subsequently defaulted during the periods presented:

	Three Months ended September 30, 2018					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
TDRs that occurred during the period						
Number of loans	2	—	—	1	—	1
Pre-modification recorded balance	$312	—	—	7	—	305
Post-modification recorded balance	$312	—	—	7	—	305
TDRs that subsequently defaulted						
Number of loans	1	1	—	—	—	—
Recorded balance	$47	47	—	—	—	—

(Dollars in thousands)	Three Months ended September 30, 2017 Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
TDRs that occurred during the period						
Number of loans	5	1	1	3	—	—
Pre-modification recorded balance	$956	317	386	253	—	—
Post-modification recorded balance	$956	317	386	253	—	—
TDRs that subsequently defaulted						
Number of loans	—	—	—	—	—	—
Recorded balance	$—	—	—	—	—	—

(Dollars in thousands)	Nine Months ended September 30, 2018 Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
TDRs that occurred during the period						
Number of loans	22	3	8	8	2	1
Pre-modification recorded balance	$21,582	666	12,901	7,458	252	305
Post-modification recorded balance	$21,468	666	12,787	7,458	252	305
TDRs that subsequently defaulted						
Number of loans	1	1	—	—	—	—
Recorded balance	$47	47	—	—	—	—

(Dollars in thousands)	Nine Months ended September 30, 2017 Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
TDRs that occurred during the period						
Number of loans	22	4	7	8	2	1
Pre-modification recorded balance	$22,912	652	13,003	9,069	178	10
Post-modification recorded balance	$20,230	652	10,321	9,069	178	10
TDRs that subsequently defaulted						
Number of loans	1	—	—	1	—	—
Recorded balance	$18	—	—	18	—	—

The modifications for the TDRs that occurred during the nine months ended September 30, 2018 and 2017 included one or a combination of the following: an extension of the maturity date, a reduction of the interest rate or a reduction in the principal amount.

In addition to the TDRs that occurred during the period provided in the preceding tables, the Company had TDRs with pre-modification loan balances of $5,782,000 and $5,152,000 for the nine months ended September 30, 2018 and 2017, respectively, for which OREO was received in full or partial satisfaction of the loans. The majority of such TDRs were in commercial real estate and home equity for the nine months ended September 30, 2018 and 2017, respectively. At September 30, 2018 and December 31, 2017, the Company had $791,000 and $743,000, respectively, of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process. At September 30, 2018 and December 31, 2017, the Company had $2,559,000 and $893,000, respectively, of OREO secured by residential real estate properties.

Note 4. Goodwill

The following schedule discloses the changes in the carrying value of goodwill:

(Dollars in thousands)	Three Months ended		Nine Months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net carrying value at beginning of period	$289,535	177,811	177,811	147,053
Acquisitions	—	—	111,724	30,758
Net carrying value at end of period	$289,535	177,811	289,535	177,811

The Company performed its annual goodwill impairment test during the third quarter of 2018 and determined the fair value of the aggregated reporting units exceeded the carrying value, such that the Company's goodwill was not considered impaired. Changes in the economic environment, operations of the aggregated reporting units, or other factors could result in the decline in the fair value of the aggregated reporting units which could result in a goodwill impairment in the future. Accumulated impairment charges were $40,159,000 as of September 30, 2018 and December 31, 2017.

For additional information on goodwill related to acquisitions, see Note 12.

Note 5. Variable Interest Entities

A VIE is a partnership, limited liability company, trust or other legal entity that meets one of the following criteria: 1) the entity's equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; 2) the holders of the equity investment at risk, as a group, lack the characteristics of a controlling financial interest; and 3) the voting rights of some holders of the equity investment at risk are disproportionate to their obligation to absorb losses or receive returns, and substantially all of the activities are conducted on behalf of the holder of equity investment at risk with disproportionately few voting rights. A VIE must be consolidated by the Company if it is deemed to be the primary beneficiary, which is the party involved with the VIE that has both: 1) the power to direct the activities of the VIE that most significantly affect the VIE's economic performance; and 2) the obligation to absorb the losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company's VIEs are regularly monitored to determine if any reconsideration events have occurred that could cause the primary beneficiary status to change. A previously unconsolidated VIE is consolidated when the Company becomes the primary beneficiary. A previously consolidated VIE is deconsolidated when the Company ceases to be the primary beneficiary or the entity is no longer a VIE.

Consolidated Variable Interest Entities

The Company has equity investments in Certified Development Entities ("CDE") which have received allocations of New Markets Tax Credits ("NMTC"). The NMTC program provides federal tax incentives to investors to make investments in distressed communities and promotes economic improvements through the development of successful businesses in these communities. The NMTC is available to investors over a seven-year period and is subject to recapture if certain events occur during such period. The maximum exposure to loss in the CDEs 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) investment and determined the Company does not individually meet the characteristics of a primary beneficiary; however, the related-party group does meet the criteria as a group and substantially all of the activities of the CDEs either involve or are conducted on behalf of the Company. As a result, the Company is the primary beneficiary of the CDEs and their assets, liabilities, and results of operations are included in the Company’s consolidated financial statements. The primary activities of the CDEs are recognized in commercial loans interest income and other borrowed funds interest expense on the Company’s statements of operations and the federal income tax credit allocations from the investments are recognized in the Company’s statements of operations as a component of income tax expense. Such related cash flows are recognized in loans originated, principal collected on loans and change in other borrowed funds.

The following table summarizes the carrying amounts of the consolidated VIEs' assets and liabilities included in the Company's statements of financial condition and 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.

(Dollars in thousands)	September 30, 2018	December 31, 2017
Assets		
Loans receivable	$ 73,862	57,796
Accrued interest receivable	157	94
Other assets	41,811	15,885
Total assets	$ 115,830	73,775
Liabilities		
Other borrowed funds	$ 9,743	7,964
Accrued interest payable	14	1
Other liabilities	30	98
Total liabilities	$ 9,787	8,063

Unconsolidated Variable Interest Entities

The Company has equity investments in Low-Income Housing Tax Credit ("LIHTC") partnerships with carrying values of $31,702,000 and $9,169,000 as of September 30, 2018 and December 31, 2017, respectively. The LIHTCs are indirect federal subsidies to finance low-income housing and are used in connection with both newly constructed and renovated residential rental buildings. Once a project is placed in service, it is generally eligible for the tax credit for ten consecutive years. To continue generating the tax credit and to avoid tax credit recapture, a LIHTC building must satisfy specific low-income housing compliance rules for a full fifteen-year period. 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 LIHTC investment and determined that the Company does not have controlling financial interests in such investments, and is not the primary beneficiary. The Company reports the investments in the unconsolidated LIHTCs as other assets on the Company's statements of financial condition. Total unfunded contingent commitments related to the Company's LIHTC investments totaled $10,293,000 at September 30, 2018, of which $3,856,000 is expected to be fulfilled in 2018 and $6,437,000 is expected to be fulfilled in 2019. There were no impairment losses on the Company's LIHTC investments during the nine months ended September 30, 2018 and 2017.

The Company has elected to use the proportional amortization method, and more specifically the practical expedient method, for the amortization of all eligible LIHTC investments and amortization expense is recognized as a component of income tax expense. The following table summarizes the amortization expense and the amount of tax credits and other tax benefits recognized for qualified affordable housing project investments during the periods presented.

(Dollars in thousands)	Three Months ended		Nine Months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Amortization expense	$ 1,177	682	3,098	1,825
Tax credits and other tax benefits recognized	1,651	1,040	4,314	2,792

The Company also 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 have no assets, operations, revenues or cash flows other than those related to the issuance, administration and repayment of the securities held by third parties. The trust subsidiaries are not included in the Company’s consolidated financial statements because the sole asset of each trust subsidiary is a receivable from the Company, even though the Company owns all of the voting equity shares of the trust subsidiaries, has fully guaranteed the obligations of the trust subsidiaries and may have the right to redeem the third party securities under certain circumstances. The Company reports the trust preferred securities issued to the trust subsidiaries as subordinated debentures on the Company’s statements of financial condition.

Note 6. Securities Sold Under Agreements to Repurchase

The Company's securities sold under agreements to repurchase ("repurchase agreements") totaled $408,754,000 and $362,573,000 at September 30, 2018 and December 31, 2017, respectively, and are secured by debt securities with carrying values of $489,635,000 and $475,601,000, respectively. Securities are pledged to customers at the time of the transaction in an amount at least equal to the outstanding balance and are held in custody accounts by third parties. The fair value of collateral is continually monitored and additional collateral is provided as deemed appropriate. The following tables summarize the carrying value of the Company's repurchase agreements by remaining contractual maturity and category of collateral:

	September 30, 2018 Remaining Contractual Maturity of the Agreements			
(Dollars in thousands)	Overnight and Continuous	30 - 90 Days	Greater Than 90 Days	Total
State and local governments	$19,188	—	39,461	58,649
Residential mortgage-backed securities	349,157	—	—	349,157
Commercial mortgage-backed securities	948	—	—	948
Total	$369,293	—	39,461	408,754

	December 31, 2017 Remaining Contractual Maturity of the Agreements			
(Dollars in thousands)	Overnight and Continuous	30 - 90 Days	Greater Than 90 Days	Total
Residential mortgage-backed securities	$360,751	—	—	360,751
Commercial mortgage-backed securities	1,822	—	—	1,822
Total	$362,573	—	—	362,573

Note 7. Derivatives and Hedging Activities

Interest Rate Swap Derivatives

As of September 30, 2018, the Company's interest rate swap derivative financial instruments were designated as cash flow hedges and are summarized as follows:

(Dollars in thousands)	Forecasted Notional Amount	Variable Interest Rate [1]	Fixed Interest Rate [1]		Payment Term
Interest rate swap	$ 160,000	3 month LIBOR	3.378	%	Oct. 21, 2014 - Oct. 21, 2021
Interest rate swap	100,000	3 month LIBOR	2.498	%	Nov. 30, 2015 - Nov. 30, 2022

[1] The Company pays the fixed interest rate and the counterparty pays the Company the variable interest rate.

The hedging strategy converts the LIBOR-based variable interest rate on borrowings to a fixed interest rate, thereby protecting the Company from interest rate variability.

The interest rate swaps with the $160,000,000 and $100,000,000 notional amounts began their payment terms in October 2014 and November 2015, respectively. The Company designated wholesale deposits and Federal Home Loan Bank ("FHLB") advances as the cash flow hedge and these hedged items were determined to be fully effective during current and prior periods. As such, no amount of ineffectiveness has been included in the Company's statements of operations for the three and nine months ended September 30, 2018 and 2017. Therefore, the aggregate fair value of the interest rate swaps was recorded in other liabilities with changes recorded in OCI. The Company expects the hedges to remain highly effective during the remaining terms of the interest rate swaps. Interest expense recorded on the interest rate swaps totaled $5,993,000 for the nine months ended September 30, 2018 and 2017, and is reported as a component of interest expense on deposits and FHLB advances. Unless the interest rate swaps are terminated during the next year, the Company expects $1,835,000 of the unrealized loss reported in OCI at September 30, 2018 to be reclassified to interest expense during the next twelve months.

The following table presents the pre-tax gains or losses recorded in OCI and the Company's statements of operations relating to the interest rate swap derivative financial instruments:

(Dollars in thousands)	Three Months ended September 30, 2018	Three Months ended September 30, 2017	Nine Months ended September 30, 2018	Nine Months ended September 30, 2017
Interest rate swaps				
Amount of gain (loss) recognized in OCI (effective portion)	$1,234	45	7,302	(1,799)
Amount of loss reclassified from OCI to interest expense	(469)	(1,182)	(1,946)	(3,776)
Amount of loss recognized in other non-interest expense (ineffective portion)	—	—	—	—

The following table discloses the offsetting of financial assets and interest rate swap derivative assets.

(Dollars in thousands)	September 30, 2018 Gross Amount of Recognized Assets	September 30, 2018 Gross Amount Offset in the Statements of Financial Position	September 30, 2018 Net Amounts of Assets Presented in the Statements of Financial Position	December 31, 2017 Gross Amount of Recognized Assets	December 31, 2017 Gross Amount Offset in the Statements of Financial Position	December 31, 2017 Net Amounts of Assets Presented in the Statements of Financial Position
Interest rate swaps	$2,006	(2,006)	—	—	—	—

The following table discloses the offsetting of financial liabilities and interest rate swap derivative liabilities.

(Dollars in thousands)	September 30, 2018 Gross Amounts of Recognized Liabilities	September 30, 2018 Gross Amounts Offset in the Statements of Financial Position	September 30, 2018 Net Amounts of Liabilities Presented in the Statements of	December 31, 2017 Gross Amounts of Recognized Liabilities	December 31, 2017 Gross Amounts Offset in the Statements of Financial Position	December 31, 2017 Net Amounts of Liabilities Presented in the Statements of

			Financial Position			Financial Position
Interest rate swaps	$2,148	(2,006)	142	9,389	—	9,389

Pursuant to the interest rate swap agreements, the Company pledged collateral to the counterparty in the form of debt securities totaling $4,935,000 at September 30, 2018. There was $0 collateral pledged from the counterparty to the Company as of September 30, 2018. There is the possibility that the Company may need to pledge additional collateral in the future if there were declines in the fair value of the interest rate swap derivative financial instruments versus the collateral pledged.

Residential Real Estate Derivatives

At September 30, 2018, the Company had residential real estate derivatives for commitments ("interest rate locks") to fund certain residential real estate loans to be sold into the secondary market. At September 30, 2018 and December 31, 2017, loans with interest rate lock commitments totaled $97,427,000 and $67,861,000, respectively, and the fair value of the related derivatives was included in other assets with corresponding changes recorded in gain on sale of loans. It has been the Company's practice to enter into "best efforts" forward sales commitments for the future delivery of residential real estate loans to third party investors when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates resulting from its commitments to fund the loans. Forward sales commitments on a "best efforts" basis are not designated in hedge relationships until the loan is funded. Due to the forward sales commitments being short-term in nature, the corresponding derivatives were not significant and were not recorded. During 2018, the Company also began to enter into free-standing derivatives to mitigate the interest rate risk associated with certain residential real estate loans to be sold. These derivatives include forward commitments to sell to-be-announced securities ("TBA") which are used to economically hedge the interest rate risk associated with certain residential real estate loans held for sale and unfunded commitments. At September 30, 2018, TBA commitments were $71,000,000 and the fair value of the related derivatives was included in other liabilities with corresponding changes recorded in gain on sale of loans.

Note 8. Other Expenses

Other expenses consists of the following:

(Dollars in thousands)	Three Months ended September 30, 2018	Three Months ended September 30, 2017	Nine Months ended September 30, 2018	Nine Months ended September 30, 2017
Mergers and acquisition expenses	$1,336	245	6,098	1,194
Consulting and outside services	1,986	1,247	5,160	3,651
Telephone	1,187	988	3,350	2,899
Debit card expenses	533	1,840	3,321	5,352
Employee expenses	1,089	1,055	3,022	2,969
Loan expenses	947	653	2,735	2,266
VIE amortization and other expenses	1,118	1,041	2,530	2,453
Postage	772	646	2,327	2,007
Printing and supplies	769	605	2,252	1,913
Business development	672	641	1,782	1,434
Legal fees	464	319	1,245	825
Accounting and audit fees	383	499	1,194	1,508
ATM expenses	293	641	927	1,335
Checking and operating expenses	404	564	871	1,291
Other	1,165	1,214	3,516	3,026
Total other expenses	$13,118	12,198	40,330	34,123

Note 9. Accumulated Other Comprehensive Loss

The following table illustrates the activity within accumulated other comprehensive loss by component, net of tax:

(Dollars in thousands)	Gains (Losses) on Available-For-Sale Debt Securities	Losses on Derivatives Used for Cash Flow Hedges	Total
Balance at December 31, 2016	$ 1,639	(9,021)	(7,382)
Other comprehensive income (loss) before reclassifications	10,520	(1,102)	9,418
Reclassification adjustments for losses included in net income	318	2,313	2,631
Net current period other comprehensive income	10,838	1,211	12,049
Balance at September 30, 2017	$ 12,477	(7,810)	4,667
Balance at December 31, 2017	$ 5,031	(7,010)	(1,979)
Other comprehensive (loss) income before reclassifications	(34,789)	5,452	(29,337)
Reclassification adjustments for losses included in net			