

**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, 2021**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 000-18911**

**GLACIER BANCORP, INC.**

(Exact name of registrant as specified in its charter)

**Montana**  
(State or other jurisdiction of incorporation or organization)

**49 Commons Loop Kalispell, Montana**  
(Address of principal executive offices)

**81-0519541**  
(IRS Employer Identification No.)

**59901**  
(Zip Code)

**(406) 756-4200**  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class            | Trading Symbol(s) | Name of each exchange on which registered |
|--------------------------------|-------------------|---|
| Common Stock, \$0.01 par value | GBCI              | NASDAQ Global Select Market               |

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, a 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 | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
|                         |                                     | Emerging growth company   | <input type="checkbox"/> |

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 18, 2021 was 110,686,648. No preferred shares are issued or outstanding.

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## ABBREVIATIONS/ACRONYMS

**ACL or allowance** – allowance for credit losses  
**ALCO** – Asset Liability Committee  
**Alta** - Altabancorp, and its subsidiary, Altabank  
**ASC** – Accounting Standards Codification™  
**ASU** – Accounting Standards Update  
**ATM** – automated teller machine  
**Bank** – Glacier Bank  
**CARES Act** – Coronavirus Aid, Relief, and Economic Security Act  
**CDE** – Certified Development Entity  
**CDFI Fund** – Community Development Financial Institutions Fund  
**CECL** – current expected credit losses  
**CEO** – Chief Executive Officer  
**CFO** – Chief Financial Officer  
**Company** – Glacier Bancorp, Inc.  
**COVID-19** – coronavirus disease of 2019  
**DDA** – demand deposit account  
**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 established a new comprehensive regulatory capital framework  
**FRB** – Federal Reserve Bank  
**Freddie Mac** – Federal Home Loan Mortgage Corporation  
**GAAP** – accounting principles generally accepted in the United States of America  
**GDP** – gross domestic product  
**Ginnie Mae** – Government National Mortgage Association  
**Interest rate locks** - residential real estate derivatives for commitments  
**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  
**PCD** – purchased credit-deteriorated  
**PPP** – Paycheck Protection Program  
**Repurchase agreements** – securities sold under agreements to repurchase  
**ROU** – right-of-use  
**S&P** – Standard and Poor’s  
**SBA** – United States Small Business Administration  
**SEC** – United States Securities and Exchange Commission  
**TBA** – to-be-announced  
**TDR** – troubled debt restructuring  
**VIE** – variable interest entity

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

| (Dollars in thousands, except per share data)   | September 30,<br>2021 | December 31,<br>2020 |
|---|-----------------------|----------------------|
| <b>Assets</b>   |                       |                      |
| Cash on hand and in banks   | \$ 250,579            | 227,108              |
| Interest bearing cash deposits  | 98,309                | 406,034              |
| Cash and cash equivalents   | 348,888               | 633,142              |
| Debt securities, available-for-sale   | 7,390,580             | 5,337,814            |
| Debt securities, held-to-maturity   | 1,128,299             | 189,836              |
| Total debt securities   | 8,518,879             | 5,527,650            |
| Loans held for sale, at fair value  | 94,138                | 166,572              |
| Loans receivable  | 11,293,891            | 11,122,696           |
| Allowance for credit losses   | (153,609)             | (158,243)            |
| Loans receivable, net   | 11,140,282            | 10,964,453           |
| Premises and equipment, net   | 316,191               | 325,335              |
| Other real estate owned   | 106                   | 1,744                |
| Accrued interest receivable   | 79,699                | 75,497               |
| Core deposit intangible, net  | 48,045                | 55,509               |
| Goodwill  | 514,013               | 514,013              |
| Non-marketable equity securities  | 10,021                | 10,023               |
| Bank-owned life insurance   | 123,729               | 123,763              |
| Other assets  | 120,028               | 106,505              |
| Total assets  | \$ 21,314,019         | 18,504,206           |
| <b>Liabilities</b>  |                       |                      |
| Non-interest bearing deposits   | \$ 6,632,402          | 5,454,539            |
| Interest bearing deposits   | 10,870,912            | 9,342,990            |
| Securities sold under agreements to repurchase  | 1,040,939             | 1,004,583            |
| Other borrowed funds  | 33,671                | 33,068               |
| Subordinated debentures   | 132,580               | 139,959              |
| Accrued interest payable  | 2,437                 | 3,305                |
| Deferred tax liability  | 1,815                 | 23,860               |
| Other liabilities   | 211,647               | 194,861              |
| Total liabilities   | 18,926,403            | 16,197,165           |
| <b>Commitments and Contingent Liabilities</b>   | —                     | —                    |
| <b>Stockholders' Equity</b>   |                       |                      |
| 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                               | 955                   | 954                  |
| Paid-in capital   | 1,497,939             | 1,495,053            |
| Retained earnings - substantially restricted  | 811,063               | 667,944              |
| Accumulated other comprehensive income  | 77,659                | 143,090              |
| Total stockholders' equity  | 2,387,616             | 2,307,041            |
| Total liabilities and stockholders' equity  | \$ 21,314,019         | 18,504,206           |
| Number of common stock shares issued and outstanding  | 95,512,659            | 95,426,364           |

See accompanying notes to unaudited condensed consolidated financial statements.

**GLACIER BANCORP, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

|   | Three Months ended    |                       | Nine Months ended     |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September 30,<br>2021 | September 30,<br>2020 | September 30,<br>2021 | September 30,<br>2020 |
| (Dollars in thousands, except per share data).        |                       |                       |                       |                       |
| <b>Interest Income</b>                                |                       |                       |                       |                       |
| Investment securities                                 | \$ 30,352             | 25,381                | 86,388                | 72,228                |
| Residential real estate loans                         | 9,885                 | 11,592                | 29,572                | 35,216                |
| Commercial loans                                      | 115,533               | 109,514               | 339,903               | 314,541               |
| Consumer and other loans                              | 10,971                | 11,000                | 32,386                | 33,771                |
| Total interest income                                 | 166,741               | 157,487               | 488,249               | 455,756               |
| <b>Interest Expense</b>                               |                       |                       |                       |                       |
| Deposits  | 2,609                 | 3,952                 | 8,427                 | 14,120                |
| Securities sold under agreements to repurchase        | 496                   | 886                   | 1,836                 | 2,783                 |
| Federal Home Loan Bank advances                       | —                     | 70                    | —                     | 684                   |
| Other borrowed funds                                  | 178                   | 173                   | 529                   | 473                   |
| Subordinated debentures                               | 845                   | 1,003                 | 2,563                 | 3,705                 |
| Total interest expense                                | 4,128                 | 6,084                 | 13,355                | 21,765                |
| <b>Net Interest Income</b>                            | 162,613               | 151,403               | 474,894               | 433,991               |
| Provision for credit losses                           | 725                   | 5,186                 | (4,880)               | 41,300                |
| Net interest income after provision for credit losses | 161,888               | 146,217               | 479,774               | 392,691               |
| <b>Non-Interest Income</b>                            |                       |                       |                       |                       |
| Service charges and other fees                        | 15,154                | 13,404                | 41,741                | 38,790                |
| Miscellaneous loan fees and charges                   | 2,592                 | 2,084                 | 8,293                 | 5,051                 |
| Gain on sale of loans                                 | 13,902                | 35,516                | 51,632                | 73,236                |
| Gain (Loss) on sale of debt securities                | (168)                 | 24                    | 55                    | 1,015                 |
| Other income  | 3,335                 | 2,639                 | 8,737                 | 10,071                |
| Total non-interest income                             | 34,815                | 53,667                | 110,458               | 128,163               |
| <b>Non-Interest Expense</b>                           |                       |                       |                       |                       |
| Compensation and employee benefits                    | 66,364                | 64,866                | 192,941               | 182,507               |
| Occupancy and equipment                               | 9,412                 | 9,369                 | 28,135                | 27,945                |
| Advertising and promotions                            | 3,236                 | 2,779                 | 8,513                 | 7,404                 |
| Data processing                                       | 5,135                 | 5,597                 | 16,002                | 15,921                |
| Other real estate owned                               | 142                   | 186                   | 202                   | 373                   |
| Regulatory assessments and insurance                  | 2,011                 | 1,495                 | 5,592                 | 3,622                 |
| Core deposit intangibles amortization                 | 2,488                 | 2,612                 | 7,464                 | 7,758                 |
| Other expenses  | 15,320                | 16,469                | 41,926                | 48,094                |
| Total non-interest expense                            | 104,108               | 103,373               | 300,775               | 293,624               |
| <b>Income Before Income Taxes</b>                     | 92,595                | 96,511                | 289,457               | 227,230               |
| Federal and state income tax expense                  | 16,976                | 18,754                | 55,409                | 42,690                |
| <b>Net Income</b>                                     | \$ 75,619             | 77,757                | 234,048               | 184,540               |
| Basic earnings per share                              | \$ 0.79               | 0.81                  | 2.45                  | 1.95                  |
| Diluted earnings per share                            | \$ 0.79               | 0.81                  | 2.45                  | 1.95                  |
| Dividends declared per share                          | \$ 0.32               | 0.30                  | 0.95                  | 0.88                  |
| Average outstanding shares - basic                    | 95,510,772            | 95,411,656            | 95,494,211            | 94,704,198            |
| Average outstanding shares - diluted                  | 95,586,202            | 95,442,576            | 95,573,519            | 94,747,894            |

See accompanying notes to unaudited condensed consolidated financial statements.

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

|  | Three Months ended    |                       | Nine Months ended     |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September 30,<br>2021 | September 30,<br>2020 | September 30,<br>2021 | September 30,<br>2020 |
| (Dollars in thousands)   |                       |                       |                       |                       |
| <b>Net Income</b>  | \$ 75,619             | 77,757                | 234,048               | 184,540               |
| <b>Other Comprehensive Income (Loss), Net of Tax</b>   |                       |                       |                       |                       |
| Available-For-Sale and Transferred Securities:   |                       |                       |                       |                       |
| Unrealized (losses) gains on available-for-sale securities   | (15,259)              | 1,693                 | (84,929)              | 123,262               |
| Reclassification adjustment for gains included in net income                                       | (498)                 | (24)                  | (870)                 | (1,014)               |
| Reclassification adjustment for securities transferred from available-for-sale to held-to-maturity | (1,379)               | —                     | (2,237)               | —                     |
| Tax effect   | 4,330                 | (424)                 | 22,246                | (30,979)              |
| Net of tax amount  | (12,806)              | 1,245                 | (65,790)              | 91,269                |
| Cash Flow Hedge:   |                       |                       |                       |                       |
| Unrealized gains (losses) on derivatives used for cash flow hedges                                 | 30                    | (76)                  | 479                   | (532)                 |
| Tax effect   | (7)                   | 20                    | (120)                 | 135                   |
| Net of tax amount  | 23                    | (56)                  | 359                   | (397)                 |
| Total other comprehensive (loss) income, net of tax  | (12,783)              | 1,189                 | (65,431)              | 90,872                |
| <b>Total Comprehensive Income</b>  | \$ 62,836             | 78,946                | 168,617               | 275,412               |

See accompanying notes to unaudited condensed consolidated financial statements.

**GLACIER BANCORP, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES**  
**IN STOCKHOLDERS' EQUITY**  
**Three Months ended September 30, 2021 and 2020**

| (Dollars in thousands, except per share data) | Common Stock |        | Paid-in Capital | Retained Earnings Substantially Restricted | Accumulated Other Comprehensive Income (loss) | Total     |
|---|--------------|--------|-----------------|--|---|-----------|
|   | Shares       | Amount |                 |  |   |           |
| <b>Balance at July 1, 2020</b>                | 95,409,061   | \$ 954 | 1,492,817       | 580,035                                    | 129,909                                       | 2,203,715 |
| Net income                                    | —            | —      | —               | 77,757                                     | —   | 77,757    |
| Other comprehensive income                    | —            | —      | —               | —  | 1,189   | 1,189     |
| Cash dividends declared (\$0.30 per share)    | —            | —      | —               | (28,683)                                   | —   | (28,683)  |
| Stock issuances under stock incentive plans   | 4,682        | —      | —               | —  | —   | —         |
| Stock-based compensation and related taxes    | —            | —      | 1,111           | —  | —   | 1,111     |
| <b>Balance at September 30, 2020</b>          | 95,413,743   | \$ 954 | 1,493,928       | 629,109                                    | 131,098                                       | 2,255,089 |
| <b>Balance at July 1, 2021</b>                | 95,507,234   | \$ 955 | 1,496,488       | 766,070                                    | 90,442  | 2,353,955 |
| Net income                                    | —            | —      | —               | 75,619                                     | —   | 75,619    |
| Other comprehensive loss                      | —            | —      | —               | —  | (12,783)                                      | (12,783)  |
| Cash dividends declared ( \$0.32 per share)   | —            | —      | —               | (30,626)                                   | —   | (30,626)  |
| Stock issuances under stock incentive plans   | 5,425        | —      | —               | —  | —   | —         |
| Stock-based compensation and related taxes    | —            | —      | 1,451           | —  | —   | 1,451     |
| <b>Balance at September 30, 2021</b>          | 95,512,659   | \$ 955 | 1,497,939       | 811,063                                    | 77,659  | 2,387,616 |

See accompanying notes to unaudited condensed consolidated financial statements.

**GLACIER BANCORP, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES**  
**IN STOCKHOLDERS' EQUITY**  
**Nine Months ended September 30, 2021 and 2020**

| (Dollars in thousands, except per share data) | Common Stock      |               | Paid-in Capital  | Retained Earnings<br>Substantially<br>Restricted | Accumulated<br>Other Compre-<br>hensive Income<br>(loss) | Total            |
|---|-------------------|---------------|------------------|--|--|------------------|
|   | Shares            | Amount        |                  |  |  |                  |
| <b>Balance at January 1, 2020</b>             | 92,289,750        | \$ 923        | 1,378,534        | 541,050  | 40,226   | 1,960,733        |
| Net income                                    | —                 | —             | —                | 184,540  | —  | 184,540          |
| Other comprehensive income                    | —                 | —             | —                | —  | 90,872   | 90,872           |
| Cash dividends declared (\$0.88 per share)    | —                 | —             | —                | (84,134)   | —  | (84,134)         |
| Stock issued in connection with acquisitions  | 3,007,044         | 30            | 112,103          | —  | —  | 112,133          |
| Stock issuances under stock incentive plans   | 116,949           | 1             | (1)              | —  | —  | —                |
| Stock-based compensation and related taxes    | —                 | —             | 3,292            | —  | —  | 3,292            |
| Cumulative-effect of accounting changes       | —                 | —             | —                | (12,347)   | —  | (12,347)         |
| <b>Balance at September 30, 2020</b>          | <u>95,413,743</u> | <u>\$ 954</u> | <u>1,493,928</u> | <u>629,109</u>                                   | <u>131,098</u>   | <u>2,255,089</u> |
| <b>Balance at January 1, 2021</b>             | 95,426,364        | \$ 954        | 1,495,053        | 667,944  | 143,090  | 2,307,041        |
| Net income                                    | —                 | —             | —                | 234,048  | —  | 234,048          |
| Other comprehensive loss                      | —                 | —             | —                | —  | (65,431)   | (65,431)         |
| Cash dividends declared ( \$0.95 per share)   | —                 | —             | —                | (90,929)   | —  | (90,929)         |
| Stock issuances under stock incentive plans   | 86,295            | 1             | (1)              | —  | —  | —                |
| Stock-based compensation and related taxes    | —                 | —             | 2,887            | —  | —  | 2,887            |
| <b>Balance at September 30, 2021</b>          | <u>95,512,659</u> | <u>\$ 955</u> | <u>1,497,939</u> | <u>811,063</u>                                   | <u>77,659</u>  | <u>2,387,616</u> |

See accompanying notes to unaudited condensed consolidated financial statements.



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

|  | Nine Months ended     |                       |
|--|-----------------------|-----------------------|
|  | September 30,<br>2021 | September 30,<br>2020 |
| (Dollars in thousands)   |                       |                       |
| <b>Operating Activities</b>  |                       |                       |
| Net income   | \$ 234,048            | 184,540               |
| Adjustments to reconcile net income to net cash provided by operating activities:    |                       |                       |
| Provision for credit losses  | (4,880)               | 41,300                |
| Net amortization of debt securities  | 32,934                | 10,830                |
| Net amortization of purchase accounting adjustments and deferred loan fees and costs | (1,003)               | (23,369)              |
| Origination of loans held for sale   | (1,184,305)           | (1,393,224)           |
| Proceeds from loans held for sale  | 1,372,592             | 1,400,697             |
| Gain on sale of loans  | (51,632)              | (73,236)              |
| Gain on sale of debt securities  | (55)                  | (1,015)               |
| Bank-owned life insurance income, net  | (2,027)               | (2,059)               |
| Stock-based compensation, net of tax benefits  | 3,440                 | 2,829                 |
| Depreciation and amortization of premises and equipment                              | 15,593                | 15,124                |
| Gain on sale and write-downs of other real estate owned, net                         | (127)                 | (64)                  |
| Amortization of core deposit intangibles   | 7,464                 | 7,758                 |
| Amortization of investments in variable interest entities                            | 9,520                 | 8,244                 |
| Net increase in accrued interest receivable  | (4,201)               | (33,558)              |
| Net increase in other assets   | (5,430)               | (22,729)              |
| Net decrease in accrued interest payable   | (868)                 | (861)                 |
| Net decrease in other liabilities  | (3,753)               | (7,450)               |
| Net cash provided by operating activities  | 417,310               | 113,757               |
| <b>Investing Activities</b>  |                       |                       |
| Maturities, prepayments and calls of available-for-sale debt securities              | 1,026,010             | 545,191               |
| Purchases of available-for-sale debt securities                                      | (4,035,869)           | (1,839,308)           |
| Maturities, prepayments and calls of held-to-maturity debt securities                | 25,480                | 29,530                |
| Purchases of held-to-maturity debt securities  | (125,527)             | —                     |
| Principal collected on loans   | 4,825,177             | 2,978,796             |
| Loan originations  | (5,062,750)           | (4,627,653)           |
| Net additions to premises and equipment  | (4,187)               | (8,140)               |
| Proceeds from sale of other real estate owned  | 3,246                 | 2,140                 |
| Proceeds from redemption of non-marketable equity securities                         | 180                   | 76,275                |
| Purchases of non-marketable equity securities  | (2)                   | (71,397)              |
| Proceeds from bank-owned life insurance  | 2,112                 | —                     |
| Investments in variable interest entities  | (14,799)              | (7,975)               |
| Net cash received from acquisitions  | —                     | 43,713                |
| Net cash used in investing activities  | (3,360,929)           | (2,878,828)           |

See accompanying notes to unaudited condensed consolidated financial statements.

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

| (Dollars in thousands)  | Nine Months ended     |                       |
|---|-----------------------|-----------------------|
|   | September 30,<br>2021 | September 30,<br>2020 |
| <b>Financing Activities</b>   |                       |                       |
| Net increase in deposits  | \$ 2,705,870          | 2,920,429             |
| Net increase in securities sold under agreements to repurchase                | 36,356                | 388,595               |
| Net decrease in short-term Federal Home Loan Bank advances                    | —                     | (30,000)              |
| Proceeds from long-term Federal Home Loan Bank advances                       | —                     | 30,000                |
| Repayments of long-term Federal Home Loan Bank advances                       | —                     | (31,271)              |
| Net (increase) decrease in other borrowed funds                               | (6,897)               | 463                   |
| Cash dividends paid   | (74,709)              | (73,999)              |
| Tax withholding payments for stock-based compensation                         | (1,520)               | (1,023)               |
| Proceeds from stock option exercises  | 265                   | 795                   |
| Net cash provided by financing activities                                     | 2,659,365             | 3,203,989             |
| Net (decrease) increase in cash, cash equivalents and restricted cash         | (284,254)             | 438,918               |
| Cash, cash equivalents and restricted cash at beginning of period             | 633,142               | 330,961               |
| Cash, cash equivalents and restricted cash at end of period                   | \$ 348,888            | 769,879               |
| <b>Supplemental Disclosure of Cash Flow Information</b>                       |                       |                       |
| Cash paid during the period for interest                                      | \$ 14,223             | 22,626                |
| Cash paid during the period for income taxes                                  | 58,645                | 43,944                |
| <b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b> |                       |                       |
| Transfer of debt securities from available-for-sale to held-to-maturity       | \$ 844,020            | —                     |
| Sale and refinancing of other real estate owned                               | \$ —                  | 215                   |
| Transfer of loans to other real estate owned                                  | 1,481                 | 2,062                 |
| Right-of-use assets obtained in exchange for operating lease liabilities      | 801                   | 7,343                 |
| Dividends declared during the period but not paid                             | 30,761                | 28,799                |
| Acquisitions  |                       |                       |
| Fair value of common stock shares issued                                      | —                     | 112,133               |
| Cash consideration  | —                     | 13,721                |
| Fair value of assets acquired   | —                     | 745,420               |
| Liabilities assumed   | —                     | 619,565               |

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, Arizona and Nevada 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 reflect all adjustments necessary for a fair presentation of the results for the interim periods. All such adjustments are of a normal recurring nature. These interim 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 and they 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, 2020. Operating results for the nine months ended September 30, 2021 are not necessarily indicative of the results anticipated for the year ending December 31, 2021. The condensed consolidated statement of financial condition of the Company as of December 31, 2020 has been derived from the audited consolidated statements of the Company as of that date.

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 effect 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 credit losses ("ACL" or "allowance") on loans; 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 ACL on loans and real estate valuation estimates, management obtains independent appraisals (new or updated) for significant items. Estimates relating to the investment valuations are obtained from independent third parties. Estimates relating to the evaluation of goodwill for impairment are determined based on internal calculations using independent party inputs.

Principles of Consolidation

The consolidated financial statements of the Company include the parent holding company and the Bank, which consists of sixteen bank divisions and a corporate division. The corporate division includes the Bank's investment portfolio, wholesale borrowings and other centralized functions. 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. 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.

### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash held as demand deposits at various banks and the Federal Reserve Bank (“FRB”), interest bearing deposits, federal funds sold, and liquid investments with original maturities of three months or less. The Bank is required to maintain an average reserve balance with either the FRB or in the form of cash on hand. During 2020, the Fed temporarily reduced the reserve requirement due to the coronavirus disease of 2019 (“COVID-19.”) The required reserve balance at September 30, 2021 was \$0.

### Debt Securities

On January 1, 2020, the Company adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments - Credit Losses*, which significantly changed the allowance for credit loss accounting policies for debt securities. The following debt securities and allowance for credit loss accounting policies are presented under Accounting Standards Codification™ (“ASC”) Topic 326.

Debt securities for which the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost. Debt securities held primarily for the purpose of selling in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses included in income. Debt securities not classified as held-to-maturity or trading are classified as available-for-sale and are reported at fair value with unrealized gains and losses, net of income taxes, as a separate component of other comprehensive income (“OCI”). Premiums and discounts on debt securities are amortized or accreted into income using a method that approximates the interest method. The objective of the interest method is to calculate periodic interest income at a constant effective yield. The Company does not have any debt securities classified as trading securities. When the Company acquires another entity, it records the debt securities at fair value.

The Company reviews and analyzes the various risks that may be present within the investment portfolio on an ongoing basis, including market risk, credit risk and liquidity risk. Market risk is the risk to an entity’s financial condition resulting from adverse changes in the value of its holdings arising from movements in interest rates, foreign exchange rates, equity prices or commodity prices. The Company assesses the market risk of individual debt securities as well as the investment portfolio as a whole. Credit risk, broadly defined, is the risk that an issuer or counterparty will fail to perform on an obligation. The credit rating of a security is considered the primary credit quality indicator for debt securities. Liquidity risk refers to the risk that a security will not have an active and efficient market in which the security can be sold.

A debt security is investment grade if the issuer has adequate capacity to meet its commitment over the expected life of the investment, i.e., the risk of default is low and full and timely repayment of interest and principal is expected. To determine investment grade status for debt securities, the Company conducts due diligence of the creditworthiness of the issuer or counterparty prior to acquisition and ongoing thereafter consistent with the risk characteristics of the security and the overall risk of the investment portfolio. Credit quality due diligence takes into account the extent to which a security is guaranteed by the U.S. government and other agencies of the U.S. government. The depth of the due diligence is based on the complexity of the structure, the size of the security, and takes into account material positions and specific groups of securities or stratifications for analysis and review of similar risk positions. The due diligence includes consideration of payment performance, collateral adequacy, internal analyses, third party research and analytics, external credit ratings and default statistics.

The Company has acquired debt securities through acquisitions and if the securities have more than insignificant credit deterioration since origination, they are designated as purchased credit-deteriorated (“PCD”) securities. An ACL is determined using the same methodology as with other debt securities. The sum of a PCD security’s fair value and associated ACL becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the debt security is a noncredit discount or premium, which is amortized into interest income over the life of the security. Subsequent changes to the ACL are recorded through provision for credit losses.

For additional information relating to debt securities, see Note 2.

#### Allowance for Credit Losses - Available-for-Sale Debt Securities

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more-likely-than-not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through other expense. For the available-for-sale securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In such assessment, the Company considers the extent to which fair value is less than amortized cost, if there are any changes to the investment grade of the security by a rating agency, and if there are any adverse conditions that impact the security. If this assessment indicates a credit loss exists, the present value of the cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, a potential credit loss exists and an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost. Any estimated credit losses that have not been recorded through an ACL are recognized in OCI.

The Company has elected to exclude accrued interest from the estimate of credit losses for available-for-sale debt securities. As part of its non-accrual policy, the Company charges-off uncollectable interest at the time it is determined to be uncollectable.

#### Allowance for Credit Losses - Held-to-Maturity Debt Securities

For estimating the allowance for held-to-maturity ("HTM") debt securities that share similar risk characteristics with other securities, such securities are pooled based on major security type. For pools of such securities with similar risk characteristics, the historical lifetime probability of default and severity of loss in the event of default is derived or obtained from external sources and adjusted for the expected effects of reasonable and supportable forecasts over the expected lives of the securities on those historical credit losses. Expected credit losses on securities in the held-to-maturity portfolio that do not share similar risk characteristics with any of the pools of debt securities are individually measured based on net realizable value, or the difference between the discounted value of the expected future cash flows, based on the original effective interest rate, and the recorded amortized cost basis of the securities.

The Company has elected to exclude accrued interest from the estimate of credit losses for held-to-maturity debt securities. As part of its non-accrual policy, the Company charges off uncollectable interest at the time it is determined to be uncollectable.

#### Loans Held for Sale

Loans held for sale generally consist of long-term, fixed rate, conforming, single-family residential real estate loans intended to be sold on the secondary market. Loans held for sale are recorded at fair value and may or may not be sold with servicing rights released. Changes in fair value are recognized in non-interest income. Fair value elections are made at the time of origination based on the Company's fair value election policy.

#### Loans Receivable

On January 1, 2020, the Company adopted FASB ASU 2016-13, *Financial Instruments - Credit Losses*, which significantly changed the loan and allowance for credit loss accounting policies. The following loan and allowance for credit loss accounting policies are presented under ASC Topic 326.

The Company's loan segments or classes are based on the purpose of the loan and consist of residential real estate, commercial real estate, other commercial, home equity, and other consumer loans. 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. Interest income is accrued on the unpaid principal balance. 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 or straight-line methods. The interest method is utilized for loans with scheduled payment terms and the objective is to calculate periodic interest income at a constant effective yield. The straight-line method is utilized for revolving lines of credit or loans with no scheduled payment terms. When a loan is paid off prior to maturity, the remaining unamortized fees and costs on originated loans and unamortized premiums or discounts on acquired loans are immediately recognized into interest income.

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 non-accrual, interest accruals are resumed on such loans only when they are brought fully current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to both principal and interest.

The Company has acquired loans through acquisitions, some of which have experienced more than insignificant credit deterioration since origination. The Company considers all acquired non-accrual loans to be PCD loans. In addition, the Company considers loans accruing ninety days or more past due or substandard loans to be PCD loans. An ACL is determined using the same methodology as other loans held for investment. The ACL determined on a collective basis is allocated to individual loans. The sum of a loan's fair value and ACL becomes the initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the ACL are recorded through provision for credit losses.

For additional information relating to loans, see Note 3.

#### Allowance for Credit Losses - Loans Receivable

The allowance for credit losses for loans receivable represents management's estimate of credit losses over the expected contractual life of the loan portfolio. The estimate is determined based on the amortized cost of the loan portfolio including the loan balance adjusted for charge-offs, recoveries, deferred fees and costs, and loan discount and premiums. Recoveries are included only to the extent that such amounts were previously charged-off. The Company has elected to exclude accrued interest from the estimate of credit losses for loans. Determining the adequacy of the allowance is complex and requires a high degree of judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the then-existing loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowance in those future periods.

The allowance is increased for estimated credit losses which are recorded as expense. The portion of loans and overdraft balances determined by management to be uncollectable are charged-off as a reduction to the allowance and recoveries of amounts previously charged-off increase the allowance. 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.

The expected credit loss estimate process involves procedures to consider the unique characteristics of each of the Company's loan portfolio segments, which consist of residential real estate, commercial real estate, other commercial, home equity, and other consumer loans. When computing the allowance levels, credit loss assumptions are estimated using a model that categorizes loan pools based on loss history, credit and risk characteristics, including current conditions and reasonable and supportable forecasts about the future. The Company has determined a four consecutive quarter forecasting period is a reasonable and supportable period. Expected credit loss for periods beyond reasonable and supportable forecast periods are determined based on a reversion method which reverts back to historical loss estimate over a four consecutive quarter period on a straight-line basis.

Credit quality is assessed and monitored by evaluating various attributes and the results of those evaluations are utilized in underwriting new loans and the process for estimating the expected credit losses. The following paragraphs describe the risk characteristics relevant to each portfolio segment.

*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 residential property securing the loans and affect the borrowers' personal incomes. Mitigating risk factors for this loan segment 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 segment 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 allowance is impacted by loan volumes, delinquency status, credit ratings, historical loss experiences, estimated prepayment speeds, weighted average lives and other conditions influencing loss expectations, such as reasonable and supportable forecasts of economic conditions. The methodology for estimating the amount of expected credit losses reported in the allowance has two basic components: 1) individual loans that do not share similar risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and 2) the expected credit losses for pools of loans that share similar risk characteristics.

*Loans that do not Share Similar Risk Characteristics with Other Loans.* For a loan that does not share similar risk characteristics with other loans, expected credit loss is measured based on the net realizable value, that is, the difference between the discounted value of the expected future cash flows, based on the original effective interest rate, and the amortized cost basis of the loan. For these loans, the expected credit loss is equal to the amount by which the net realizable value of the loan is less than the amortized cost basis of the loan (which is net of previous charge-offs and deferred loan fees and costs), except when the loan is collateral-dependent, that is, when foreclosure is probable or the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. In these cases, expected credit loss is measured as the difference between the amortized cost basis of the loan and the fair value of the collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. The Company has determined that non-accrual loans do not share similar risk characteristics with other loans and these loans are individually evaluated for estimated allowance for credit losses. The Company, through its credit monitoring process, may also identify other loans that do not share similar risk characteristics and individually evaluate such loans. The starting point for determining the fair value of collateral is to obtain external appraisals or evaluations (new or updated). The valuation techniques used in preparing appraisals or evaluations (new or updated) include the cost approach, income approach, sales comparison approach, or a combination of the preceding valuation techniques. The Company's credit department reviews appraisals, giving consideration to the highest and best use of the collateral. The appraisals or evaluations (new or updated) are reviewed at least quarterly and more frequently based on current market conditions, including deterioration in a borrower's financial condition and when property values may be subject to significant volatility. Adjustments may be made to the fair value of the collateral after review and acceptance of the collateral appraisal or evaluation (new or updated).

*Loans that Share Similar Risk Characteristics with other Loans.* For estimating the allowance for loans that share similar risk characteristics with other loans, such loans are segregated into loan segments. Loans are designated into loan segments based on loans pooled by product types and similar risk characteristics or areas of risk concentration. In determining the ACL, the Company derives an estimated credit loss assumption from a model that categorizes loan pools based on loan type which is further segregated by the credit quality indicators. This model calculates an expected loss percentage for each loan segment by considering the non-discounted simple annual average historical loss rate of each loan segment (calculated through an "open pool" method), multiplying the loss rate by the amortized loan balance and incorporating that segment's internally generated prepayment speed assumption and contractually scheduled remaining principal pay downs on a loan level basis. The annual historical loss rates are adjusted over a reasonable economic forecast period by a multiplier that is calculated based upon current national economic forecasts as a proportion of each segment's historical average loss levels. The Company will then revert from the economic forecast period back to the historical average loss rate in a straight-line basis. After the reversion period, the loans will be assumed to experience their historical loss rate for the remainder of their contractual lives. The model applies the expected loss rate over the projected cash flows at the individual loan level and then aggregates the losses by loan segment in determining their quantitative allowance. The Company will also include qualitative adjustments to adjust the ACL on loan

segments to the extent the current or future market conditions are believed to vary substantially from historical conditions in regards to:

- lending policies and procedures;
- international, national, regional and local economic business conditions and developments that affect the collectability of the portfolio, including the condition of various markets;
- the nature and volume of the loan portfolio including the terms of the loans;
- the experience, ability, and depth of the lending management and other relevant staff;
- the volume and severity of past due and adversely classified or graded loans and the volume of non-accrual loans;
- the quality of our loan review system;
- the value of underlying collateral for collateralized loans;
- the existence and effect of any concentrations of credit, and changes in the level of concentrations; and
- the effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio.

The Company regularly reviews loans in the portfolio to assess credit quality indicators and to determine the appropriate loan classification and grading in accordance with applicable bank regulations. The primary credit quality indicator for residential, home equity and other consumer loans is the days past due status, which consists of the following categories: 1) performing loans; 2) 30 to 89 days past due loans; and 3) non-accrual and ninety days or more past due loans. The primary credit quality indicator for commercial real estate and commercial loans is the Company's internal risk rating system, which includes the following categories: 1) pass loans; 2) special mention loans; 3) substandard loans; and 4) doubtful or loss loans. Such credit quality indicators are regularly monitored and incorporated into the Company's allowance estimate. The following paragraphs further define the internal risk ratings for commercial real estate and commercial loans.

*Pass Loans.* These ratings represent loans that are of acceptable, good or excellent quality with very limited to no risk. Loans that do not have one of the following ratings are considered pass loans.

*Special Mention Loans.* These ratings represent loans that are designated as special mention per the regulatory definition. Special mention loans are currently protected but are potentially weak. The credit risk may be relatively minor yet constitute an undue and unwarranted risk in light of the circumstances surrounding a specific loan. The rating may be used to identify credit with potential weaknesses that if not corrected may weaken the loan to the point of inadequately protecting the Bank's credit position. Examples include a lack of supervision, inadequate loan agreement, condition, or control of collateral, incomplete, or improper documentation, deviations from lending policy, and adverse trends in operations or economic conditions.

*Substandard Loans.* This rating represents loans that are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged. A loan so classified must have a well-defined weakness that jeopardizes the liquidation of the debt. These loans are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregated amount of substandard loans, does not have to exist in an individual loan classified substandard.

*Doubtful/Loss Loans.* A loan classified as doubtful has the characteristics that make collection in full, on the basis of currently existing facts, conditions, and values, highly improbable. The possibility of loss is extremely high, but because of pending factors, which may work to the advantage and strengthening of the loan, its classification as loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral and refinancing plans. Loans are classified as loss when they are deemed to be not collectible and of such little value that continuance as an active asset of the Bank is not warranted. Loans classified as loss must be charged-off. Assignment of this classification does not mean that an asset has absolutely no recovery or salvage value, but that it is not practical or desirable to defer writing off a basically worthless asset, even though partial recovery may be attained in the future.



### Restructured Loans

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. 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 borrowers who have the willingness and capacity for debt repayment. In determining whether non-restructured or performing loans issued to a single or related party group of borrowers should continue to accrue interest when the borrower has other loans that are non-performing 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.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law which includes many provisions that impact the Company and its customers. The banking regulatory agencies have encouraged banks to work with borrowers who have been impacted by the coronavirus disease of 2019 (“COVID-19”) and the CARES Act, along with related regulatory guidance, allows banks to not designate certain modifications as TDRs that otherwise may have been classified as TDRs. In general, in order to qualify for such treatment, the modifications need to be short-term and made on a good faith basis in response to the COVID-19 pandemic to borrowers who were previously deemed current as outlined in the regulatory guidance. The Company has made such modifications to assist borrowers impacted by the COVID-19 pandemic.

The allowance for credit losses on a TDR is measured using the same method as all other loans held for investment. For a TDR that is individually reviewed and not collateral-dependent, the value of the concession can only be measured using the discounted cash flow method. When the value of a concession is measured using the discounted cash flow method, the ACL is determined by discounting the expected future cash flows at the original interest of the loan.

### Allowance for Credit Losses - Off-Balance Sheet Credit Exposures

The Company maintains a separate allowance for off-balance sheet credit exposures, including unfunded loan commitments, which is included in other liabilities on the Company’s statements of financial condition. The Company estimates the amount of expected losses by calculating a commitment usage factor over the contractual period for exposures and applying the loss factors used in the allowance for credit loss methodology to the results of the usage calculation to estimate the liability for credit losses related to unfunded commitments for each loan segment. No credit loss estimate is reported for off-balance sheet credit exposures that are unconditionally cancellable by the Bank or for unfunded amounts under such arrangements that may be drawn prior to the cancellation of the arrangement.

### Provision for Credit Losses

The Company recognizes provision for credit losses on the allowance for off-balance sheet credit exposures (e.g., unfunded loan commitments) together with provision for credit losses on the loan portfolio in the income statement line item provision for credit losses.

The following table presents the provision for credit losses on the loan portfolio and off-balance sheet exposures:

| (Dollars in thousands)               | Three Months ended    |                       | Nine Months ended     |                       |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                      | September 30,<br>2021 | September 30,<br>2020 | September 30,<br>2021 | September 30,<br>2020 |
| Provision for credit loss loans      | \$ 2,313              | 2,869                 | (2,921)               | 39,165                |
| Provision for credit losses unfunded | (1,588)               | 2,317                 | (1,959)               | 2,135                 |
| Total provision for credit losses    | \$ 725                | 5,186                 | (4,880)               | 41,300                |

There was no provision for credit losses on debt securities for the three and nine months ended September 30, 2021, and 2020 respectively.

#### Premises and Equipment

Premises and equipment are accounted for at cost less depreciation. Depreciation is computed on a straight-line method over the estimated useful lives or the term of the related lease. The estimated useful life for office buildings is 15 to 40 years and the estimated useful life for furniture, fixtures, and equipment is 3 to 10 years. Interest is capitalized for any significant building projects.

#### Leases

The Company leases certain land, premises and equipment from third parties. A lessee lease is classified as an operating lease unless it meets certain criteria (e.g., lease contains option to purchase that Company is reasonably certain to exercise), in which case it is classified as a finance lease. Operating leases are included in net premises and equipment and other liabilities on the Company's statements of financial condition and lease expense for lease payments is recognized on a straight-line basis over the lease term. Finance leases are included in net premises and equipment and other borrowed funds on the Company's statements of financial condition. Right-of-use ("ROU") assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. An ROU asset represents the right to use the underlying asset for the lease term and also includes any direct costs and payments made prior to lease commencement and excludes lease incentives. When an implicit rate is not available, an incremental borrowing rate based on the information available at commencement date is used in determining the present value of the lease payments. A lease term may include an option to extend or terminate the lease when it is reasonably certain the option will be exercised. The Company accounts for lease and nonlease components (e.g., common-area maintenance) together as a single combined lease component for all asset classes. Short-term leases of 12 months or less are excluded from accounting guidance; as a result, the lease payments are recognized on a straight-line basis over the lease term and the leases are not reflected on the Company's statements of financial condition. Renewal and termination options are considered when determining short-term leases. Leases are accounted for on an individual lease level.

Lease improvements incurred at the inception of the lease are recorded as an asset and depreciated over the initial term of the lease and lease improvements incurred subsequently are depreciated over the remaining term of the lease.

The Company also leases certain premises and equipment to third parties. A lessor lease is classified as an operating lease unless it meets certain criteria that would classify it as either a sales-type lease or a direct financing lease. For additional information relating to leases, see Note 4.

#### Other Real Estate Owned

Property acquired by foreclosure or deed-in-lieu of foreclosure is initially recorded at fair value, less estimated selling cost, at acquisition date (i.e., cost of the property). The Company is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan upon the occurrence of either the Company obtaining legal title to the property or the borrower conveying all interest in the property through a deed-in-lieu or similar agreement. Fair value is determined as the amount that could be reasonably expected in a current sale between a willing buyer and a willing seller in an orderly transaction between market participants at the measurement date. Subsequent to the initial acquisition, if the fair value of the asset, less estimated selling cost, is less than the cost of the property, a loss is recognized in other expense and the asset carrying value is reduced. Gain or loss on disposition of OREO is recorded in non-interest income or non-interest expense, respectively. In determining the fair value of the properties on the date of transfer and any subsequent estimated losses of net realizable value, the fair value of other real estate acquired by foreclosure or deed-in-lieu of foreclosure is determined primarily based upon appraisal or evaluation of the underlying property value.

### Business Combinations and Intangible Assets

Acquisition accounting requires the total purchase price to be allocated to the estimated fair values of assets acquired and liabilities assumed, including certain intangible assets. Goodwill is recorded if the purchase price exceeds the net fair value of assets acquired and a bargain purchase gain is recorded in other income if the net fair value of assets acquired exceeds the purchase price.

Adjustment of the allocated purchase price may be related to fair value estimates for which all information has not been obtained of the acquired entity known or discovered during the allocation period, the period of time required to identify and measure the fair values of the assets and liabilities acquired in the business combination. The allocation period is generally limited to one year following consummation of a business combination.

Core deposit intangible represents the intangible value of depositor relationships resulting from deposit liabilities assumed in acquisitions and is amortized using an accelerated method based on an estimated runoff of the related deposits. The core deposit intangible is evaluated for impairment and recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable, with any changes in estimated useful life accounted for prospectively over the revised remaining life.

The Company tests goodwill for impairment at the reporting unit level annually during the third quarter. The Company has identified that each of the Bank divisions are reporting units (i.e., components of the Glacier Bank operating segment) given that each division has a separate management team that regularly reviews its respective division financial information; however, the reporting units are aggregated into a single reporting unit due to the reporting units having similar economic characteristics.

The goodwill of a reporting unit is tested for impairment between annual tests if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. Examples of events and circumstances that could trigger the need for interim impairment testing include:

- a significant change in legal factors or in the business climate;
- an adverse action or assessment by a regulator;
- unanticipated competition;
- a loss of key personnel;
- a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of; and
- the testing for recoverability of a significant asset group within a reporting unit.

For the goodwill impairment assessment, the Company has the option, to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value. The Company opted to bypass the qualitative assessment for its 2021 and 2020 annual goodwill impairment testing and proceed directly to the goodwill impairment assessment. The goodwill impairment process requires the Company to make assumptions and judgments regarding fair value. The Company calculates an implied fair value and if the implied fair value is less than the carrying value, an impairment loss is recognized for the difference. For additional information relating to goodwill, see Note 5.

### Loan Servicing Rights

For residential real estate loans that are sold with servicing retained, servicing rights are initially recorded at fair value in other assets and gain on sale of loans. Fair value is based on market prices for comparable mortgage servicing contracts. The servicing asset is subsequently measured using the amortization method which requires the servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Loan servicing rights are evaluated for impairment based upon the fair value of the servicing rights compared to the carrying value. Impairment is recognized through a valuation allowance, to the extent that fair value is less than the carrying value. If the Company later determines that all or a portion of the impairment no longer exists, a reduction in the valuation allowance may be recorded. Changes in the valuation allowance are recorded in other income. The fair value of the servicing assets are subject to significant fluctuations as a result of changes in estimated actual prepayment speeds and default rates and losses.

Servicing fee income is recognized in other income for fees earned for servicing loans. The fees are based on contractual percentage of the outstanding principal; or a fixed amount per loan and is recorded when earned. The amortization of loan servicing fees is netted against loan servicing fee income. For additional information relating to loan servicing rights, see Note 6.

### Equity Securities

Non-marketable equity securities primarily consist of Federal Home Loan Bank (“FHLB”) stock. FHLB stock is restricted because such stock may only be sold to FHLB at its par value. Due to restrictive terms, and the lack of a readily determinable fair value, FHLB stock is carried at cost and evaluated for impairment. The investments in FHLB stock are required investments related to the Company’s borrowings from FHLB. FHLB obtains its funding primarily through issuance of consolidated obligations of the FHLB system. The U.S. government does not guarantee these obligations, and each of the regional FHLBs is jointly and severally liable for repayment of each other’s debt.

The Company also has an insignificant amount of marketable equity securities that are included in other assets on the Company’s statements of financial condition. Marketable equity securities with readily determinable fair values are measured at fair value and changes in fair value are recognized in other income. Marketable equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

### Other Borrowings

Borrowings of the Company’s consolidated variable interest entities and finance lease arrangements are included in other borrowings. For additional information relating to VIE’s, see Note 7.

### Bank-Owned Life Insurance

The Company maintains bank-owned life insurance policies on certain current and former employees and directors, which are recorded at their cash surrender values as determined by the insurance carriers. The appreciation in the cash surrender value of the policies is recognized as a component of other non-interest income in the Company’s statements of operations.

### Derivatives and Hedging Activities

The Company is exposed to certain risks relating to its ongoing operations. The primary risk managed by using derivative instruments is interest risk. Interest rate caps and interest rate swaps have been entered into to manage interest rate risk associated with variable rate borrowings and were designated as cash flow hedges. The Company does not enter into derivative instruments for trading or speculative purposes.

These cash flow hedges were recognized as assets or liabilities on the Company’s statements of financial condition and were measured at fair value. Cash flows resulting from the interest rate derivative financial instruments that were accounted for as hedges of assets and liabilities were classified in the Company’s cash flow statement in the same category as the cash flows of the items being hedged. For additional information relating to the interest rate caps, see Note 9.

### 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 ASC Topic 606 was \$45,789,000 and \$40,184,000 for the nine months ended September 30, 2021 and 2020, 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, 2021 and December 31, 2020 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.

Recently Issued Accounting Guidance

The ASC is the 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 Company has not adopted any ASU’s in the current year that may have had a material effect on the Company’s financial position or results of operations. Furthermore, there are no newly issued but not yet effective ASUs that could have a material effect on the Company’s financial position or results of operations.

**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, 2021                     |                     |                              |                               |                  |
|--|---------------------|------------------------------|-------------------------------|------------------|
| (Dollars in thousands)                 | Amortized<br>Cost   | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value    |
| <b>Available-for-sale</b>              |                     |                              |                               |                  |
| U.S. government and federal agency     | \$ 31,449           | 207                          | (283)                         | 31,373           |
| U.S. government sponsored enterprises  | 47,324              | 6                            | (279)                         | 47,051           |
| State and local governments            | 479,116             | 29,666                       | (91)                          | 508,691          |
| Corporate bonds                        | 191,164             | 6,958                        | (3)                           | 198,119          |
| Residential mortgage-backed securities | 5,498,676           | 13,982                       | (21,313)                      | 5,491,345        |
| Commercial mortgage-backed securities  | 1,081,008           | 36,640                       | (3,647)                       | 1,114,001        |
| Total available-for-sale               | <u>\$ 7,328,737</u> | <u>87,459</u>                | <u>(25,616)</u>               | <u>7,390,580</u> |
| <b>Held-to-maturity</b>                |                     |                              |                               |                  |
| State and local governments            | \$ 1,128,299        | 20,131                       | (1,977)                       | 1,146,453        |
| Total held-to-maturity                 | <u>\$ 1,128,299</u> | <u>20,131</u>                | <u>(1,977)</u>                | <u>1,146,453</u> |
| December 31, 2020                      |                     |                              |                               |                  |
| (Dollars in thousands)                 | Amortized<br>Cost   | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value    |
| <b>Available-for-sale</b>              |                     |                              |                               |                  |
| U.S. government and federal agency     | \$ 38,568           | 287                          | (267)                         | 38,588           |
| U.S. government sponsored enterprises  | 9,747               | 34                           | —                             | 9,781            |
| State and local governments            | 1,321,763           | 94,974                       | (54)                          | 1,416,683        |
| Corporate bonds                        | 336,867             | 12,239                       | (8)                           | 349,098          |
| Residential mortgage-backed securities | 2,261,463           | 27,631                       | (4)                           | 2,289,090        |
| Commercial mortgage-backed securities  | 1,177,458           | 57,575                       | (459)                         | 1,234,574        |
| Total available-for-sale               | <u>\$ 5,145,866</u> | <u>192,740</u>               | <u>(792)</u>                  | <u>5,337,814</u> |
| <b>Held-to-maturity</b>                |                     |                              |                               |                  |
| State and local governments            | \$ 189,836          | 13,380                       | —                             | 203,216          |
| Total held-to-maturity                 | <u>\$ 189,836</u>   | <u>13,380</u>                | <u>—</u>                      | <u>203,216</u>   |

### Maturity Analysis

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, 2021. Actual maturities may differ from expected or contractual maturities since some issuers have the right to prepay obligations with or without prepayment penalties.

| (Dollars in thousands)                  | September 30, 2021 |            |                  |            |
|---|--------------------|------------|------------------|------------|
|   | Available-for-Sale |            | Held-to-Maturity |            |
|   | Amortized Cost     | Fair Value | Amortized Cost   | Fair Value |
| Due within one year                     | \$ 68,088          | 68,877     | 1,529            | 1,544      |
| Due after one year through five years   | 186,292            | 195,336    | 27,382           | 29,114     |
| Due after five years through ten years  | 250,903            | 259,085    | 89,010           | 94,026     |
| Due after ten years                     | 243,770            | 261,936    | 1,010,378        | 1,021,769  |
|   | 749,053            | 785,234    | 1,128,299        | 1,146,453  |
| Mortgage-backed securities <sup>1</sup> | 6,579,684          | 6,605,346  | —                | —          |
| Total                                   | \$ 7,328,737       | 7,390,580  | 1,128,299        | 1,146,453  |

<sup>1</sup> Mortgage-backed securities, which have prepayment provisions, are not assigned to maturity categories due to fluctuations in their prepayment speeds.

### Sales and Calls of Debt Securities

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, 2021 | September 30, 2020 | September 30, 2021 | September 30, 2020 |
|  |                    |                    |                    |                    |
| Available-for-sale                               |                    |                    |                    |                    |
| Proceeds from sales and calls of debt securities | \$ 74,328          | 69,304             | 151,025            | 184,088            |
| Gross realized gains <sup>1</sup>                | 507                | 102                | 945                | 1,206              |
| Gross realized losses <sup>1</sup>               | (9)                | (78)               | (75)               | (192)              |
| Held-to-maturity                                 |                    |                    |                    |                    |
| Proceeds from calls of debt securities           | 19,120             | 9,280              | 25,480             | 29,530             |
| Gross realized gains <sup>1</sup>                | —                  | —                  | —                  | 1                  |
| Gross realized losses <sup>1</sup>               | (666)              | —                  | (815)              | —                  |

<sup>1</sup> The gain or loss on the sale or call of each debt security is determined by the specific identification method.

### Allowance for Credit Losses - Available-For-Sale Debt Securities

In assessing whether a credit loss existed on available-for-sale debt securities with unrealized losses, the Company compared the present value of cash flows expected to be collected from the debt securities with the amortized cost basis of the debt securities. In addition, the following factors were evaluated individually and collectively in determining the existence of expected credit losses:

- credit ratings from Nationally Recognized Statistical Rating Organizations (“NRSRO” entities such as Standard and Poor’s [“S&P”] and Moody’s);
- extent to which the fair value is less than cost;
- adverse conditions, if any, specifically related to the impaired securities, including the industry and geographic area;
- the overall deal and payment structure of the debt securities, including the investor entity’s position within the structure, underlying obligors, financial condition and near-term prospects of the issuer, including specific events which may affect the issuer’s operations or future earnings, and credit support or enhancements; and
- failure of the issuer and underlying obligors, if any, to make scheduled payments of interest and principal.

The following table summarizes available-for-sale debt securities that were in an unrealized loss position for which an ACL has not been recorded, based on the length of time the individual securities have been in an unrealized loss position. The number of available-for-sale debt securities in an unrealized position is also disclosed.

|  | September 30, 2021         |                     |                    |                   |                    |               |                    |
|--|----------------------------|---------------------|--------------------|-------------------|--------------------|---------------|--------------------|
|  | Number<br>of<br>Securities | Less than 12 Months |                    | 12 Months or More |                    | Total         |                    |
| (Dollars in thousands)                 |                            | Fair<br>Value       | Unrealized<br>Loss | Fair<br>Value     | Unrealized<br>Loss | Fair<br>Value | Unrealized<br>Loss |
| Available-for-sale                     |                            |                     |                    |                   |                    |               |                    |
| U.S. government and federal agency     | 23                         | \$ 9,736            | (78)               | 5,398             | (205)              | 15,134        | (283)              |
| U.S. government sponsored enterprises  | 3                          | 45,279              | (279)              | —                 | —                  | 45,279        | (279)              |
| State and local governments            | 11                         | 15,596              | (30)               | 1,742             | (61)               | 17,338        | (91)               |
| Corporate bonds                        | 1                          | 5,016               | (3)                | —                 | —                  | 5,016         | (3)                |
| Residential mortgage-backed securities | 115                        | 3,730,195           | (21,312)           | 26                | (1)                | 3,730,221     | (21,313)           |
| Commercial mortgage-backed securities  | 21                         | 79,332              | (866)              | 114,338           | (2,781)            | 193,670       | (3,647)            |
| Total available-for-sale               | 174                        | \$ 3,885,154        | (22,568)           | 121,504           | (3,048)            | 4,006,658     | (25,616)           |
| Held-to-maturity                       |                            |                     |                    |                   |                    |               |                    |
| State and local governments            | 126                        | \$ 317,479          | (1,977)            | —                 | —                  | 317,479       | (1,977)            |
| Total held-to-maturity                 | 126                        | \$ 317,479          | (1,977)            | —                 | —                  | 317,479       | (1,977)            |

|  | December 31, 2020          |                     |                    |                   |                    |               |                    |
|--|----------------------------|---------------------|--------------------|-------------------|--------------------|---------------|--------------------|
|  | Number<br>of<br>Securities | Less than 12 Months |                    | 12 Months or More |                    | Total         |                    |
| (Dollars in thousands)                 |                            | Fair<br>Value       | Unrealized<br>Loss | Fair<br>Value     | Unrealized<br>Loss | Fair<br>Value | Unrealized<br>Loss |
| Available-for-sale                     |                            |                     |                    |                   |                    |               |                    |
| U.S. government and federal agency     | 18                         | \$ 13,814           | (258)              | 726               | (9)                | 14,540        | (267)              |
| State and local governments            | 6                          | 3,121               | (54)               | —                 | —                  | 3,121         | (54)               |
| Corporate bonds                        | 3                          | 5,500               | (8)                | —                 | —                  | 5,500         | (8)                |
| Residential mortgage-backed securities | 14                         | 2,354               | (4)                | 27                | —                  | 2,381         | (4)                |
| Commercial mortgage-backed securities  | 5                          | 120,741             | (459)              | —                 | —                  | 120,741       | (459)              |
| Total available-for-sale               | 46                         | \$ 145,530          | (783)              | 753               | (9)                | 146,283       | (792)              |

With respect to severity, the majority of available-for-sale debt securities with unrealized loss positions at September 30, 2021 have unrealized losses as a percentage of book value of less than five percent. A substantial portion of such securities were issued by Federal National Mortgage Association (“Fannie Mae”), Federal Home Loan Mortgage Corporation (“Freddie Mac”), Government National Mortgage Association (“Ginnie Mae”) and other agencies of the U.S. government or have credit ratings issued by one or more of the NRSRO entities in the four highest credit rating categories. All of the Company’s available-for-sale debt securities with unrealized loss positions at September 30, 2021 have been determined to be investment grade.

The Company did not have any past due available-for-sale debt securities as of September 30, 2021 and December 31, 2020, respectively. Accrued interest receivable on available-for-sale debt securities totaled \$17,791,000 and \$20,215,000 at September 30, 2021, and December 31, 2020, respectively, and was excluded from the estimate of credit losses.

Based on an analysis of its available-for-sale debt securities with unrealized losses as of September 30, 2021, the Company determined the decline in value was unrelated to credit losses and was primarily the result of changes in interest rates and market spreads subsequent to acquisition. The fair value of the debt securities is expected to recover as payments are received and the debt securities approach maturity. In addition, as of September 30, 2021, management determined it did not intend to sell available-for-sale debt securities with unrealized losses, and there was no expected requirement to sell such securities before recovery of their amortized cost. As a result, no ACL was recorded on available-for-sale debt securities at September 30, 2021. As part of this determination, the Company considered contractual obligations, regulatory constraints, liquidity, capital, asset/liability management and securities portfolio objectives and whether or not any of the Company’s investment securities were managed by third-party investment funds.

#### Allowance for Credit Losses - Held-To-Maturity Debt Securities

The Company measured expected credit losses on held-to-maturity debt securities on a collective basis by major security type and NRSRO credit ratings, which is the Company’s primary credit quality indicator for state and local government securities. The estimate of expected credit losses considered historical credit loss information that was adjusted for current conditions as well as reasonable and supportable forecasts. The following table summarizes the amortized cost of held-to-maturity debt securities aggregated by NRSRO credit rating:

| <u>(Dollars in thousands)</u>                    | <u>September 30,<br/>2021</u> | <u>December 31,<br/>2020</u> |
|--|-------------------------------|------------------------------|
| <b>Held-to-maturity</b>                          |                               |                              |
| S&P: AAA / Moody’s: Aaa                          | \$ 274,791                    | 39,022                       |
| S&P: AA+, AA, AA- / Moody’s: Aa1, Aa2, Aa3       | 812,759                       | 123,664                      |
| S&P: A+, A, A- / Moody’s: A1, A2, A3             | 38,739                        | 27,150                       |
| S&P: BBB+, BBB, BBB- / Moody’s: Baa1, Baa2, Baa3 | —                             | —                            |
| Not rated by either entity                       | 2,010                         | —                            |
| <b>Below investment grade</b>                    | <b>—</b>                      | <b>—</b>                     |
| Total held-to-maturity                           | <u>\$ 1,128,299</u>           | <u>189,836</u>               |

The Company’s held-to-maturity debt securities portfolio is primarily comprised of general obligation and revenue bonds with NRSRO ratings in the four highest credit rating categories. All of the Company’s held-to-maturity debt securities at September 30, 2021 have been determined to be investment grade.

As of September 30, 2021 and December 31, 2020, the Company did not have any held-to-maturity debt securities past due. Accrued interest receivable on held-to-maturity debt securities totaled \$11,664,000 and \$1,728,000 at September 30, 2021 and December 31, 2020, respectively, and were excluded from the estimate of credit losses.

Based on the Company’s evaluation, an insignificant amount of credit losses is expected on the held-to-maturity debt securities portfolio; therefore, no ACL was recorded at September 30, 2021 or December 31, 2020.



### Note 3. Loans Receivable, Net

On January 1, 2020, the Company adopted FASB ASU 2016-13, *Financial Instruments - Credit Losses*, which significantly changed the loan and allowance for credit loss accounting disclosures. The following loan and allowance for credit loss accounting disclosures are presented in accordance with ASC Topic 326.

The following table presents loans receivable for each portfolio segment of loans:

| (Dollars in thousands)  | September 30,<br>2021 | December 31,<br>2020 |
|---|-----------------------|----------------------|
| Residential real estate   | \$ 781,538            | 802,508              |
| Commercial real estate  | 6,912,569             | 6,315,895            |
| Other commercial  | 2,598,616             | 3,054,817            |
| Home equity   | 660,920               | 636,405              |
| Other consumer  | 340,248               | 313,071              |
| Loans receivable  | 11,293,891            | 11,122,696           |
| Allowance for credit losses   | (153,609)             | (158,243)            |
| Loans receivable, net   | \$ 11,140,282         | 10,964,453           |
| Net deferred origination (fees) costs included in loans receivable        | \$ (26,325)           | (26,709)             |
| Net purchase accounting (discounts) premiums included in loans receivable | \$ (12,458)           | (17,091)             |
| Accrued interest receivable on loans                                      | \$ 50,229             | 53,538               |

Substantially all of the Company's loans receivable are with borrowers in the Company's geographic market areas. Although the Company has a diversified loan portfolio, a substantial portion of borrowers' ability to service their obligations is dependent upon the economic performance in the Company's market areas.

The Company had no significant purchases or sales of portfolio loans or reclassification of loans held for investment to loans held for sale during the nine months ended September 30, 2021.

#### Allowance for Credit Losses - Loans Receivable

The ACL is a valuation account that is deducted from the amortized cost basis to present the net amount expected to be collected on loans. The following tables summarize the activity in the ACL:

| (Dollars in thousands)         | Three Months ended September 30, 2021 |                         |                        |                  |             |                |
|--------------------------------|---------------------------------------|-------------------------|------------------------|------------------|-------------|----------------|
|                                | Total                                 | Residential Real Estate | Commercial Real Estate | Other Commercial | Home Equity | Other Consumer |
| Balance at beginning of period | \$ 151,448                            | 10,143                  | 96,597                 | 31,983           | 7,837       | 4,888          |
| Provision for credit losses    | 2,313                                 | 1,703                   | 2,931                  | (3,321)          | (124)       | 1,124          |
| Charge-offs                    | (2,620)                               | —                       | (162)                  | (677)            | —           | (1,781)        |
| Recoveries                     | 2,468                                 | 13                      | 672                    | 860              | 152         | 771            |
| Balance at end of period       | \$ 153,609                            | 11,859                  | 100,038                | 28,845           | 7,865       | 5,002          |

Three Months ended September 30, 2020

| (Dollars in thousands)         | Total      | Residential Real Estate | Commercial Real Estate | Other Commercial | Home Equity | Other Consumer |
|--------------------------------|------------|-------------------------|------------------------|------------------|-------------|----------------|
| Balance at beginning of period | \$ 162,509 | 9,986                   | 89,104                 | 48,838           | 9,962       | 4,619          |
| Provision for credit losses    | 2,869      | (216)                   | 5,208                  | 1,199            | (2,526)     | (796)          |
| Charge-offs                    | (2,630)    | —                       | (445)                  | (1,598)          | (99)        | (488)          |
| Recoveries                     | 1,804      | 35                      | 530                    | 314              | 93          | 832            |
| Balance at end of period       | \$ 164,552 | 9,805                   | 94,397                 | 48,753           | 7,430       | 4,167          |

Nine Months ended September 30, 2021

| (Dollars in thousands)         | Total      | Residential Real Estate | Commercial Real Estate | Other Commercial | Home Equity | Other Consumer |
|--------------------------------|------------|-------------------------|------------------------|------------------|-------------|----------------|
| Balance at beginning of period | \$ 158,243 | 9,604                   | 86,999                 | 49,133           | 8,182       | 4,325          |
| Provision for credit losses    | (2,921)    | 2,005                   | 11,663                 | (18,905)         | (491)       | 2,807          |
| Charge-offs                    | (8,566)    | (38)                    | (203)                  | (3,790)          | (45)        | (4,490)        |
| Recoveries                     | 6,853      | 288                     | 1,579                  | 2,407            | 219         | 2,360          |
| Balance at end of period       | \$ 153,609 | 11,859                  | 100,038                | 28,845           | 7,865       | 5,002          |

Nine Months ended September 30, 2020

| (Dollars in thousands)         | Total      | Residential Real Estate | Commercial Real Estate | Other Commercial | Home Equity | Other Consumer |
|--------------------------------|------------|-------------------------|------------------------|------------------|-------------|----------------|
| Balance at beginning of period | \$ 124,490 | 10,111                  | 69,496                 | 36,129           | 4,937       | 3,817          |
| Impact of adopting CECL        | 3,720      | 3,584                   | 10,533                 | (13,759)         | 3,400       | (38)           |
| Acquisitions                   | 49         | —                       | 49                     | —                | —           | —              |
| Provision for credit losses    | 39,165     | (3,923)                 | 14,084                 | 28,358           | (860)       | 1,506          |
| Charge-offs                    | (7,865)    | (21)                    | (625)                  | (3,471)          | (293)       | (3,455)        |
| Recoveries                     | 4,993      | 54                      | 860                    | 1,496            | 246         | 2,337          |
| Balance at end of period       | \$ 164,552 | 9,805                   | 94,397                 | 48,753           | 7,430       | 4,167          |

During the nine months ended September 30, 2021, the ACL decreased primarily as a result of an improvement in the quantitative factors including the economic forecasts along with adjustments to qualitative factors.

The sizeable charge-offs in the other consumer loan segment is driven by deposit overdraft charge-offs which typically experience high charge-off rates and the amounts were comparable to historical trends. The other segments experience routine charge-offs and recoveries, with occasional large credit relationships charge-offs and recoveries that cause fluctuations from prior periods. During the nine months ended September 30, 2021, there have been no significant changes to the types of collateral securing collateral-dependent loans.

### Aging Analysis

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

| September 30, 2021                      |               |                            |                           |                     |                |                   |
|---|---------------|----------------------------|---------------------------|---------------------|----------------|-------------------|
| (Dollars in thousands)                  | Total         | Residential<br>Real Estate | Commercial<br>Real Estate | Other<br>Commercial | Home<br>Equity | Other<br>Consumer |
| Accruing loans 30-59 days past due      | \$ 9,541      | —                          | 2,662                     | 2,071               | 2,438          | 2,370             |
| Accruing loans 60-89 days past due      | 16,461        | 1,137                      | 13,538                    | 862                 | 656            | 268               |
| Accruing loans 90 days or more past due | 5,172         | 52                         | 2,785                     | 2,083               | 98             | 154               |
| Non-accrual loans with no ACL           | 24,989        | 2,173                      | 10,144                    | 9,753               | 2,406          | 513               |
| Non-accrual loans with ACL              | 20,912        | 292                        | 474                       | 20,041              | 51             | 54                |
| Total past due and non-accrual loans    | 77,075        | 3,654                      | 29,603                    | 34,810              | 5,649          | 3,359             |
| Current loans receivable                | 11,216,816    | 777,884                    | 6,882,966                 | 2,563,806           | 655,271        | 336,889           |
| Total loans receivable                  | \$ 11,293,891 | 781,538                    | 6,912,569                 | 2,598,616           | 660,920        | 340,248           |

  

| December 31, 2020                       |               |                            |                           |                     |                |                   |
|---|---------------|----------------------------|---------------------------|---------------------|----------------|-------------------|
| (Dollars in thousands)                  | Total         | Residential<br>Real Estate | Commercial<br>Real Estate | Other<br>Commercial | Home<br>Equity | Other<br>Consumer |
| Accruing loans 30-59 days past due      | \$ 17,123     | 6,058                      | 3,854                     | 4,039               | 2,130          | 1,042             |
| Accruing loans 60-89 days past due      | 5,598         | 584                        | 2,299                     | 809                 | 756            | 1,150             |
| Accruing loans 90 days or more past due | 1,725         | 934                        | 231                       | 293                 | 135            | 132               |
| Non-accrual loans with no ACL           | 29,532        | 3,129                      | 14,030                    | 9,231               | 2,664          | 478               |
| Non-accrual loans with ACL              | 2,432         | 274                        | 1,787                     | 278                 | 49             | 44                |
| Total past due and non-accrual loans    | 56,410        | 10,979                     | 22,201                    | 14,650              | 5,734          | 2,846             |
| Current loans receivable                | 11,066,286    | 791,529                    | 6,293,694                 | 3,040,167           | 630,671        | 310,225           |
| Total loans receivable                  | \$ 11,122,696 | 802,508                    | 6,315,895                 | 3,054,817           | 636,405        | 313,071           |

The Company had \$472,000 and \$628,000 of interest reversed on non-accrual loans during the nine months ended September 30, 2021 and September 30, 2020, respectively. The prior year modifications that were made under the CARES Act, along with related regulatory guidance, are included in current loan receivables.

### Collateral-Dependent Loans

A loan is considered collateral-dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The collateral on the loans is a significant portion of what secures the collateral-dependent loans and significant changes to the fair value of the collateral can impact the ACL. During 2021, there were no significant change to collateral which secures the collateral-dependent loans, whether due to general deterioration or other reasons. The following table presents the amortized cost basis of collateral-dependent loans by collateral type:

| September 30, 2021      |           |                            |                           |                     |                |                   |
|-------------------------|-----------|----------------------------|---------------------------|---------------------|----------------|-------------------|
| (Dollars in thousands)  | Total     | Residential<br>Real Estate | Commercial<br>Real Estate | Other<br>Commercial | Home<br>Equity | Other<br>Consumer |
| Business assets         | \$ 26,992 | —                          | 60                        | 26,932              | —              | —                 |
| Residential real estate | 5,558     | 2,412                      | 569                       | 126                 | 2,276          | 175               |
| Other real estate       | 24,255    | 646                        | 20,976                    | 2,114               | 181            | 338               |
| Other                   | 12,728    | —                          | —                         | 12,390              | —              | 338               |
| Total                   | \$ 69,533 | 3,058                      | 21,605                    | 41,562              | 2,457          | 851               |

|                         | December 31, 2020 |                         |                        |                  |             |                |
|-------------------------|-------------------|-------------------------|------------------------|------------------|-------------|----------------|
| (Dollars in thousands)  | Total             | Residential Real Estate | Commercial Real Estate | Other Commercial | Home Equity | Other Consumer |
| Business assets         | \$ 4,325          | —                       | 37                     | 4,288            | —           | —              |
| Residential real estate | 7,148             | 3,338                   | 1,043                  | 198              | 2,513       | 56             |
| Other real estate       | 16,127            | 64                      | 14,738                 | 1,086            | 200         | 39             |
| Other                   | 36,855            | —                       | —                      | 36,469           | —           | 386            |
| Total                   | \$ 64,455         | 3,402                   | 15,818                 | 42,041           | 2,713       | 481            |

#### Restructured Loans

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. There were no TDRs that occurred during the three months ended September 30, 2021. 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, 2020 |                         |                        |                  |             |                |
|--------------------------------------|---------------------------------------|-------------------------|------------------------|------------------|-------------|----------------|
| (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                      | 6                                     | —                       | 5                      | 1                | —           | —              |
| Pre-modification recorded balance    | \$ 7,482                              | —                       | 6,648                  | 834              | —           | —              |
| Post-modification recorded balance   | \$ 7,482                              | —                       | 6,648                  | 834              | —           | —              |
| TDRs that subsequently defaulted     |                                       |                         |                        |                  |             |                |
| Number of loans                      | —                                     | —                       | —                      | —                | —           | —              |
| Recorded balance                     | \$ —                                  | —                       | —                      | —                | —           | —              |

|                                      | Nine Months ended September 30, 2021 |                         |                        |                  |             |                |
|--------------------------------------|--------------------------------------|-------------------------|------------------------|------------------|-------------|----------------|
| (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                      | 10                                   | 1                       | 5                      | 3                | —           | 1              |
| Pre-modification recorded balance    | \$ 2,368                             | 210                     | 1,473                  | 554              | —           | 131            |
| Post-modification recorded balance   | \$ 2,368                             | 210                     | 1,473                  | 554              | —           | 131            |
| TDRs that subsequently defaulted     |                                      |                         |                        |                  |             |                |
| Number of loans                      | —                                    | —                       | —                      | —                | —           | —              |
| Recorded balance                     | \$ —                                 | —                       | —                      | —                | —           | —              |

|                                      | Nine Months ended September 30, 2020 |                         |                        |                  |             |                |
|--------------------------------------|--------------------------------------|-------------------------|------------------------|------------------|-------------|----------------|
| (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                      | 16                                   | 1                       | 10                     | 4                | 1           | —              |
| Pre-modification recorded balance    | \$ 14,945                            | 210                     | 13,392                 | 1,304            | 39          | —              |
| Post-modification recorded balance   | \$ 14,945                            | 210                     | 13,392                 | 1,304            | 39          | —              |
| TDRs that subsequently defaulted     |                                      |                         |                        |                  |             |                |
| Number of loans                      | —                                    | —                       | —                      | —                | —           | —              |
| Recorded balance                     | \$ —                                 | —                       | —                      | —                | —           | —              |

The modifications for the loans designated as TDRs during the nine months ended September 30, 2021 and 2020 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 loans designated as TDRs during the period provided in the preceding tables, the Company had TDRs with pre-modification loan balances of \$1,624,000 and \$2,265,000 for the nine months ended September 30, 2021 and 2020, respectively, for which OREO was received in full or partial satisfaction of the loans. The majority of such TDRs were in consumer for the nine months ended September 30, 2021 and commercial real estate for the nine months ended September 30, 2020. At September 30, 2021 and December 31, 2020, the Company had \$83,000 and \$548,000, respectively, of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process. At September 30, 2021 and December 31, 2020, the Company had \$88,000 and \$273,000, respectively, of OREO secured by residential real estate properties.

The Company also modified loans under the CARES Act, along with related regulatory guidance, that were not classified as TDRs. In addition, the state of Montana created the Montana Loan Deferment Program for only Montana-based business that utilized Cares Act funds to provide interest payments upfront on behalf of participating borrowers. The Montana Loan Deferment Program provided modifications for customers under the CARES Act that were not classified as TDRs.

### Credit Quality Indicators

The Company categorizes commercial real estate and other commercial loans into risk categories based on relevant information about the ability of borrowers to service their obligations. The following tables present the amortized cost in commercial real estate and other commercial loans based on the Company's internal risk rating. The date of a modification, renewal or extension of a loan is considered for the year of origination if the terms of the loan are as favorable to the Company as the terms are for a comparable loan to other borrowers with similar credit risk.

|  | September 30, 2021  |                  |                 |                |                   |
|--|---------------------|------------------|-----------------|----------------|-------------------|
| (Dollars in thousands)                     | Total               | Pass             | Special Mention | Substandard    | Doubtful/<br>Loss |
| <b>Commercial real estate loans</b>        |                     |                  |                 |                |                   |
| Term loans by origination year             |                     |                  |                 |                |                   |
| 2021 (year-to-date)                        | \$ 1,665,923        | 1,664,908        | —               | 1,015          | —                 |
| 2020                                       | 1,310,854           | 1,306,097        | —               | 4,757          | —                 |
| 2019                                       | 883,727             | 872,635          | —               | 11,092         | —                 |
| 2018                                       | 748,629             | 695,068          | —               | 53,561         | —                 |
| 2017                                       | 558,997             | 531,073          | —               | 27,924         | —                 |
| Prior                                      | 1,598,606           | 1,547,558        | —               | 51,023         | 25                |
| Revolving loans                            | 145,833             | 142,781          | —               | 3,051          | 1                 |
| Total                                      | <u>\$ 6,912,569</u> | <u>6,760,120</u> | <u>—</u>        | <u>152,423</u> | <u>26</u>         |
| <b>Other commercial loans <sup>1</sup></b> |                     |                  |                 |                |                   |
| Term loans by origination year             |                     |                  |                 |                |                   |
| 2021 (year-to-date)                        | \$ 694,243          | 690,542          | —               | 3,701          | —                 |
| 2020                                       | 477,065             | 461,088          | —               | 15,976         | 1                 |
| 2019                                       | 239,843             | 230,852          | —               | 8,988          | 3                 |
| 2018                                       | 184,542             | 178,564          | —               | 5,977          | 1                 |
| 2017                                       | 215,294             | 214,143          | —               | 1,148          | 3                 |
| Prior                                      | 314,426             | 300,084          | —               | 13,792         | 550               |
| Revolving loans                            | 473,203             | 443,561          | —               | 29,626         | 16                |
| Total                                      | <u>\$ 2,598,616</u> | <u>2,518,834</u> | <u>—</u>        | <u>79,208</u>  | <u>574</u>        |

<sup>1</sup> Includes PPP loans.

|  | December 31, 2020   |                  |                 |                |                   |
|--|---------------------|------------------|-----------------|----------------|-------------------|
|  | Total               | Pass             | Special Mention | Substandard    | Doubtful/<br>Loss |
| <i>(Dollars in thousands)</i>              |                     |                  |                 |                |                   |
| <b>Commercial real estate loans</b>        |                     |                  |                 |                |                   |
| Term loans by origination year             |                     |                  |                 |                |                   |
| 2020                                       | \$ 1,496,094        | 1,490,947        | —               | 5,147          | —                 |
| 2019                                       | 1,077,461           | 1,069,503        | —               | 7,958          | —                 |
| 2018                                       | 914,506             | 874,673          | —               | 39,833         | —                 |
| 2017                                       | 723,448             | 696,371          | —               | 27,077         | —                 |
| 2016                                       | 496,275             | 481,392          | —               | 14,883         | —                 |
| Prior                                      | 1,488,281           | 1,450,596        | —               | 37,574         | 111               |
| Revolving loans                            | 119,830             | 116,548          | —               | 3,282          | —                 |
| Total                                      | <u>\$ 6,315,895</u> | <u>6,180,030</u> | <u>—</u>        | <u>135,754</u> | <u>111</u>        |
| <b>Other commercial loans <sup>1</sup></b> |                     |                  |                 |                |                   |
| Term loans by origination year             |                     |                  |                 |                |                   |
| 2020                                       | \$ 1,366,664        | 1,341,316        | 19,564          | 5,784          | —                 |
| 2019                                       | 304,430             | 284,981          | 12,582          | 6,864          | 3                 |
| 2018                                       | 241,222             | 234,988          | —               | 6,233          | 1                 |
| 2017                                       | 269,857             | 264,651          | —               | 5,114          | 92                |
| 2016                                       | 179,225             | 177,164          | —               | 2,056          | 5                 |
| Prior                                      | 218,306             | 206,431          | —               | 11,329         | 546               |
| Revolving loans                            | 475,113             | 467,929          | 54              | 7,112          | 18                |
| Total                                      | <u>\$ 3,054,817</u> | <u>2,977,460</u> | <u>32,200</u>   | <u>44,492</u>  | <u>665</u>        |

<sup>1</sup> Includes PPP loans.

For residential real estate, home equity and other consumer loan segments, the Company evaluates credit quality primarily on the aging status of the loan. The following tables present the amortized cost in residential real estate, home equity and other consumer loans based on payment performance:

| September 30, 2021                   |                   |                |                     |  |
|--------------------------------------|-------------------|----------------|---------------------|--|
| (Dollars in thousands)               | Total             | Performing     | 30-89 Days Past Due | Non-Accrual and 90 Days or More Past Due |
| <b>Residential real estate loans</b> |                   |                |                     |  |
| Term loans by origination year       |                   |                |                     |  |
| 2021 (year-to-date)                  | \$ 256,012        | 256,012        | —                   | —  |
| 2020                                 | 177,765           | 177,617        | 148                 | —  |
| 2019                                 | 78,061            | 78,061         | —                   | —  |
| 2018                                 | 56,371            | 56,088         | —                   | 283                                      |
| 2017                                 | 50,489            | 49,418         | 892                 | 179                                      |
| Prior                                | 160,662           | 158,510        | 97                  | 2,055                                    |
| Revolving loans                      | 2,178             | 2,178          | —                   | —  |
| Total                                | <u>\$ 781,538</u> | <u>777,884</u> | <u>1,137</u>        | <u>2,517</u>                             |
| <b>Home equity loans</b>             |                   |                |                     |  |
| Term loans by origination year       |                   |                |                     |  |
| 2021 (year-to-date)                  | \$ 38             | 38             | —                   | —  |
| 2020                                 | 67                | 67             | —                   | —  |
| 2019                                 | 589               | 555            | —                   | 34                                       |
| 2018                                 | 887               | 887            | —                   | —  |
| 2017                                 | 783               | 783            | —                   | —  |
| Prior                                | 10,780            | 10,114         | 161                 | 505                                      |
| Revolving loans                      | 647,776           | 642,827        | 2,933               | 2,016                                    |
| Total                                | <u>\$ 660,920</u> | <u>655,271</u> | <u>3,094</u>        | <u>2,555</u>                             |
| <b>Other consumer loans</b>          |                   |                |                     |  |
| Term loans by origination year       |                   |                |                     |  |
| 2021 (year-to-date)                  | \$ 127,963        | 127,893        | 65                  | 5  |
| 2020                                 | 87,303            | 87,072         | 189                 | 42                                       |
| 2019                                 | 42,347            | 41,943         | 172                 | 232                                      |
| 2018                                 | 23,468            | 23,180         | 94                  | 194                                      |
| 2017                                 | 9,548             | 9,495          | 42                  | 11                                       |
| Prior                                | 19,132            | 16,871         | 2,042               | 219                                      |
| Revolving loans                      | 30,487            | 30,435         | 34                  | 18                                       |
| Total                                | <u>\$ 340,248</u> | <u>336,889</u> | <u>2,638</u>        | <u>721</u>                               |



| (Dollars in thousands)               | December 31, 2020 |                |                     |  |
|--------------------------------------|-------------------|----------------|---------------------|--|
|                                      | Total             | Performing     | 30-89 Days Past Due | Non-Accrual and 90 Days or More Past Due |
| <b>Residential real estate loans</b> |                   |                |                     |  |
| Term loans by origination year       |                   |                |                     |  |
| 2020                                 | \$ 208,679        | 207,432        | 1,247               | —  |
| 2019                                 | 181,924           | 179,915        | 2,009               | —  |
| 2018                                 | 100,273           | 99,135         | 556                 | 582                                      |
| 2017                                 | 76,394            | 75,527         | 867                 | —  |
| 2016                                 | 53,819            | 52,905         | 87                  | 827                                      |
| Prior                                | 179,085           | 174,281        | 1,876               | 2,928                                    |
| Revolving loans                      | 2,334             | 2,334          | —                   | —  |
| Total                                | <u>\$ 802,508</u> | <u>791,529</u> | <u>6,642</u>        | <u>4,337</u>                             |
| <b>Home equity loans</b>             |                   |                |                     |  |
| Term loans by origination year       |                   |                |                     |  |
| 2020                                 | \$ 89             | 89             | —                   | —  |
| 2019                                 | 807               | 771            | —                   | 36                                       |
| 2018                                 | 1,782             | 1,782          | —                   | —  |
| 2017                                 | 1,452             | 1,426          | 26                  | —  |
| 2016                                 | 1,016             | 1,016          | —                   | —  |
| Prior                                | 14,025            | 13,042         | 463                 | 520                                      |
| Revolving loans                      | 617,234           | 612,545        | 2,397               | 2,292                                    |
| Total                                | <u>\$ 636,405</u> | <u>630,671</u> | <u>2,886</u>        | <u>2,848</u>                             |
| <b>Other consumer loans</b>          |                   |                |                     |  |
| Term loans by origination year       |                   |                |                     |  |
| 2020                                 | \$ 131,302        | 131,098        | 158                 | 46                                       |
| 2019                                 | 66,327            | 65,921         | 170                 | 236                                      |
| 2018                                 | 42,827            | 42,557         | 212                 | 58                                       |
| 2017                                 | 16,287            | 16,202         | 38                  | 47                                       |
| 2016                                 | 10,519            | 10,409         | 48                  | 62                                       |
| Prior                                | 18,692            | 17,334         | 1,155               | 203                                      |
| Revolving loans                      | 27,117            | 26,704         | 411                 | 2  |
| Total                                | <u>\$ 313,071</u> | <u>310,225</u> | <u>2,192</u>        | <u>654</u>                               |

#### Note 4. Leases

The Company leases certain land, premises and equipment from third parties. ROU assets for operating and finance leases are included in net premises and equipment and lease liabilities are included in other liabilities and other borrowed funds, respectively, on the Company's statements of financial condition. The following table summarizes the Company's leases:

|                                       | September 30, 2021 |                  | December 31, 2020 |                  |
|---------------------------------------|--------------------|------------------|-------------------|------------------|
|                                       | Finance Leases     | Operating Leases | Finance Leases    | Operating Leases |
| (Dollars in thousands)                |                    |                  |                   |                  |
| ROU assets                            | \$ 5,999           |                  | 5,999             |                  |
| Accumulated depreciation              | (457)              |                  | (273)             |                  |
| Net ROU assets                        | \$ 5,542           | 44,480           | 5,726             | 46,820           |
| Lease liabilities                     | \$ 5,810           | 47,590           | 5,891             | 49,675           |
| Weighted-average remaining lease term | 23 years           | 17 years         | 24 years          | 17 years         |
| Weighted-average discount rate        | 2.6 %              | 3.5 %            | 2.6 %             | 3.4 %            |

Maturities of lease liabilities consist of the following:

|   | September 30, 2021 |                  |
|---|--------------------|------------------|
|   | Finance Leases     | Operating Leases |
| (Dollars in thousands)  |                    |                  |
| Maturing within one year  | \$ 66              | 1,219            |
| Maturing one year through two years                                   | 266                | 4,625            |
| Maturing two years through three years                                | 272                | 3,973            |
| Maturing three years through four years                               | 280                | 3,932            |
| Maturing four years through five years                                | 285                | 3,859            |
| Thereafter  | 6,736              | 47,447           |
| Total lease payments  | 7,905              | 65,055           |
| Present value of lease payments                                       |                    |                  |
| Short-term  | 28                 | 1,527            |
| Long-term   | 5,782              | 46,063           |
| Total present value of lease payments                                 | 5,810              | 47,590           |
| Difference between lease payments and present value of lease payments | \$ 2,095           | 17,465           |

The components of lease expense consist of the following:

|                               | Three Months ended |                    | Nine Months ended  |                    |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|
|                               | September 30, 2021 | September 30, 2020 | September 30, 2021 | September 30, 2020 |
| (Dollars in thousands)        |                    |                    |                    |                    |
| Finance lease cost            |                    |                    |                    |                    |
| Amortization of ROU assets    | \$ 61              | 59                 | 184                | 174                |
| Interest on lease liabilities | 38                 | 40                 | 113                | 121                |
| Operating lease cost          | 1,302              | 1,254              | 3,883              | 3,553              |
| Short-term lease cost         | 93                 | 88                 | 261                | 266                |
| Variable lease cost           | 264                | 264                | 759                | 977                |
| Sublease income               | (11)               | (2)                | (32)               | (5)                |
| Total lease expense           | \$ 1,747           | 1,703              | 5,168              | 5,086              |

Supplemental cash flow information related to leases is as follows:

|  | Three Months ended |                  |                    |                  |
|--|--------------------|------------------|--------------------|------------------|
|  | September 30, 2021 |                  | September 30, 2020 |                  |
|  | Finance Leases     | Operating Leases | Finance Leases     | Operating Leases |
| (Dollars in thousands)   |                    |                  |                    |                  |
| Cash paid for amounts included in the measurement of lease liabilities |                    |                  |                    |                  |
| Operating cash flows   | \$ 38              | 813              | 40                 | 706              |
| Financing cash flows   | 27                 | N/A              | 23                 | N/A              |

|  | Nine Months ended  |                  |                    |                  |
|--|--------------------|------------------|--------------------|------------------|
|  | September 30, 2021 |                  | September 30, 2020 |                  |
|  | Finance Leases     | Operating Leases | Finance Leases     | Operating Leases |
| (Dollars in thousands)   |                    |                  |                    |                  |
| Cash paid for amounts included in the measurement of lease liabilities |                    |                  |                    |                  |
| Operating cash flows   | \$ 113             | 2,379            | 121                | 1,994            |
| Financing cash flows   | 81                 | N/A              | 67                 | N/A              |

The Company also leases office space to third parties through operating leases. Rent income from these leases for the nine months ended September 30, 2021 and 2020 was not significant.

## Note 5. Goodwill

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

|   | Three Months ended |                    | Nine Months ended  |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | September 30, 2021 | September 30, 2020 | September 30, 2021 | September 30, 2020 |
|   |                    |                    |                    |                    |
| (Dollars in thousands)                    |                    |                    |                    |                    |
| Net carrying value at beginning of period | \$ 514,013         | 513,355            | 514,013            | 456,418            |
| Acquisitions and adjustments              | —                  | 658                | —                  | 57,595             |
| Net carrying value at end of period       | \$ 514,013         | 514,013            | 514,013            | 514,013            |

The Company performed its annual goodwill impairment test during the third quarter of 2021 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, 2021 and December 31, 2020.

## Note 6. Loan Servicing

Mortgage loans that are serviced for others are not reported as assets, only the servicing rights are recorded and included in other assets. The following schedules disclose the change in the carrying value of mortgage servicing rights that is included in other assets, principal balances of loans serviced and the fair value of mortgage servicing rights:

|   | September 30,<br>2021 | December 31,<br>2020 |
|---|-----------------------|----------------------|
| (Dollars in thousands)                          |                       |                      |
| Carrying value at beginning of period           | \$ 8,976              | 1,618                |
| Additions                                       | 3,996                 | 8,298                |
| Amortization                                    | (1,327)               | (940)                |
| Carrying value at end of period                 | \$ 11,645             | 8,976                |
| Principal balances of loans serviced for others | \$ 1,511,199          | 1,269,080            |
| Fair value of servicing rights                  | \$ 15,477             | 12,087               |

## Note 7. 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 seven years 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 Bank is also the sole member of certain tax credit funds that make direct investments in qualified affordable housing projects (e.g., Low-Income Housing Tax Credit ["LIHTC"] partnerships). As such, the Company is the primary beneficiary of these tax credit funds and their assets, liabilities, and results of operations are included in the Company's consolidated financial statements.

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,<br>2021 | December 31,<br>2020 |
|-----------------------------|-----------------------|----------------------|
| <b>Assets</b>               |                       |                      |
| Loans receivable            | \$ 108,717            | 90,183               |
| Accrued interest receivable | 603                   | 410                  |
| Other assets                | 41,135                | 40,282               |
| Total assets                | <u>\$ 150,455</u>     | <u>130,875</u>       |
| <b>Liabilities</b>          |                       |                      |
| Other borrowed funds        | \$ 27,861             | 27,176               |
| Accrued interest payable    | 174                   | 53                   |
| Other liabilities           | 51                    | 171                  |
| Total liabilities           | <u>\$ 28,086</u>      | <u>27,400</u>        |

#### Unconsolidated Variable Interest Entities

The Company has equity investments in LIHTC partnerships, both directly and through tax credit funds, with carrying values of \$49,074,000 and \$45,953,000 as of September 30, 2021 and December 31, 2020, 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 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 years. 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. There were no impairment losses on the Company's LIHTC investments during the nine months ended September 30, 2021 and 2020. Future unfunded contingent equity commitments related to the Company's LIHTC investments at September 30, 2021 are as follows:

| (Dollars in thousands)           | Amount           |
|----------------------------------|------------------|
| <b>Years ending December 31,</b> |                  |
| 2021                             | \$ 7,237         |
| 2022                             | 28,759           |
| 2023                             | 26,446           |
| 2024                             | 8,937            |
| 2025                             | 300              |
| Thereafter                       | 1,178            |
| Total                            | <u>\$ 72,857</u> |

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,<br>2021 | September 30,<br>2020 | September 30,<br>2021 | September 30,<br>2020 |
| Amortization expense                          | \$ 1,604              | 1,936                 | 6,330                 | 5,766                 |
| Tax credits and other tax benefits recognized | 2,983                 | 2,608                 | 9,260                 | 7,771                 |

The Company also owns the following trust subsidiaries, each of which issued trust preferred securities as 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, First Company Statutory Trust 2003, FNB (UT) Statutory Trust I and FNB (UT) Statutory Trust II. 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 8. Securities Sold Under Agreements to Repurchase

The following table summarizes the carrying value of the Company's securities sold under agreements to repurchase ("repurchase agreements") by remaining contractual maturity of the agreements and category of collateral:

|  | Overnight and Continuous |                      |
|--|--------------------------|----------------------|
|  | September 30,<br>2021    | December 31,<br>2020 |
| (Dollars in thousands)                 |                          |                      |
| State and local governments            | \$ 118,957               | 787,016              |
| Corporate bonds                        | 137,461                  | 217,567              |
| Residential mortgage-backed securities | 773,204                  | —                    |
| Commercial mortgage-backed securities  | 11,317                   | —                    |
| Total                                  | <u>\$ 1,040,939</u>      | <u>1,004,583</u>     |

The repurchase agreements are secured by debt securities with carrying values of \$1,197,475,000 and \$1,151,264,000 at September 30, 2021 and December 31, 2020, 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.

#### Note 9. Derivatives and Hedging Activities

##### Cash Flow Hedges

The Company is exposed to certain risk relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. Interest rate caps have been entered into to manage interest rate risk associated with forecasted variable rate borrowings.

*Interest Rate Cap Derivatives.* In March 2020, the Company purchased interest rate caps designated as cash flow hedges with notional amounts totaling \$130,500,000 on its variable rate subordinated debentures and were determined to be fully effective during the nine months ended September 30, 2021. The interest rate caps require receipt of variable amounts from the counterparty when interest rates rise above the strike price in the contracts. The strike prices in the five year term contracts range from 1.5 percent to 2 percent 3 month LIBOR. At September 30, 2021 and December 31, 2020, the interest rate caps had a fair value of \$553,000 and \$201,000, respectively, and were reported as other assets on the Company's statements of financial condition. Changes in fair value were recorded in OCI. Amortization recorded on the interest rate caps totaled \$126,000 and \$84,000 for the nine months ended September 30, 2021 and September 30, 2020, respectively, and was reported as a component of interest expense on subordinated debentures.

The effect of cash flow hedge accounting on OCI for the periods ending September 30, 2021 and 2020 was as follows:

|   | Three Months ended    |                       | Nine Months ended     |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September 30,<br>2021 | September 30,<br>2020 | September 30,<br>2021 | September 30,<br>2020 |
| (Dollars in thousands)                  |                       |                       |                       |                       |
| Amount of gain (loss) recognized in OCI | \$ 30                 | (76)                  | 479                   | (532)                 |

### Residential Real Estate Derivatives

The Company enters into 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, 2021 and December 31, 2020, loan commitments with interest rate lock commitments totaled \$179,578,000 and \$229,862,000, respectively. At September 30, 2021 and December 31, 2020, the fair value of the related derivatives on the interest rate lock commitments was \$3,884,000 and \$8,605,000, respectively, and was included in other assets with corresponding changes recorded in gain on sale of loans. The Company enters into free-standing derivatives to mitigate interest rate risk for most residential real estate loans to be sold. These derivatives include forward commitments to sell to-be-announced (“TBA”) securities which are used to economically hedge the interest rate risk associated with such loans and unfunded commitments. At September 30, 2021 and December 31, 2020, TBA commitments were \$154,000,000 and \$206,000,000, respectively. At September 30, 2021 the fair value of the related derivatives on the TBA securities was \$759,000 and was included in other assets with the corresponding changes recorded in gain on sale of loans. At and December 31, 2020, the fair value was \$2,056,000 and was included in other liabilities with corresponding changes recorded in gain on sale of loans. The Company does not enter into a commitment to sell these loans to an investor until the loan is funded and is ready to be delivered to the investor. Due to the forward sales commitments being short-term in nature, the corresponding derivatives are not significant. For all other residential real estate loans to be sold, the Company enters into “best efforts” forward sales commitments for the future delivery of 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.

### Note 10. Other Expenses

Other expenses consists of the following:

|   | Three Months ended    |                       | Nine Months ended     |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September 30,<br>2021 | September 30,<br>2020 | September 30,<br>2021 | September 30,<br>2020 |
| (Dollars in thousands)                      |                       |                       |                       |                       |
| Consulting and outside services             | \$ 3,003              | 4,050                 | 7,918                 | 8,604                 |
| Loan expenses                               | 1,649                 | 1,743                 | 5,028                 | 3,732                 |
| VIE amortization and other expenses         | 1,668                 | 1,510                 | 4,342                 | 3,396                 |
| Telephone                                   | 1,330                 | 1,314                 | 4,044                 | 3,865                 |
| Debit card expenses                         | 1,469                 | 1,414                 | 3,761                 | 3,704                 |
| Business development                        | 1,360                 | 1,139                 | 3,230                 | 3,110                 |
| Postage                                     | 894                   | 851                   | 2,729                 | 2,479                 |
| Printing and supplies                       | 840                   | 877                   | 2,453                 | 2,704                 |
| Employee expenses                           | 953                   | 560                   | 2,137                 | 2,247                 |
| Mergers and acquisition expenses            | 472                   | 792                   | 1,654                 | 7,311                 |
| Legal fees                                  | 283                   | 206                   | 1,075                 | 1,025                 |
| Checking and operating expenses             | 307                   | 355                   | 1,061                 | 1,263                 |
| Accounting and audit fees                   | 172                   | 455                   | 865                   | 1,453                 |
| (Gain) loss on dispositions of fixed assets | (65)                  | —                     | (1,463)               | 125                   |
| Other                                       | 985                   | 1,203                 | 3,092                 | 3,076                 |
| Total other expenses                        | \$ 15,320             | 16,469                | 41,926                | 48,094                |

**Note 11. Accumulated Other Comprehensive Income (Loss)**

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

| (Dollars in thousands)  | Gains (Losses) on<br>Available-For-Sale<br>and Transferred<br>Debt Securities | (Losses) Gains on<br>Derivatives Used<br>for Cash Flow<br>Hedges | Total    |
|---|---|--|----------|
| Balance at January 1, 2020  | \$ 40,226   | —  | 40,226   |
| Other comprehensive income (loss) before reclassifications                                      | 92,027  | (397)  | 91,630   |
| Reclassification adjustments for gains included in net income (loss)                            | (758)   | —  | (758)    |
| Net current period other comprehensive income (loss)  | 91,269  | (397)  | 90,872   |
| Balance at September 30, 2020   | \$ 131,495  | (397)  | 131,098  |
| Balance at January 1, 2021  | \$ 143,443  | (353)  | 143,090  |
| Other comprehensive (loss) income before reclassifications                                      | (63,468)  | 359  | (63,109) |
| Reclassification adjustments for gains and transfers included in net income                     | (650)   | —  | (650)    |
| Reclassification adjustments for amortization included in net income for transferred securities | (1,672)   | —  | (1,672)  |
| Net current period other comprehensive (loss) income  | (65,790)  | 359  | (65,431) |
| Balance at September 30, 2021   | \$ 77,653   | 6  | 77,659   |

**Note 12. Earnings Per Share**

Basic earnings per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period presented. Diluted earnings per share is computed by including the net increase in shares as if dilutive outstanding restricted stock units were vested and stock options were exercised, using the treasury stock method.

Basic and diluted earnings per share has been computed based on the following:

| (Dollars in thousands, except per share data)   | Three Months ended    |                       | Nine Months ended     |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September 30,<br>2021 | September 30,<br>2020 | September 30,<br>2021 | September 30,<br>2020 |
| Net income available to common stockholders, basic and diluted  | \$ 75,619             | 77,757                | 234,048               | 184,540               |
| Average outstanding shares - basic  | 95,510,772            | 95,411,656            | 95,494,211            | 94,704,198            |
| Add: dilutive restricted stock units and stock options  | 75,430                | 30,920                | 79,308                | 43,696                |
| Average outstanding shares - diluted  | 95,586,202            | 95,442,576            | 95,573,519            | 94,747,894            |
| Basic earnings per share  | \$ 0.79               | 0.81                  | 2.45                  | 1.95                  |
| Diluted earnings per share  | \$ 0.79               | 0.81                  | 2.45                  | 1.95                  |
| Restricted stock units and stock options excluded from the diluted average outstanding share calculation <sup>1</sup> | —                     | 93,253                | —                     | 78,605                |

<sup>1</sup> Anti-dilution occurs when the unrecognized compensation cost per share of a restricted stock unit or the exercise price of a stock option exceeds the market price of the Company's stock.



### Note 13. Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Transfers in and out of Level 1 (quoted prices in active markets), Level 2 (significant other observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date. There were no transfers between fair value hierarchy levels during the nine month periods ended September 30, 2021 and 2020.

#### Recurring Measurements

The following is a description of the inputs and valuation methodologies used for assets and liabilities measured at fair value on a recurring basis, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the period ended September 30, 2021.

*Debt securities, available-for-sale.* The fair value for available-for-sale debt securities is estimated by obtaining quoted market prices for identical assets, where available. If such prices are not available, fair value is based on independent asset pricing services and models, the inputs of which are market-based or independently sourced market parameters, including but not limited to, yield curves, interest rates, volatilities, market spreads, prepayments, defaults, recoveries, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. Where Level 1 or Level 2 inputs are not available, such securities are classified as Level 3 within the hierarchy.

Fair value determinations of available-for-sale debt securities are the responsibility of the Company's corporate accounting and treasury departments. The Company obtains fair value estimates from independent third party vendors on a monthly basis. The vendors' pricing system methodologies, procedures and system controls are reviewed to ensure they are appropriately designed and operating effectively. The Company reviews the vendors' inputs for fair value estimates and the recommended assignments of levels within the fair value hierarchy. The review includes the extent to which markets for debt securities are determined to have limited or no activity, or are judged to be active markets. The Company reviews the extent to which observable and unobservable inputs are used as well as the appropriateness of the underlying assumptions about risk that a market participant would use in active markets, with adjustments for limited or inactive markets. In considering the inputs to the fair value estimates, the Company places less reliance on quotes that are judged to not reflect orderly transactions, or are non-binding indications. In assessing credit risk, the Company reviews payment performance, collateral adequacy, third party research and analyses, credit rating histories and issuers' financial statements. For those markets determined to be inactive or limited, the valuation techniques used are models for which management has verified that discount rates are appropriately adjusted to reflect illiquidity and credit risk.

*Loans held for sale, at fair value.* Loans held for sale measured at fair value, for which an active secondary market and readily available market prices exist, are initially valued at the transaction price and are subsequently valued by using quoted prices for similar assets, adjusted for specific attributes of that loan or other observable market data, such as outstanding commitments from third party investors. Loans held for sale measured at fair value are classified within Level 2. Included in gain on sale of loans were net losses of \$4,565,000 and net gains of \$3,435,000 for the nine month periods ended September 30, 2021 and 2020, respectively, from the changes in fair value of loans held for sale measured at fair value. Electing to measure loans held for sale at fair value reduces certain timing differences and better matches changes in fair value of these assets with changes in the value of the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting.

*Loan interest rate lock commitments.* Fair value estimates for loan interest rate lock commitments were based upon the estimated sales price, origination fees, direct costs, interest rate changes, etc. and were obtained from an independent third party. The components of the valuation were observable or could be corroborated by observable market data and, therefore, were classified within Level 2 of the valuation hierarchy.

*Forward commitments to sell TBA securities.* Forward commitments to sell TBA securities are used to economically hedge the interest rate risk associated with certain loan commitments. The fair value estimates for the TBA commitments were based upon the estimated sale of the TBA hedge obtained from an independent third party. The components of the valuation were observable or could be corroborated by observable market data and, therefore, were classified within Level 2 of the valuation hierarchy.

*Interest rate cap derivative financial instruments.* Fair value estimates for interest rate cap derivative financial instruments were based upon the discounted cash flows of known payments plus the option value of each caplet which incorporates market rate forecasts and implied market volatilities. The components of the valuation were observable or could be corroborated by observable market data and, therefore, were classified within Level 2 of the valuation hierarchy. The Company also obtained and compared the reasonableness of the pricing from independent third party valuations.

The following tables disclose the fair value measurement of assets and liabilities measured at fair value on a recurring basis:

|   |                                  | Fair Value Measurements<br>At the End of the Reporting Period Using        |   |  |
|---|----------------------------------|--|---|--|
|   |                                  | Quoted Prices<br>in Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| (Dollars in thousands)                                      | Fair Value<br>September 30, 2021 |  |   |  |
| Debt securities, available-for-sale                         |                                  |  |   |  |
| U.S. government and federal agency                          | \$ 31,373                        | —  | 31,373  | —  |
| U.S. government sponsored enterprises                       | 47,051                           | —  | 47,051  | —  |
| State and local governments                                 | 508,691                          | —  | 508,691   | —  |
| Corporate bonds   | 198,119                          | —  | 198,119   | —  |
| Residential mortgage-backed securities                      | 5,491,345                        | —  | 5,491,345   | —  |
| Commercial mortgage-backed securities                       | 1,114,001                        | —  | 1,114,001   | —  |
| Loans held for sale, at fair value                          | 94,138                           | —  | 94,138  | —  |
| Interest rate caps  | 553                              | —  | 553   | —  |
| Interest rate locks   | 3,884                            | —  | 3,884   | —  |
| TBA hedge   | 759                              | —  | 759   | —  |
| Total assets measured at fair value<br>on a recurring basis | \$ 7,489,914                     | —  | 7,489,914   | —  |

|  |                                 | Fair Value Measurements<br>At the End of the Reporting Period Using        |   |  |
|--|---------------------------------|--|---|--|
|  |                                 | Quoted Prices<br>in Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| (Dollars in thousands)   | Fair Value<br>December 31, 2020 |  |   |  |
| Debt securities, available-for-sale                              |                                 |  |   |  |
| U.S. government and federal agency                               | \$ 38,588                       | —  | 38,588  | —  |
| U.S. government sponsored enterprises                            | 9,781                           | —  | 9,781   | —  |
| State and local governments                                      | 1,416,683                       | —  | 1,416,683   | —  |
| Corporate bonds  | 349,098                         | —  | 349,098   | —  |
| Residential mortgage-backed securities                           | 2,289,090                       | —  | 2,289,090   | —  |
| Commercial mortgage-backed securities                            | 1,234,574                       | —  | 1,234,574   | —  |
| Loans held for sale, at fair value                               | 166,572                         | —  | 166,572   | —  |
| Interest rate caps   | 201                             | —  | 201   | —  |
| Interest rate locks  | 8,605                           | —  | 8,605   | —  |
| Total assets measured at fair value on a recurring basis         | \$ 5,513,192                    | —  | 5,513,192   | —  |
| TBA hedge  | \$ 2,056                        | —  | 2,056   | —  |
| Total liabilities measured at fair value on a recurring<br>basis | \$ 2,056                        | —  | 2,056   | —  |

### Non-recurring Measurements

The following is a description of the inputs and valuation methodologies used for assets recorded at fair value on a non-recurring basis, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the period ended September 30, 2021.

*Other real estate owned.* OREO is initially recorded at fair value less estimated cost to sell, establishing a new cost basis. OREO is subsequently accounted for at lower of cost or fair value less estimated cost to sell. Estimated fair value of OREO is based on appraisals or evaluations (new or updated). OREO is classified within Level 3 of the fair value hierarchy.

*Collateral-dependent loans, net of ACL.* Fair value estimates of collateral-dependent loans that are individually reviewed are based on the fair value of the collateral, less estimated cost to sell. Collateral-dependent individually reviewed loans are classified within Level 3 of the fair value hierarchy.

The Company's credit department reviews appraisals for OREO and collateral-dependent loans, giving consideration to the highest and best use of the collateral. The appraisal or evaluation (new or updated) is considered the starting point for determining fair value. The valuation techniques used in preparing appraisals or evaluations (new or updated) include the cost approach, income approach, sales comparison approach, or a combination of the preceding valuation techniques. The key inputs used to determine the fair value of the collateral-dependent loans and OREO include selling costs, discounted cash flow rate or capitalization rate, and adjustment to comparables. Valuations and significant inputs obtained by independent sources are reviewed by the Company for accuracy and reasonableness. The Company also considers other factors and events in the environment that may affect the fair value. The appraisals or evaluations (new or updated) are reviewed at least quarterly and more frequently based on current market conditions, including deterioration in a borrower's financial condition and when property values may be subject to significant volatility. After review and acceptance of the collateral appraisal or evaluation (new or updated), adjustments to the impaired loan or OREO may occur. The Company generally obtains appraisals or evaluations (new or updated) annually.

The following tables disclose the fair value measurement of assets with a recorded change during the period resulting from re-measuring the assets at fair value on a non-recurring basis:

|   |                                  | Fair Value Measurements<br>At the End of the Reporting Period Using        |   |  |
|---|----------------------------------|--|---|--|
|   |                                  | Quoted Prices<br>in Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| (Dollars in thousands)                          | Fair Value<br>September 30, 2021 |  |   |  |
| Collateral-dependent impaired loans, net of ACL | 28,651                           | —  | —   | 28,651   |

|   |                                 | Fair Value Measurements<br>At the End of the Reporting Period Using        |   |  |
|---|---------------------------------|--|---|--|
|   |                                 | Quoted Prices<br>in Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| (Dollars in thousands)  | Fair Value<br>December 31, 2020 |  |   |  |
| Other real estate owned   | \$ 564                          | —  | —   | 564  |
| Collateral-dependent impaired loans, net of ACL                 | 26,749                          | —  | —   | 26,749   |
| Total assets measured at fair value<br>on a non-recurring basis | \$ 27,313                       | —  | —   | 27,313   |

### Non-recurring Measurements Using Significant Unobservable Inputs (Level 3)

The following tables present additional quantitative information about assets measured at fair value on a non-recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

| (Dollars in thousands)                                | Fair Value<br>September 30,<br>2021 | Quantitative Information about Level 3 Fair Value Measurements |                           |  |
|---|-------------------------------------|--|---------------------------|--|
|   |                                     | Valuation Technique  | Unobservable Input        | Range<br>(Weighted-Average) <sup>1</sup> |
| Collateral-dependent<br>impaired loans, net of<br>ACL | \$ 21,090                           | Cost approach  | Selling costs             | 10.0% - 10.0% (10.0%)                    |
|   | 7,561                               | Sales comparison approach                                      | Selling costs             | 5.0% - 10.0% (5.1%)                      |
|   |                                     |  | Adjustment to comparables | 5.0% - 10.0% (5.5%)                      |
|   | <u>\$ 28,651</u>                    |  |                           |  |

| (Dollars in thousands)                    | Fair Value<br>December 31,<br>2020 | Quantitative Information about Level 3 Fair Value Measurements |                           |  |
|---|------------------------------------|--|---------------------------|--|
|   |                                    | Valuation Technique  | Unobservable Input        | Range<br>(Weighted-Average) <sup>1</sup> |
| Other real estate owned                   | <u>\$ 564</u>                      | Sales comparison approach                                      | Selling costs             | 8.0% - 10.0% (9.0%)                      |
| Collateral-dependent<br>loans, net of ACL | \$ 144                             | Cost approach  | Selling costs             | 10.0% - 10.0% (10.0%)                    |
|   | 25,309                             | Sales comparison approach                                      | Selling Costs             | 10.0% - 10.0% (0.1%)                     |
|   |                                    |  | Adjustment to comparables | 0.0% - 100.0% (11.1%)                    |
|   | 1,296                              | Combined approach  | Selling costs             | 10.0% - 10.0% (10.0%)                    |
|   |                                    |  | Discount rate             | 8.0% - 8.0% (8.0%)                       |
|   | <u>\$ 26,749</u>                   |  |                           |  |

<sup>1</sup> The range for selling cost inputs represents reductions to the fair value of the assets.

### Fair Value of Financial Instruments

The following tables present the carrying amounts, estimated fair values and the level within the fair value hierarchy of the Company's financial instruments not carried at fair value. Receivables and payables due in one year or less, equity securities without readily determinable fair values and deposits with no defined or contractual maturities are excluded. There have been no significant changes in the valuation techniques during the period ended September 30, 2021.

*Cash and cash equivalents:* fair value is estimated at book value.

*Debt securities, held-to-maturity:* fair value for held-to-maturity debt securities is estimated in the same manner as available-for sale debt securities, which is described above.

*Loans receivable, net of ACL:* The loans were fair valued on an individual basis, with consideration given to the loans' underlying characteristics, including account types, remaining terms and balance, interest rates, past delinquencies, current market rates, etc. The model utilizes a discounted cash flow approach to estimate the fair value of the loans using various assumptions such as prepayment speeds, projected default probabilities, losses given defaults, etc. The discounted cash flow approach models the credit losses directly in the projected cash flows. The model applies various assumptions regarding credit, interest, and prepayment risks for the loans based on loan types, payment types and fixed or variable classifications.

*Term Deposits:* fair value of term deposits is estimated by discounting the future cash flows using rates of similar deposits with similar maturities. The market rates used were obtained from an independent third party based on current rates offered by the Company's regional competitors.

*Repurchase agreements and other borrowed funds:* fair value of term repurchase agreements and other term borrowings is estimated based on current repurchase rates and borrowing rates currently available to the Company for repurchases and

borrowings with similar terms and maturities. The estimated fair value for overnight repurchase agreements and other borrowings is book value.

*Subordinated debentures:* fair value of the subordinated debt is estimated by discounting the estimated future cash flows using current estimated market rates obtained from an independent third party.

*Off-balance sheet financial instruments:* unused lines of credit and letters of credit represent the principal categories of off-balance sheet financial instruments. The fair value of commitments is based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair value of unused lines of credit and letters of credit is not material; therefore, such commitments are not included in the following tables.

|   |                                       | Fair Value Measurements<br>At the End of the Reporting Period Using        |   |  |
|---|---------------------------------------|--|---|--|
|   |                                       | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| (Dollars in thousands)                            | Carrying Amount<br>September 30, 2021 |  |   |  |
| Financial assets                                  |                                       |  |   |  |
| Cash and cash equivalents                         | \$ 348,888                            | 348,888  | —   | —  |
| Debt securities, held-to-maturity                 | 1,128,299                             | —  | 1,146,453   | —  |
| Loans receivable, net of ACL                      | 11,140,282                            | —  | —   | 11,352,711   |
| Total financial assets                            | \$ 12,617,469                         | 348,888  | 1,146,453   | 11,352,711   |
| Financial liabilities                             |                                       |  |   |  |
| Term deposits                                     | \$ 919,852                            | —  | 922,810   | —  |
| Repurchase agreements and<br>other borrowed funds | 1,074,610                             | —  | 1,074,610   | —  |
| Subordinated debentures                           | 132,580                               | —  | 130,081   | —  |
| Total financial liabilities                       | \$ 2,127,042                          | —  | 2,127,501   | —  |

|   |                                      | Fair Value Measurements<br>At the End of the Reporting Period Using        |   |  |
|---|--------------------------------------|--|---|--|
|   |                                      | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| (Dollars in thousands)                            | Carrying Amount<br>December 31, 2020 |  |   |  |
| Financial assets                                  |                                      |  |   |  |
| Cash and cash equivalents                         | \$ 633,142                           | 633,142  | —   | —  |
| Debt securities, held-to-maturity                 | 189,836                              | —  | 203,216   | —  |
| Loans receivable, net of ACL                      | 10,964,453                           | —  | —   | 11,233,002   |
| Total financial assets                            | \$ 11,787,431                        | 633,142  | 203,216   | 11,233,002   |
| Financial liabilities                             |                                      |  |   |  |
| Term deposits                                     | \$ 978,779                           | —  | 983,491   | —  |
| Repurchase agreements and<br>other borrowed funds | 1,037,651                            | —  | 1,037,651   | —  |
| Subordinated debentures                           | 139,959                              | —  | 123,944   | —  |
| Total financial liabilities                       | \$ 2,156,389                         | —  | 2,145,086   | —  |

**Note 14. Subsequent Events**

On October 1, 2021, the Company acquired 100% percent of the outstanding common stock of Altabancorp and its wholly-owned subsidiary, Altabank, a community bank based in American Fork, Utah (collectively, “Alta”). Alta provides banking services to individuals and businesses in Utah with twenty-five banking offices from Preston, Idaho to St. George, Utah. The acquisition expanded the Company’s presence in Utah. As of September 30, 2021, Altabancorp had total assets of \$3,647,728,000, gross loans of \$1,901,181,000, and total deposits of \$3,278,907,000. The preliminary value of the Alta acquisition is \$839,852,000 and resulted in the Company issuing 15,173,480 shares of its common stock. The fair value of the Company shares issued was determined on the basis of the opening market price of the Company’s common stock on the October 1, 2021 acquisition date. The excess of the fair value of consideration transferred over total identifiable net assets will be recorded as goodwill. The initial accounting for the acquisition has not been completed because the information to measure the fair value of financial assets, financial liabilities and goodwill is not yet available. The Company expects to finalize the valuation and complete the purchase price allocation as soon as practicable, but no later than one year from the acquisition date.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to provide a more comprehensive review of the Glacier Bancorp, Inc.’s (“Company”) operating results and financial condition than can be obtained from reading the Consolidated Financial Statements alone. The discussion should be read in conjunction with the Consolidated Financial Statements and the notes thereto included in “Part I. Item 1. Financial Statements.”

### FORWARD-LOOKING STATEMENTS

This Form 10-Q may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about management’s plans, objectives, expectations and intentions that are not historical facts, and other statements identified by words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “should,” “projects,” “seeks,” “estimates” or words of similar meaning. These forward-looking statements are based on current beliefs and expectations of management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company’s control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. In addition to the factors set forth in the sections titled “Risk Factors,” “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, as applicable, in this report and the Company’s 2020 Annual Report on Form 10-K, the following factors, among others, could cause actual results to differ materially from the anticipated results:

- the risks associated with lending and potential adverse changes of the credit quality of loans in the Company’s portfolio;
- changes in trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System or the Federal Reserve Board, which could adversely affect the Company’s net interest income and profitability;
- changes in the cost and scope of insurance from the Federal Deposit Insurance Corporation (“FDIC”) and other third parties;
- legislative or regulatory changes, such as the those signaled by the Biden Administration, as well as increased banking and consumer protection regulation that adversely affect the Company’s business, both generally and as a result of the Company exceeding \$10 billion in total consolidated assets;
- ability to complete pending or prospective future acquisitions;
- costs or difficulties related to the completion and integration of acquisitions;
- the goodwill the Company has recorded in connection with acquisitions could become impaired, which may have an adverse impact on earnings and capital;
- reduced demand for banking products and services;
- the reputation of banks and the financial services industry could deteriorate, which could adversely affect the Company’s ability to obtain and maintain customers;
- competition among financial institutions in the Company’s markets may increase significantly;
- the risks presented by continued public stock market volatility, which could adversely affect the market price of the Company’s common stock and the ability to raise additional capital or grow the Company through acquisitions;
- the projected business and profitability of an expansion or the opening of a new branch could be lower than expected;
- consolidation in the financial services industry in the Company’s markets resulting in the creation of larger financial institutions who may have greater resources could change the competitive landscape;
- dependence on the Chief Executive Officer (“CEO”), the senior management team and the Presidents of Glacier Bank (“Bank”) divisions;
- material failure, potential interruption or breach in security of the Company’s systems and technological changes which could expose us to new risks (e.g., cybersecurity), fraud or system failures;
- natural disasters, including fires, floods, earthquakes, and other unexpected events;
- the Company’s success in managing risks involved in the foregoing; and
- the effects of any reputational damage to the Company resulting from any of the foregoing.

Forward-looking statements speak only as of the date of this Form 10-Q. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Financial Highlights**

|  | At or for the Three Months ended |                 |                 |                 | At or for the Nine Months ended |                 |
|--|----------------------------------|-----------------|-----------------|-----------------|---------------------------------|-----------------|
|  | Sep 30,<br>2021                  | Jun 30,<br>2021 | Mar 31,<br>2021 | Sep 30,<br>2020 | Sep 30,<br>2021                 | Sep 30,<br>2020 |
| (Dollars in thousands, except per share and market data) |                                  |                 |                 |                 |                                 |                 |
| <b>Operating results</b>                                 |                                  |                 |                 |                 |                                 |                 |
| Net income   | \$ 75,619                        | 77,627          | 80,802          | 77,757          | 234,048                         | 184,540         |
| Basic earnings per share                                 | \$ 0.79                          | 0.81            | 0.85            | 0.81            | 2.45                            | 1.95            |
| Diluted earnings per share                               | \$ 0.79                          | 0.81            | 0.85            | 0.81            | 2.45                            | 1.95            |
| Dividends declared per share                             | \$ 0.32                          | 0.32            | 0.31            | 0.30            | 0.95                            | 0.88            |
| <b>Market value per share</b>                            |                                  |                 |                 |                 |                                 |                 |
| Closing  | \$ 55.35                         | 55.08           | 57.08           | 32.05           | 55.35                           | 32.05           |
| High   | \$ 56.84                         | 63.05           | 67.35           | 38.13           | 67.35                           | 46.54           |
| Low  | \$ 48.62                         | 52.99           | 44.55           | 30.05           | 44.55                           | 26.66           |
| <b>Selected ratios and other data</b>                    |                                  |                 |                 |                 |                                 |                 |
| Number of common stock shares outstanding                | 95,512,659                       | 95,507,234      | 95,501,819      | 95,413,743      | 95,512,659                      | 95,413,743      |
| Average outstanding shares - basic                       | 95,510,772                       | 95,505,877      | 95,465,801      | 95,411,656      | 95,494,211                      | 94,704,198      |
| Average outstanding shares - diluted                     | 95,586,202                       | 95,580,904      | 95,546,922      | 95,442,576      | 95,573,519                      | 94,747,894      |
| Return on average assets (annualized)                    | 1.43 %                           | 1.55 %          | 1.73 %          | 1.80 %          | 1.57 %                          | 1.56 %          |
| Return on average equity (annualized)                    | 12.49 %                          | 13.25 %         | 14.12 %         | 13.73 %         | 13.27 %                         | 11.40 %         |
| Efficiency ratio   | 50.17 %                          | 49.92 %         | 46.75 %         | 48.05 %         | 48.94 %                         | 49.83 %         |
| Dividend payout ratio                                    | 40.51 %                          | 39.51 %         | 36.47 %         | 37.04 %         | 38.78 %                         | 45.13 %         |
| Loan to deposit ratio                                    | 65.06 %                          | 67.64 %         | 70.72 %         | 82.29 %         | 65.06 %                         | 82.29 %         |
| Number of full time equivalent employees                 | 2,978                            | 2,987           | 2,994           | 2,946           | 2,978                           | 2,946           |
| Number of locations                                      | 194                              | 194             | 193             | 193             | 194                             | 193             |
| Number of ATMs   | 250                              | 250             | 250             | 250             | 250                             | 250             |

The Company reported net income of \$75.6 million for the current quarter, a decrease of \$2.2 million, or 3 percent, from the \$77.8 million of net income for the prior year third quarter. Diluted earnings per share for the current quarter was \$0.79 per share, a decrease of 2 percent from the prior year third quarter diluted earnings per share of \$0.81. The decrease in third quarter earnings over the prior year was driven by a \$21.6 million reduction in the gain on sale of residential mortgage loans due to record gains in the prior year.

**Acquisition**

On October 1, 2021, the Company acquired the outstanding common stock of Altabancorp, the parent company of Altabank, based in American Fork, Utah (collectively, "Alta") and the largest community bank in Utah. Alta provides banking services to individuals and businesses in Utah with twenty-five banking offices from Preston, Idaho to St. George, Utah. As of September 30, 2021, Alta had total assets of \$3.648 billion, total loans of \$1.901 billion and total deposits of \$3.279 billion. Upon closing of the transaction, Alta became the Company's seventeenth Bank division.

## Financial Condition Analysis

### Assets

The following table summarizes the Company's assets as of the dates indicated:

| (Dollars in thousands)              | Sep 30,<br>2021 | Jun 30,<br>2021 | Dec 31,<br>2020 | Sep 30,<br>2020 | \$ Change from  |                 |                 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                     |                 |                 |                 |                 | Jun 30,<br>2021 | Dec 31,<br>2020 | Sep 30,<br>2020 |
| Cash and cash equivalents           | \$ 348,888      | 921,207         | 633,142         | 769,879         | (572,319)       | (284,254)       | (420,991)       |
| Debt securities, available-for-sale | 7,390,580       | 6,147,143       | 5,337,814       | 4,125,548       | 1,243,437       | 2,052,766       | 3,265,032       |
| Debt securities, held-to-maturity   | 1,128,299       | 1,024,730       | 189,836         | 193,509         | 103,569         | 938,463         | 934,790         |
| Total debt securities               | 8,518,879       | 7,171,873       | 5,527,650       | 4,319,057       | 1,347,006       | 2,991,229       | 4,199,822       |
| Loans receivable                    |                 |                 |                 |                 |                 |                 |                 |
| Residential real estate             | 781,538         | 734,838         | 802,508         | 862,614         | 46,700          | (20,970)        | (81,076)        |
| Commercial real estate              | 6,912,569       | 6,584,322       | 6,315,895       | 6,201,817       | 328,247         | 596,674         | 710,752         |
| Other commercial                    | 2,598,616       | 2,932,419       | 3,054,817       | 3,593,322       | (333,803)       | (456,201)       | (994,706)       |
| Home equity                         | 660,920         | 648,800         | 636,405         | 646,850         | 12,120          | 24,515          | 14,070          |
| Other consumer                      | 340,248         | 337,669         | 313,071         | 314,128         | 2,579           | 27,177          | 26,120          |
| Loans receivable                    | 11,293,891      | 11,238,048      | 11,122,696      | 11,618,731      | 55,843          | 171,195         | (324,840)       |
| Allowance for credit losses         | (153,609)       | (151,448)       | (158,243)       | (164,552)       | (2,161)         | 4,634           | 10,943          |
| Loans receivable, net               | 11,140,282      | 11,086,600      | 10,964,453      | 11,454,179      | 53,682          | 175,829         | (313,897)       |
| Other assets                        | 1,305,970       | 1,308,353       | 1,378,961       | 1,382,952       | (2,383)         | (72,991)        | (76,982)        |
| Total assets                        | \$ 21,314,019   | 20,488,033      | 18,504,206      | 17,926,067      | 825,986         | 2,809,813       | 3,387,952       |

Total debt securities of \$8.519 billion at September 30, 2021 increased \$1.347 billion, or 19 percent, during the current quarter and increased \$4.200 billion, or 97 percent, from the prior year third quarter. The Company continues to selectively purchase debt securities with excess liquidity from the increase in core deposits and SBA forgiveness of PPP loans. Debt securities represented 40 percent of total assets at September 30, 2021 compared to 30 percent of total assets at December 30, 2020 and 24 percent of total assets at September 30, 2020.

The loan portfolio of \$11.294 billion at September 30, 2021 increased \$55.8 million, or 50 basis points, in the current quarter. Excluding the PPP loans, the loan portfolio increased \$382 million, or 14 percent annualized, during the current quarter with the largest increase in commercial real estate which increased \$328 million.

The loan portfolio decreased \$325 million, or 3 percent, from the prior year third quarter. Excluding the PPP loans, the loan portfolio increased \$755 million, or 7 percent, from the prior year third quarter with the largest increase in commercial real estate loans which increased \$711 million, or 11 percent.

## Liabilities

The following table summarizes the Company's liabilities as of the dates indicated:

| (Dollars in thousands)                         | Sep 30,<br>2021      | Jun 30,<br>2021   | Dec 31,<br>2020   | Sep 30,<br>2020   | \$ Change from  |                  |                  |
|--|----------------------|-------------------|-------------------|-------------------|-----------------|------------------|------------------|
|  |                      |                   |                   |                   | Jun 30,<br>2021 | Dec 31,<br>2020  | Sep 30,<br>2020  |
| <b>Deposits</b>                                |                      |                   |                   |                   |                 |                  |                  |
| Non-interest bearing deposits                  | \$ 6,632,402         | 6,307,794         | 5,454,539         | 5,479,311         | 324,608         | 1,177,863        | 1,153,091        |
| NOW and DDA accounts                           | 4,299,244            | 4,151,264         | 3,698,559         | 3,300,152         | 147,980         | 600,685          | 999,092          |
| Savings accounts                               | 2,502,268            | 2,346,129         | 2,000,174         | 1,864,143         | 156,139         | 502,094          | 638,125          |
| Money market deposit accounts                  | 3,123,425            | 2,990,021         | 2,627,336         | 2,557,294         | 133,404         | 496,089          | 566,131          |
| Certificate accounts                           | 919,852              | 939,563           | 978,779           | 979,857           | (19,711)        | (58,927)         | (60,005)         |
| Core deposits, total                           | 17,477,191           | 16,734,771        | 14,759,387        | 14,180,757        | 742,420         | 2,717,804        | 3,296,434        |
| Wholesale deposits                             | 26,123               | 26,121            | 38,142            | 119,131           | 2               | (12,019)         | (93,008)         |
| Deposits, total                                | 17,503,314           | 16,760,892        | 14,797,529        | 14,299,888        | 742,422         | 2,705,785        | 3,203,426        |
| Securities sold under agreements to repurchase | 1,040,939            | 995,201           | 1,004,583         | 965,668           | 45,738          | 36,356           | 75,271           |
| Federal Home Loan Bank advances                | —                    | —                 | —                 | 7,318             | —               | —                | (7,318)          |
| Other borrowed funds                           | 33,671               | 33,556            | 33,068            | 32,967            | 115             | 603              | 704              |
| Subordinated debentures                        | 132,580              | 132,540           | 139,959           | 139,918           | 40              | (7,379)          | (7,338)          |
| Other liabilities                              | 215,899              | 211,889           | 222,026           | 225,219           | 4,010           | (6,127)          | (9,320)          |
| <b>Total liabilities</b>                       | <b>\$ 18,926,403</b> | <b>18,134,078</b> | <b>16,197,165</b> | <b>15,670,978</b> | <b>792,325</b>  | <b>2,729,238</b> | <b>3,255,425</b> |

Core deposits of \$17.477 billion as of September 30, 2021 increased \$742 million, or 18 percent annualized, from the prior quarter and increased \$3.296 billion, or 23 percent, from the prior year third quarter. Non-interest bearing deposits of \$6.632 billion as of September 30, 2021 increased \$325 million, or 5 percent, from the prior quarter and increased \$1.153 billion, or 21 percent, from the prior year third quarter. The unprecedented increase in deposits over the prior eighteen months resulted from a number of factors including the PPP loan proceeds deposited by customers, federal stimulus deposits and the increase in customer savings. Non-interest bearing deposits were 38 percent of total core deposits at September 30, 2021 compared to 37 percent of total core deposits at December 31, 2020 and 39 percent at September 30, 2020.

The low levels of borrowings, including wholesale deposits and Federal Home Loan Bank ("FHLB") advances, reflected the significant increase in core deposits which funded the asset growth.

## Stockholders' Equity

The following table summarizes the stockholders' equity balances as of the dates indicated:

| (Dollars in thousands, except per share data)          | Sep 30,<br>2021 | Jun 30,<br>2021 | Dec 31,<br>2020 | Sep 30,<br>2020 | \$ Change from  |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  |                 |                 |                 |                 | Jun 30,<br>2021 | Dec 31,<br>2020 | Sep 30,<br>2020 |
| Common equity  | \$ 2,309,957    | 2,263,513       | 2,163,951       | 2,123,991       | 46,444          | 146,006         | 185,966         |
| Accumulated other comprehensive income                 | 77,659          | 90,442          | 143,090         | 131,098         | (12,783)        | (65,431)        | (53,439)        |
| Total stockholders' equity                             | 2,387,616       | 2,353,955       | 2,307,041       | 2,255,089       | 33,661          | 80,575          | 132,527         |
| Goodwill and core deposit intangible, net              | (562,058)       | (564,546)       | (569,522)       | (572,134)       | 2,488           | 7,464           | 10,076          |
| Tangible stockholders' equity                          | \$ 1,825,558    | 1,789,409       | 1,737,519       | 1,682,955       | 36,149          | 88,039          | 142,603         |
| Stockholders' equity to total assets                   | 11.20 %         | 11.49 %         | 12.47 %         | 12.58 %         |                 |                 |                 |
| Tangible stockholders' equity to total tangible assets | 8.80 %          | 8.98 %          | 9.69 %          | 9.70 %          |                 |                 |                 |
| Book value per common share \$                         | 25.00           | 24.65           | 24.18           | 23.63           | 0.35            | 0.82            | 1.37            |
| Tangible book value per common share \$                | 19.11           | 18.74           | 18.21           | 17.64           | 0.37            | 0.90            | 1.47            |

Tangible stockholders' equity of \$1.826 billion at September 30, 2021 increased \$36.1 million, or 2 percent, from the prior quarter and increased \$143 million, or 8 percent, from the prior year third quarter and was due to earnings retention that more than offset the decrease in other comprehensive income. The current year decrease in both the stockholders' equity to total assets ratio and the tangible stockholders' equity to tangible assets was the result of the \$2.991 billion increase in debt securities driven primarily by the significant influx of deposits during the current year. Tangible book value per common share of \$19.11 at the current quarter end increased \$0.37 per share, or 2 percent, from the prior quarter and increased \$1.47 per share, or 8 percent, from a year ago.

## Cash Dividend

On September 30, 2021, the Company's Board of Directors declared a quarterly cash dividend of \$0.32 per share. The dividend was payable October 21, 2021 to shareholders of record on October 12, 2021. The dividend was the 146th consecutive dividend. Future cash dividends will depend on a variety of factors, including net income, capital, asset quality, general economic conditions and regulatory considerations.

**Operating Results for Three Months Ended September 30, 2021**  
**Compared to June 30, 2021, March 31, 2021, and September 30, 2020**

**Income Summary**

The following table summarizes income for the periods indicated:

| (Dollars in thousands)               | Three Months ended |                 |                 |                 | \$ Change from  |                 |                 |
|--------------------------------------|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                      | Sep 30,<br>2021    | Jun 30,<br>2021 | Mar 31,<br>2021 | Sep 30,<br>2020 | Jun 30,<br>2021 | Mar 31,<br>2021 | Sep 30,<br>2020 |
| <b>Net interest income</b>           |                    |                 |                 |                 |                 |                 |                 |
| Interest income                      | \$ 166,741         | 159,956         | 161,552         | 157,487         | 6,785           | 5,189           | 9,254           |
| Interest expense                     | 4,128              | 4,487           | 4,740           | 6,084           | (359)           | (612)           | (1,956)         |
| Total net interest income            | 162,613            | 155,469         | 156,812         | 151,403         | 7,144           | 5,801           | 11,210          |
| <b>Non-interest income</b>           |                    |                 |                 |                 |                 |                 |                 |
| Service charges and other fees       | 15,154             | 13,795          | 12,792          | 13,404          | 1,359           | 2,362           | 1,750           |
| Miscellaneous loan fees and charges  | 2,592              | 2,923           | 2,778           | 2,084           | (331)           | (186)           | 508             |
| Gain on sale of loans                | 13,902             | 16,106          | 21,624          | 35,516          | (2,204)         | (7,722)         | (21,614)        |
| (Loss) gain on sale of investments   | (168)              | (61)            | 284             | 24              | (107)           | (452)           | (192)           |
| Other income                         | 3,335              | 2,759           | 2,643           | 2,639           | 576             | 692             | 696             |
| Total non-interest income            | 34,815             | 35,522          | 40,121          | 53,667          | (707)           | (5,306)         | (18,852)        |
| Total income                         | \$ 197,428         | 190,991         | 196,933         | 205,070         | 6,437           | 495             | (7,642)         |
| Net interest margin (tax-equivalent) | 3.39 %             | 3.44 %          | 3.74 %          | 3.92 %          |                 |                 |                 |

**Net Interest Income**

The current quarter net interest income of \$163 million increased \$7.1 million, or 5 percent, over the prior quarter and increased \$11.2 million, or 7 percent, from the prior year third quarter. The current quarter interest income of \$167 million increased \$6.8 million, or 4 percent, compared to the prior quarter and increased \$9.3 million, or 6 percent, over the prior year third quarter due to an increase in interest income from the PPP loans and debt securities. The interest income (which included deferred fees and deferred costs) from the PPP loans was \$12.9 million in the current quarter and \$10.3 million in the prior quarter and \$9.3 million in the prior year third quarter. Excluding the PPP loans, net interest income was \$150 million in the current quarter compared to \$145 million in the prior quarter and \$142 million in the prior year third quarter.

The current quarter interest expense of \$4.1 million decreased \$359 thousand, or 8 percent, over the prior quarter and decreased \$2.0 million, or 32 percent, over the prior year third quarter primarily as result of a decrease in deposit rates. During the current quarter, the total cost of funding (including non-interest bearing deposits) of 9 basis points declined 1 basis points from the prior quarter and declined 7 basis points from the prior year third quarter with both decreases driven by a decrease in rates in deposits and borrowings.

The Company's net interest margin as a percentage of earning assets, on a tax-equivalent basis, for the current quarter was 3.39 percent compared to 3.44 percent in the prior quarter and 3.92 in the prior year third quarter. The core net interest margin, excluding 2 basis points of discount accretion, 2 basis point from non-accrual interest and 18 basis points increase from the PPP loans, was 3.17 percent compared to 3.33 in the prior quarter and 4.02 percent in the prior year third quarter. The core net interest margin decreased 16 basis points in the current quarter and decreased 85 basis points from the prior third quarter due to a decrease in earning asset yields. Earning asset yields have decreased due to the combined impact of the significant increase in the debt securities and the lower yields on both core loans and debt securities. Debt securities comprised 42.5 percent of the earning assets during the current quarter compared to 39.4 percent in the prior quarter and 26.5 percent in the prior year third quarter.

**Non-interest Income**

Non-interest income for the current quarter totaled \$34.8 million which was a decrease of \$707 thousand, or 2 percent, over the prior quarter and a decrease of \$18.9 million, or 35 percent, over the same quarter last year. Service charges and other fees increased \$1.4 million from the prior quarter and increased \$1.8 million from the prior year third quarter as a result of increased customer accounts and transaction activity.

Gain on the sale of loans of \$13.9 million for the current quarter decreased \$2.2 million, or 14 percent, compared to the prior quarter and decreased \$21.6 million, or 61 percent, from the prior year third quarter. The current quarter mortgage activity was lower than prior periods, but still remained at historically strong levels.

**Non-interest Expense**

The following table summarizes non-interest expense for the periods indicated:

| (Dollars in thousands)                | Three Months ended |                 |                 |                 | \$ Change from  |                 |                 |
|---------------------------------------|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                       | Sep 30,<br>2021    | Jun 30,<br>2021 | Mar 31,<br>2021 | Sep 30,<br>2020 | Jun 30,<br>2021 | Mar 31,<br>2021 | Sep 30,<br>2020 |
| Compensation and employee benefits    | \$ 66,364          | 64,109          | 62,468          | 64,866          | 2,255           | 3,896           | 1,498           |
| Occupancy and equipment               | 9,412              | 9,208           | 9,515           | 9,369           | 204             | (103)           | 43              |
| Advertising and promotions            | 3,236              | 2,906           | 2,371           | 2,779           | 330             | 865             | 457             |
| Data processing                       | 5,135              | 5,661           | 5,206           | 5,597           | (526)           | (71)            | (462)           |
| Other real estate owned               | 142                | 48              | 12              | 186             | 94              | 130             | (44)            |
| Regulatory assessments and insurance  | 2,011              | 1,702           | 1,879           | 1,495           | 309             | 132             | 516             |
| Core deposit intangibles amortization | 2,488              | 2,488           | 2,488           | 2,612           | —               | —               | (124)           |
| Other expenses                        | 15,320             | 13,960          | 12,646          | 16,469          | 1,360           | 2,674           | (1,149)         |
| Total non-interest expense            | <u>\$ 104,108</u>  | <u>100,082</u>  | <u>96,585</u>   | <u>103,373</u>  | <u>4,026</u>    | <u>7,523</u>    | <u>735</u>      |

Total non-interest expense of \$104 million for the current quarter increased \$4.0 million, or 4 percent, over the prior quarter and increased \$735 thousand, or 71 basis points, over the prior year third quarter. Compensation and employee benefits increased \$2.3 million, or 4 percent, from the prior quarter and increased \$1.5 million from the prior year third quarter.

Other expenses of \$15.3 million, increased \$1.4 million, or 10 percent, from the prior quarter and decreased \$1.1 million, or 7 percent, from the prior year third quarter. Current quarter other expenses included acquisition-related expenses of \$472 thousand compared to \$1.1 million in the prior quarter and \$793 thousand in the prior year third quarter.

**Efficiency Ratio**

The efficiency ratio was 50.17 percent in the current quarter and 49.92 percent in the prior quarter and 48.05 in the prior year third quarter. Excluding the impact from the PPP loans, the efficiency ratio would have been 53.59 percent in the current quarter compared to 53.53 percent in the prior quarter. Excluding the impact of PPP loans, the current quarter efficiency ratio was an increase of 308 basis points from the prior year third quarter efficiency ratio of 50.51 percent which was primarily driven by the decrease in the gain on sale of loans in the current quarter.

### Provision for Credit Losses for Loans

The following table summarizes provision for credit losses for loans, net charge-offs and select ratios relating to provision for credit losses for the previous eight quarters:

| (Dollars in thousands) | Provision for<br>Credit Losses on<br>Loans | Net Charge-Offs<br>(Recoveries) | Allowance for<br>Credit Losses<br>as a Percent<br>of Loans | Accruing<br>Loans 30-89<br>Days Past Due<br>as a Percent of<br>Loans | Non-Performing<br>Assets to<br>Total Sub-sidiary<br>Assets |
|------------------------|--|---------------------------------|--|--|--|
| Third quarter 2021     | \$ 2,313                                   | \$ 152                          | 1.36 %   | 0.23 %   | 0.24 %   |
| Second quarter 2021    | (5,723)                                    | (725)                           | 1.35 %   | 0.11 %   | 0.26 %   |
| First quarter 2021     | 489  | 2,286                           | 1.39 %   | 0.40 %   | 0.19 %   |
| Fourth quarter 2020    | (1,528)                                    | 4,781                           | 1.42 %   | 0.20 %   | 0.19 %   |
| Third quarter 2020     | 2,869                                      | 826                             | 1.42 %   | 0.15 %   | 0.25 %   |
| Second quarter 2020    | 13,552                                     | 1,233                           | 1.42 %   | 0.22 %   | 0.27 %   |
| First quarter 2020     | 22,744                                     | 813                             | 1.49 %   | 0.41 %   | 0.26 %   |
| Fourth quarter 2019    | —  | 1,045                           | 1.31 %   | 0.24 %   | 0.27 %   |

The current quarter provision for credit loss expense for loans was \$2.3 million which was an increase of \$8.0 million from the prior quarter provision for credit loss benefit of \$5.7 million and a \$556 thousand decrease from the prior year third quarter provision for credit loss expense of \$2.9 million. The increase in provision for credit losses for loans in the current quarter compared to the prior quarter was primarily driven by organic loan growth in the current quarter.

Net charge-offs for the current quarter were \$152 thousand compared to net recoveries of \$725 thousand for the prior quarter and net charge-offs \$826 thousand from the same quarter last year. Loan portfolio growth, composition, average loan size, credit quality considerations, economic forecasts and other environmental factors will continue to determine the level of the provision for credit losses for loans.

The determination of the allowance for credit losses (“ACL” or “allowance”) on loans and the related provision for credit losses is a critical accounting estimate that involves management’s judgments about the loan portfolio that impact credit losses. For additional information on the allowance, see the Allowance For Credit Losses section under “Additional Management’s Discussion and Analysis.”

**Operating Results for Nine Months Ended September 30, 2021  
Compared to September 30, 2020**

**Income Summary**

The following table summarizes income for the periods indicated:

|                                      | Nine Months ended |                 |           |          |
|--------------------------------------|-------------------|-----------------|-----------|----------|
| (Dollars in thousands)               | Sep 30,<br>2021   | Sep 30,<br>2020 | \$ Change | % Change |
| Net interest income                  |                   |                 |           |          |
| Interest income                      | \$ 488,249        | 455,756         | 32,493    | 7 %      |
| Interest expense                     | 13,355            | 21,765          | (8,410)   | (39)%    |
| Total net interest income            | 474,894           | 433,991         | 40,903    | 9 %      |
| Non-interest income                  |                   |                 |           |          |
| Service charges and other fees       | 41,741            | 38,790          | 2,951     | 8 %      |
| Miscellaneous loan fees and charges  | 8,293             | 5,051           | 3,242     | 64 %     |
| Gain on sale of loans                | 51,632            | 73,236          | (21,604)  | (29)%    |
| Gain on sale of debt securities      | 55                | 1,015           | (960)     | (95)%    |
| Other income                         | 8,737             | 10,071          | (1,334)   | (13)%    |
| Total non-interest income            | 110,458           | 128,163         | (17,705)  | (14)%    |
| Total income                         | \$ 585,352        | 562,154         | 23,198    | 4 %      |
| Net interest margin (tax-equivalent) | 3.52 %            | 4.12 %          |           |          |

**Net Interest Income**

Net-interest income of \$475 million for the first nine months of 2021 increased \$40.9 million, or 9 percent, over the same period in 2020. Interest income of \$488 million for the first nine months of the current year increased \$32.5 million, or 7 percent, from the prior year and was primarily attributable to a \$25.4 million increase in income from commercial loans, including \$20.1 million from the PPP loans. Additionally, interest income on debt securities increased \$14.2 million, or 20 percent, over the prior year which resulted from the increased volume of debt securities. Interest expense of \$13.4 million for the first nine months of 2021 decreased \$8.4 million, or 39 percent over the prior year primarily as a result of a decrease in the cost of deposits. The total funding cost (including non-interest bearing deposits) for the first nine months of 2021 was 10 basis points, which decreased 12 basis points compared to 22 basis points in first nine months of 2020.

The net interest margin as a percentage of earning assets, on a tax-equivalent basis, during the first nine months of 2021 was 3.52 percent, a 60 basis points decrease from the net interest margin of 4.12 percent for the same period in the prior year. The core net interest margin, excluding 3 basis points of discount accretion, 1 basis point of non-accrual interest and 13 basis points increase from the PPP loans, was 3.35 which was an 85 basis point decrease from the core margin of 4.20 percent in the prior year. Although the Company was successful in reducing the total cost of funding, it was not enough to outpace the lower yields on core loans and debt securities driven by the current interest rate environment and the shift in the earning asset mix to lower yielding debt securities.



**Non-interest Income**

Non-interest income of \$110 million for the first nine months of 2021 decreased \$17.7 million, or 14 percent, over the same period last year. Service charges and other fees of \$41.7 million for the first nine months of 2021 increased \$3.0 million, or 8 percent, from prior year as a result of additional fees from increased customer accounts and transaction activity. Miscellaneous loan fees and charges of \$8.3 million increased \$3.2 million, or 64 percent, driven by increases in loan servicing income and credit card interchange fees due to increased activity. Gain on the sale of loans of \$51.6 million for the first nine months of 2021 decreased \$21.6 million, or 29 percent, compared to the same period last year which was the result of the anticipated slowing of purchase and refinance activity after the historically high levels in the prior year. Other income of \$8.7 million decreased \$1.3 million from the prior year and was primarily the result of a gain of \$2.4 million on the sale of a former branch building in the first quarter of 2020.

**Non-interest Expense**

The following table summarizes non-interest expense for the periods indicated:

| (Dollars in thousands)                | Nine Months ended |                   | \$ Change       | % Change   |
|---------------------------------------|-------------------|-------------------|-----------------|------------|
|                                       | Sep 30, 2021      | Sep 30, 2020      |                 |            |
| Compensation and employee benefits    | \$ 192,941        | \$ 182,507        | \$ 10,434       | 6 %        |
| Occupancy and equipment               | 28,135            | 27,945            | 190             | 1 %        |
| Advertising and promotions            | 8,513             | 7,404             | 1,109           | 15 %       |
| Data processing                       | 16,002            | 15,921            | 81              | 1 %        |
| Other real estate owned               | 202               | 373               | (171)           | (46)%      |
| Regulatory assessments and insurance  | 5,592             | 3,622             | 1,970           | 54 %       |
| Core deposit intangibles amortization | 7,464             | 7,758             | (294)           | (4)%       |
| Other expenses                        | 41,926            | 48,094            | (6,168)         | (13)%      |
| Total non-interest expense            | <u>\$ 300,775</u> | <u>\$ 293,624</u> | <u>\$ 7,151</u> | <u>2 %</u> |

Total non-interest expense of \$301 million for the first nine months of 2021 increased \$7.2 million, or 2 percent, over the prior year same period. Compensation and employee benefits for the first nine months of 2021 increased \$10.4 million, or 6 percent, from last year due to the increased number of employees from organic growth, increased performance-related compensation and annual salary increases. Advertising and promotions for the first nine months of 2021 increased \$1.1 million, or 15 percent, from the prior year. Regulatory assessment and insurance for the first nine months of 2021 increased \$2.0 million from the prior year same period primarily as a result of the State of Montana waiving the first semi-annual regulatory assessment of 2020 and Small Bank assessment credits applied by the FDIC in the first quarter of 2020. Other expenses of \$41.9 million, decreased \$6.2 million, or 13 percent, from the prior year, primarily from a decrease in acquisition-related expenses. Acquisition-related expenses were \$1.7 million in the current year compared to \$7.3 million in the prior year.

**Efficiency Ratio**

The efficiency ratio was 48.94 percent for the first nine months of 2021 compared to 49.83 percent for the same period last year. Excluding the impact from the PPP loans, the efficiency ratio was 53.34 in 2021 compared to 53.30 in 2020.

**Provision for Credit Losses**

The provision for credit loss benefit was \$4.9 million for the first nine months of 2021, including provision for credit loss benefit of \$2.9 million on the loan portfolio and credit loss benefit of \$2.0 million on unfunded loan commitments. The provision for credit loss benefit of \$2.9 million on the loan portfolio in the current year decreased \$42.1 million over the provision for credit loss expense of \$39.2 million in the prior year which was primarily attributable to changes in the economic forecast related to COVID-19. Net charge-offs during the current year were \$1.7 million compared to \$2.9 million during the prior year.

## ADDITIONAL MANAGEMENT'S DISCUSSION AND ANALYSIS

### Investment Activity

The Company's investment securities primarily consist of debt securities classified as available-for-sale or held-to-maturity. Non-marketable equity securities consist of capital stock issued by the FHLB of Des Moines.

### Debt Securities

Debt securities classified as available-for-sale are carried at estimated fair value and debt securities classified as held-to-maturity are carried at amortized cost. During the first quarter of the current year, the Company transferred \$404 million of available-for-sale securities with an unrealized net gain of \$3.8 million into the held-to-maturity portfolio after determining it had the intent and ability to hold such securities until maturity. The Company transferred an additional \$440 million of available-for-sale securities with an unrealized net gain of \$40.6 million into held-to-maturity portfolio during the second quarter of the current year. Unrealized gains or losses, net of tax, on available-for-sale debt securities are reflected as an adjustment to other comprehensive income. The Company's debt securities are summarized below:

|  | September 30, 2021  |              | December 31, 2020   |              | September 30, 2020  |              |
|--|---------------------|--------------|---------------------|--------------|---------------------|--------------|
| (Dollars in thousands)                 | Carrying Amount     | Percent      | Carrying Amount     | Percent      | Carrying Amount     | Percent      |
| <b>Available-for-sale</b>              |                     |              |                     |              |                     |              |
| U.S. government and federal agency     | \$ 31,373           | 1 %          | \$ 38,588           | 1 %          | \$ 40,140           | 1 %          |
| U.S. government sponsored enterprises  | 47,051              | 1 %          | 9,781               | 1 %          | 9,825               | 1 %          |
| State and local governments            | 508,691             | 6 %          | 1,416,683           | 26 %         | 1,275,376           | 29 %         |
| Corporate bonds                        | 198,119             | 2 %          | 349,098             | 6 %          | 361,024             | 8 %          |
| Residential mortgage-backed securities | 5,491,345           | 64 %         | 2,289,090           | 41 %         | 1,275,858           | 30 %         |
| Commercial mortgage-backed securities  | 1,114,001           | 13 %         | 1,234,574           | 22 %         | 1,163,325           | 26 %         |
| Total available-for-sale               | 7,390,580           | 87 %         | 5,337,814           | 97 %         | 4,125,548           | 95 %         |
| <b>Held-to-maturity</b>                |                     |              |                     |              |                     |              |
| State and local governments            | 1,128,299           | 13 %         | 189,836             | 3 %          | 193,509             | 5 %          |
| Total held-to-maturity                 | 1,128,299           | 13 %         | 189,836             | 3 %          | 193,509             | 5 %          |
| Total debt securities                  | <u>\$ 8,518,879</u> | <u>100 %</u> | <u>\$ 5,527,650</u> | <u>100 %</u> | <u>\$ 4,319,057</u> | <u>100 %</u> |

The Company's debt securities are primarily comprised of state and local government securities and mortgage-backed securities. State and local government securities are largely exempt from federal income tax and the Company's federal statutory income tax rate of 21 percent is used in calculating the tax-equivalent yields on the tax-exempt securities. Mortgage-backed securities largely consists of short, weighted-average life U.S. agency guaranteed residential and commercial mortgage pass-through securities and to a lesser extent, short, weighted-average life U.S. agency guaranteed residential collateralized mortgage obligations. Combined, the mortgage-backed securities provide the Company with ongoing liquidity as scheduled and pre-paid principal is received on the securities.

State and local government securities carry different risks that are not as prevalent in other security types. The Company evaluates the investment grade quality of its securities in accordance with regulatory guidance. Investment grade securities are those where the issuer has an adequate capacity to meet the financial commitments under the security for the projected life of the investment. An issuer has an adequate capacity to meet financial commitments if the risk of default by the obligor is low and the full and timely payment of principal and interest are expected. In assessing credit risk, the Company may use credit ratings from Nationally Recognized Statistical Rating Organizations ("NRSRO" entities such as S&P and Moody's) as support for the evaluation; however, they are not solely relied upon. There have been no significant differences in the Company's internal evaluation of the creditworthiness of any issuer when compared with the ratings assigned by the NRSROs.

The following table stratifies the state and local government securities by the associated NRSRO ratings. The highest issued rating was used to categorize the securities in the table for those securities where the NRSRO ratings were not at the same level.

|  | September 30, 2021 |            | December 31, 2020 |            |
|--|--------------------|------------|-------------------|------------|
|  | Amortized Cost     | Fair Value | Amortized Cost    | Fair Value |
| (Dollars in thousands)                           |                    |            |                   |            |
| S&P: AAA / Moody's: Aaa                          | \$ 389,559         | 398,464    | 385,773           | 420,646    |
| S&P: AA+, AA, AA- / Moody's: Aa1, Aa2, Aa3       | 1,122,979          | 1,156,558  | 1,015,634         | 1,080,972  |
| S&P: A+, A, A- / Moody's: A1, A2, A3             | 87,099             | 92,155     | 101,494           | 109,504    |
| S&P: BBB+, BBB, BBB- / Moody's: Baa1, Baa2, Baa3 | 92                 | 95         | 3,217             | 3,230      |
| Not rated by either entity                       | 7,686              | 7,872      | 5,481             | 5,547      |
| Below investment grade                           | —                  | —          | —                 | —          |
| Total  | \$ 1,607,415       | 1,655,144  | 1,511,599         | 1,619,899  |

State and local government securities largely consist of both taxable and tax-exempt general obligation and revenue bonds. The following table stratifies the state and local government securities by the associated security type.

|                                | September 30, 2021 |            | December 31, 2020 |            |
|--------------------------------|--------------------|------------|-------------------|------------|
|                                | Amortized Cost     | Fair Value | Amortized Cost    | Fair Value |
| (Dollars in thousands)         |                    |            |                   |            |
| General obligation - unlimited | \$ 604,104         | 636,992    | 625,660           | 672,610    |
| General obligation - limited   | 110,796            | 115,556    | 121,886           | 129,250    |
| Revenue                        | 876,246            | 885,218    | 745,908           | 798,188    |
| Certificate of participation   | 12,515             | 13,501     | 14,098            | 15,636     |
| Other                          | 3,754              | 3,877      | 4,047             | 4,215      |
| Total                          | \$ 1,607,415       | 1,655,144  | 1,511,599         | 1,619,899  |

The following table outlines the five states in which the Company owns the highest concentrations of state and local government securities.

|                        | September 30, 2021 |            | December 31, 2020 |            |
|------------------------|--------------------|------------|-------------------|------------|
|                        | Amortized Cost     | Fair Value | Amortized Cost    | Fair Value |
| (Dollars in thousands) |                    |            |                   |            |
| New York               | \$ 252,005         | 254,874    | 235,036           | 254,976    |
| Texas                  | 138,057            | 141,867    | 143,421           | 154,511    |
| Michigan               | 133,529            | 138,607    | 139,836           | 148,544    |
| California             | 151,512            | 161,174    | 148,564           | 166,311    |
| Washington             | 111,987            | 116,269    | 99,699            | 106,012    |
| All other states       | 820,325            | 842,353    | 745,043           | 789,545    |
| Total                  | \$ 1,607,415       | 1,655,144  | 1,511,599         | 1,619,899  |

The following table presents the carrying amount and weighted-average yield of available-for-sale and held-to-maturity debt securities by contractual maturity at September 30, 2021. Weighted-average yields are based upon the amortized cost of securities and are calculated using the interest method which takes into consideration premium amortization, discount accretion and mortgage-backed securities' prepayment provisions. Weighted-average yields on tax-exempt debt securities exclude the federal income tax benefit.

| (Dollars in thousands)                 | One Year or Less |        | After One through Five Years |        | After Five through Ten Years |        | After Ten Years     |        | Mortgage-Backed Securities <sup>1</sup> |        | Total               |        |
|--|------------------|--------|------------------------------|--------|------------------------------|--------|---------------------|--------|---|--------|---------------------|--------|
|  | Amount           | Yield  | Amount                       | Yield  | Amount                       | Yield  | Amount              | Yield  | Amount                                  | Yield  | Amount              | Yield  |
| <b>Available-for-sale</b>              |                  |        |                              |        |                              |        |                     |        |   |        |                     |        |
| U.S. government and federal agency     | \$ —             | — %    | \$ 1,719                     | 1.57 % | \$ 10,544                    | 1.46 % | \$ 19,110           | 1.43 % | \$ —                                    | — %    | \$ 31,373           | 1.45 % |
| U.S. government sponsored enterprises  | 1,507            | 0.96 % | 265                          | 0.93 % | 45,279                       | 1.08 % | —                   | — %    | —                                       | — %    | 47,051              | 1.08 % |
| State and local governments            | 5,983            | 2.10 % | 61,729                       | 2.61 % | 199,196                      | 3.63 % | 241,783             | 3.20 % | —                                       | — %    | 508,691             | 3.28 % |
| Corporate bonds                        | 61,387           | 3.28 % | 131,623                      | 3.25 % | 4,066                        | 4.00 % | 1,043               | 0.46 % | —                                       | — %    | 198,119             | 3.26 % |
| Residential mortgage-backed securities | —                | — %    | —                            | — %    | —                            | — %    | —                   | — %    | 5,491,345                               | 0.97 % | 5,491,345           | 0.97 % |
| Commercial mortgage-backed securities  | —                | — %    | —                            | — %    | —                            | — %    | —                   | — %    | 1,114,001                               | 2.33 % | 1,114,001           | 2.33 % |
| Total available-for-sale               | 68,877           | 3.13 % | 195,336                      | 3.03 % | 259,085                      | 3.08 % | 261,936             | 3.05 % | 6,605,346                               | 1.19 % | 7,390,580           | 1.38 % |
| <b>Held-to-maturity</b>                |                  |        |                              |        |                              |        |                     |        |   |        |                     |        |
| State and local governments            | 1,529            | 2.29 % | 27,382                       | 2.46 % | 89,010                       | 2.64 % | 1,010,378           | 2.78 % | —                                       | — %    | 1,128,299           | 2.76 % |
| Total held-to-maturity                 | 1,529            | 2.29 % | 27,382                       | 2.46 % | 89,010                       | 2.64 % | 1,010,378           | 2.78 % | —                                       | — %    | 1,128,299           | 2.76 % |
| Total debt securities                  | <u>\$ 70,406</u> | 3.11 % | <u>\$ 222,718</u>            | 2.96 % | <u>\$ 348,095</u>            | 2.96 % | <u>\$ 1,272,314</u> | 2.84 % | <u>\$ 6,605,346</u>                     | 1.19 % | <u>\$ 8,518,879</u> | 1.56 % |

<sup>1</sup> Mortgage-backed securities, which have prepayment provisions, are not assigned to maturity categories due to fluctuations in their prepayment speeds.

Based on an analysis of its available-for-sale debt securities with unrealized losses as of September 30, 2021, the Company determined their decline in value was unrelated to credit loss and was 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 debt securities approach maturity. In addition, the Company determined an insignificant amount of credit losses is expected on the held-to-maturity debt securities portfolio; therefore, no ACL has been recognized at September 30, 2021.

For additional information on debt securities, see Note 2 to the Consolidated Financial Statements in “Part I. Item 1. Financial Statements.”

### Equity securities

Non-marketable equity securities primarily consist of capital stock issued by the FHLB of Des Moines and are carried at cost less impairment. The Company also has an insignificant amount of marketable equity securities that are included in other assets on the Company's statements of financial condition.

Non-marketable equity securities and marketable equity securities without readily determinable fair values are evaluated for impairment whenever events or circumstances suggest the carrying value may not be recoverable. Based on the Company's evaluation of its investments in non-marketable equity securities and marketable equity securities without readily determinable fair values as of September 30, 2021, the Company determined that none of such securities were impaired.

### **Lending Activity**

The Company focuses its lending activities primarily on the following types of loans: 1) first-mortgage, conventional loans secured by residential properties, particularly single-family; 2) commercial lending, including agriculture and public entities; and 3) installment lending for consumer purposes (e.g., home equity, automobile, etc.). Supplemental information regarding the Company's loan portfolio and credit quality based on regulatory classification is provided in the section captioned "Loans by Regulatory Classification" included in "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations." The regulatory classification of loans is based primarily on the type of collateral for the loans. Loan information included in "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" is based on the Company's loan segments, which are based on the purpose of the loan, unless otherwise noted as a regulatory classification. The following table summarizes the Company's loan portfolio as of the dates indicated:

| (Dollars in thousands)      | September 30, 2021   |              | December 31, 2020    |              | September 30, 2020   |              |
|-----------------------------|----------------------|--------------|----------------------|--------------|----------------------|--------------|
|                             | Amount               | Percent      | Amount               | Percent      | Amount               | Percent      |
| Residential real estate     | \$ 781,538           | 7 %          | \$ 802,508           | 7 %          | \$ 862,614           | 8 %          |
| Commercial real estate      | 6,912,569            | 62 %         | 6,315,895            | 58 %         | 6,201,817            | 54 %         |
| Other commercial            | 2,598,616            | 23 %         | 3,054,817            | 28 %         | 3,593,322            | 31 %         |
| Home equity                 | 660,920              | 6 %          | 636,405              | 6 %          | 646,850              | 6 %          |
| Other consumer              | 340,248              | 3 %          | 313,071              | 3 %          | 314,128              | 3 %          |
| Loans receivable            | 11,293,891           | 101 %        | 11,122,696           | 102 %        | 11,618,731           | 102 %        |
| Allowance for credit losses | (153,609)            | (1)%         | (158,243)            | (2)%         | (164,552)            | (2)%         |
| Loans receivable, net       | <u>\$ 11,140,282</u> | <u>100 %</u> | <u>\$ 10,964,453</u> | <u>100 %</u> | <u>\$ 11,454,179</u> | <u>100 %</u> |

## Non-performing Assets

The following table summarizes information regarding non-performing assets at the dates indicated:

|  | At or for the Nine<br>Months ended<br>September 30,<br>2021 | At or for the Six<br>Months ended<br>June 30,<br>2021 | At or for the Year<br>ended<br>December 31,<br>2020 | At or for the Nine<br>Months ended<br>September 30,<br>2020 |
|--|---|---|---|---|
| (Dollars in thousands)                                       |   |   |   |   |
| Other real estate owned and foreclosed assets                | \$ 106  | 771   | 1,744   | 5,361   |
| Accruing loans 90 days or more past due                      |   |   |   |   |
| Residential real estate                                      | 52  | 338   | 934   | 217   |
| Commercial real estate                                       | 2,785   | 2,349   | 231   | 1,426   |
| Other commercial   | 2,083   | 1,234   | 293   | 1,102   |
| Home equity  | 98  | 155   | 135   | 80  |
| Other consumer   | 154   | 144   | 132   | 127   |
| Total  | 5,172   | 4,220   | 1,725   | 2,952   |
| Non-accrual loans  |   |   |   |   |
| Residential real estate                                      | 2,465   | 3,183   | 3,403   | 3,488   |
| Commercial real estate                                       | 10,618  | 11,110  | 15,817  | 18,298  |
| Other commercial   | 29,794  | 30,507  | 9,509   | 11,371  |
| Home equity  | 2,457   | 2,667   | 2,713   | 2,891   |
| Other consumer   | 567   | 583   | 522   | 302   |
| Total  | 45,901  | 48,050  | 31,964  | 36,350  |
| Total non-performing assets                                  | \$ 51,179   | 53,041  | 35,433  | 44,663  |
| Non-performing assets as a percentage of subsidiary assets   | 0.24 %  | 0.26 %  | 0.19 %  | 0.25 %  |
| ACL as a percentage of non-performing loans                  | 301 %   | 290 %   | 470 %   | 419 %   |
| Accruing loans 30-89 days past due                           | \$ 26,002   | 12,076  | 22,721  | 17,631  |
| Accruing troubled debt restructurings                        | \$ 36,666   | 37,667  | 42,003  | 39,999  |
| Non-accrual troubled debt restructurings                     | \$ 2,820  | 3,179   | 3,507   | 7,579   |
| U.S. government guarantees included in non-performing assets | \$ 4,116  | 4,186   | 3,011   | 4,411   |
| Interest income <sup>1</sup>                                 | \$ 1,657  | 1,144   | 1,545   | 1,296   |

<sup>1</sup> Amounts represent estimated interest income that would have been recognized on loans accounted for on a non-accrual basis as of the end of each period had such loans performed pursuant to contractual terms.

Non-performing assets of \$51.2 million at September 30, 2021 decreased \$1.9 million, or 4 percent, over the prior quarter. Non-performing assets increased \$6.5 million, or 15 percent, over the prior year third quarter. Non-performing assets as a percentage of subsidiary assets at September 30, 2021 was 0.24 percent compared to 0.26 percent in the prior quarter and 0.25 percent in the prior year third quarter.

Early stage delinquencies (accruing loans 30-89 days past due) of \$26.0 million at September 30, 2021 increased \$13.9 million from the prior quarter with a large portion of the increase primarily isolated to one credit relationship. Early stage delinquencies increased \$8.4 million from the prior year third quarter. Early stage delinquencies as a percentage of loans at September 30, 2021 was 0.23 percent, which was an increase of 12 basis points from prior quarter and an 8 basis points increase from prior year third quarter.

Most of the Company's non-performing assets are secured by real estate, and based on the most current information available to management, including updated appraisals or evaluations (new or updated), the Company believes the value of the underlying real estate collateral is adequate to minimize significant charge-offs or losses to the Company. Through pro-active credit administration, the Company works closely with its borrowers to seek favorable resolution to the extent possible, thereby attempting to minimize net charge-offs or losses to the Company. With very limited exceptions, the Company does not disburse additional funds on non-performing loans. Instead, the Company proceeds to collection and foreclosure actions in order to reduce the Company's exposure to loss on such loans.

For additional information on accounting policies relating to non-performing assets, see Note 1 to the Consolidated Financial Statements in "Part I. Item 1. Financial Statements."

#### Restructured Loans

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. Each restructured debt is separately negotiated with the borrower and includes terms and conditions that reflect the borrower's prospective ability to service their obligations as modified. The Company discourages the use of the multiple loan strategy when restructuring loans regardless of whether or not the loans are designated as TDRs. The Company has TDR loans of \$39.5 million and \$45.5 million at September 30, 2021 and December 31, 2020, respectively.

On March 27, 2020, the CARES Act was signed into law which includes many provisions that impact the Company and its customers. The banking regulatory agencies have encouraged banks to work with borrowers who have been impacted by the COVID-19 pandemic, and the CARES Act, along with related regulatory guidance, allows the Bank to not designate certain modifications as TDRs that otherwise may have been classified as TDRs. For additional information on modifications related to the COVID-19 pandemic, see the PPP section under "Additional Management's Discussion and Analysis."

#### Other Real Estate Owned and Foreclosed Assets

The book value of loans prior to the acquisition of collateral and transfer of the loans into other real estate owned ("OREO") during 2021 was \$1.6 million. The fair value of the loan collateral acquired in foreclosure during 2021 was \$1.5 million. The following table sets forth the changes in OREO for the periods indicated:

|                                | At or for the Nine<br>Months ended<br>September 30,<br>2021 | At or for the Six<br>Months ended<br>June 30,<br>2021 | At or for the Year<br>ended<br>December 31,<br>2020 | At or for the Nine<br>Months ended<br>September 30,<br>2020 |
|--------------------------------|---|---|---|---|
| <i>(Dollars in thousands)</i>  |   |   |   |   |
| Balance at beginning of period | \$ 1,744  | 1,744   | 5,142   | 5,142   |
| Acquisitions                   | —   | —   | 307   | 307   |
| Additions                      | 1,481   | 1,459   | 2,076   | 2,062   |
| Capital improvements           | —   | —   | 145   | 141   |
| Write-downs                    | (120)   | —   | (451)   | (189)   |
| Sales                          | (2,999)   | (2,432)   | (5,475)   | (2,102)   |
| Balance at end of period       | \$ 106  | 771   | 1,744   | 5,361   |

## PPP Loans

| (Dollars in thousands)                         | Three Months ended |               |                | Nine Months ended  |                    |
|--|--------------------|---------------|----------------|--------------------|--------------------|
|  | September 30, 2021 | June 30, 2021 | March 31, 2021 | September 30, 2021 | September 30, 2020 |
| PPP interest income                            | \$ 12,894          | 10,328        | 13,523         | 36,745             | 16,646             |
| Deferred compensation on originating PPP loans | —                  | 1,522         | 5,213          | 6,735              | 8,850              |
| Total PPP income impact                        | <u>\$ 12,894</u>   | <u>11,850</u> | <u>18,736</u>  | <u>43,480</u>      | <u>25,496</u>      |

| (Dollars in thousands)       | September 30, 2021 | June 30, 2021  | December 31, 2020 | September 30, 2020 |
|------------------------------|--------------------|----------------|-------------------|--------------------|
| PPP Round 1 loans            | \$ 56,048          | 176,498        | 909,173           | 1,448,417          |
| PPP Round 2 loans            | 312,865            | 518,107        | —                 | —                  |
| Total PPP loans              | <u>\$ 368,913</u>  | <u>694,605</u> | <u>909,173</u>    | <u>1,448,417</u>   |
| Net remaining fees - Round 1 | \$ 485             | 1,313          | 17,605            | 36,099             |
| Net remaining fees - Round 2 | 12,501             | 22,694         | —                 | —                  |
| Total net remaining fees     | <u>\$ 12,986</u>   | <u>24,007</u>  | <u>17,605</u>     | <u>36,099</u>      |

The United States Small Business Administration ("SBA") Round 2 PPP program ended in early May after the available funds were fully drawn upon. During the first half of 2021, the Company originated \$555 million of Round 2 PPP loans which generated \$33.2 million of SBA deferred processing fees and \$6.7 million of deferred compensation costs for total net deferred fees of \$26.5 million.

During the current year, the SBA processing fees received on Round 2 averaged 5.99 percent which compared to the average of 3.75 percent received on Round 1 in the prior year. The increase in the fee percentage received on Round 2 was the result of an increase in the number of smaller loans which receive a higher percentage fee.

The Company received \$327 million in PPP loan forgiveness during the current quarter and received \$1.103 billion in the first nine months of 2021. As of September 30, 2021, the Company had \$56 million, or 4 percent of the \$1.472 billion of Round 1 PPP loans originated in the prior year and had \$313 million, or 56 percent of the \$555 million of Round 2 PPP loans originated in the current year.

The Company recognized \$12.9 million of interest income (including deferred fees and costs) from the Round 1 and Round 2 PPP loans in the current quarter. The income recognized in the current quarter included \$10.5 million acceleration of net deferred fees in interest income resulting from the SBA forgiveness of loans. Net deferred fees remaining on the balance of the PPP loans at September 30, 2021 were \$13.0 million, which will be recognized into interest income over the remaining life of the loans or when the loans are forgiven in whole or in part by the SBA.

Supplemental information regarding credit quality and identification of the Company's loan portfolio based on regulatory classification is provided in the exhibits at the end of this press release. The regulatory classification of loans is based primarily on collateral type while the Company's loan segments presented herein are based on the purpose of the loan.



### Allowance for Credit Losses - Loans Receivable

On January 1, 2020, the Company adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Updates (“ASU”) 2016-13, *Financial Instruments - Credit Losses*, which significantly changed the allowance for credit loss accounting policies. The following allowance for credit loss discussion was presented under Accounting Standards Codification™ (“ASC”) Topic 326.

The following table summarizes the allocation of the ACL as of the dates indicated:

| (Dollars in thousands)  | September 30, 2021 |                            |                              | December 31, 2020 |                            |                              | September 30, 2020 |                            |                              |
|-------------------------|--------------------|----------------------------|------------------------------|-------------------|----------------------------|------------------------------|--------------------|----------------------------|------------------------------|
|                         | ACL                | Percent of ACL in Category | Percent of Loans in Category | ACL               | Percent of ACL in Category | Percent of Loans in Category | ACL                | Percent of ACL in Category | Percent of Loans in Category |
| Residential real estate | \$ 11,859          | 8 %                        | 7 %                          | \$ 9,604          | 6 %                        | 7 %                          | \$ 9,805           | 6 %                        | 7 %                          |
| Commercial real estate  | 100,038            | 65 %                       | 62 %                         | 86,999            | 55 %                       | 57 %                         | 94,397             | 57 %                       | 53 %                         |
| Other commercial        | 28,845             | 19 %                       | 23 %                         | 49,133            | 31 %                       | 27 %                         | 48,753             | 30 %                       | 31 %                         |
| Home equity             | 7,865              | 5 %                        | 5 %                          | 8,182             | 5 %                        | 6 %                          | 7,430              | 5 %                        | 6 %                          |
| Other consumer          | 5,002              | 3 %                        | 3 %                          | 4,325             | 3 %                        | 3 %                          | 4,167              | 2 %                        | 3 %                          |
| Total                   | <u>\$ 153,609</u>  | <u>100 %</u>               | <u>100 %</u>                 | <u>\$ 158,243</u> | <u>100 %</u>               | <u>100 %</u>                 | <u>\$ 164,552</u>  | <u>100 %</u>               | <u>100 %</u>                 |

The following table summarizes the ACL experience for the periods indicated:

|  | At or for the Nine<br>Months ended<br>September 30,<br>2021 | At or for the Six<br>Months ended<br>June 30,<br>2021 | At or for the Year<br>ended<br>December 31,<br>2020 | At or for the Nine<br>Months ended<br>September 30,<br>2020 |
|--|---|---|---|---|
| (Dollars in thousands)                         |   |   |   |   |
| Balance at beginning of period                 | \$ 158,243  | 158,243   | 124,490   | 124,490   |
| Impact of adopting CECL                        | —   | —   | 3,720   | 3,720   |
| Acquisitions                                   | —   | —   | 49  | 49  |
| Provision for credit losses                    | (2,921)   | (5,234)   | 37,637  | 39,165  |
| Charge-offs                                    |   |   |   |   |
| Residential real estate                        | (38)  | (38)  | (21)  | (21)  |
| Commercial real estate                         | (203)   | (41)  | (3,497)   | (625)   |
| Other commercial                               | (3,790)   | (3,113)   | (4,860)   | (3,471)   |
| Home equity                                    | (45)  | (45)  | (384)   | (293)   |
| Other consumer                                 | (4,490)   | (2,709)   | (5,046)   | (3,455)   |
| Total charge-offs                              | (8,566)   | (5,946)   | (13,808)  | (7,865)   |
| Recoveries                                     |   |   |   |   |
| Residential real estate                        | 288   | 275   | 61  | 54  |
| Commercial real estate                         | 1,579   | 907   | 1,094   | 860   |
| Other commercial                               | 2,407   | 1,547   | 1,811   | 1,496   |
| Home equity                                    | 219   | 67  | 256   | 246   |
| Other consumer                                 | 2,360   | 1,589   | 2,933   | 2,337   |
| Total recoveries                               | 6,853   | 4,385   | 6,155   | 4,993   |
| Net charge-offs                                | (1,713)   | (1,561)   | (7,653)   | (2,872)   |
| Balance at end of period                       | \$ 153,609  | 151,448   | 158,243   | 164,552   |
| ACL as a percentage of total loans             | 1.36 %  | 1.35 %  | 1.42 %  | 1.42 %  |
| Net charge-offs as a percentage of total loans | 0.02 %  | 0.01 %  | 0.07 %  | 0.03 %  |

The current quarter provision for credit loss expense for loans was \$2.3 million which was an increase of \$8.0 million from the prior quarter provision for credit loss benefit of \$5.7 million and a \$556 thousand decrease from the prior year third quarter provision for credit loss expense of \$2.9 million. The increase in provision for credit losses for loans in the current quarter compared to the prior quarter was primarily driven by organic loan growth in the current quarter.

The allowance for credit losses on loans (“ACL”) as a percentage of total loans outstanding at September 30, 2021 was 1.36 percent which was a 1 basis point increase compared to the prior quarter and a 6 basis point decrease from the prior year third quarter. Excluding the PPP loans, the ACL as percentage of loans was 1.40 percent compared to 1.43 percent in the prior quarter and 1.62 percent in the prior year third quarter. The Company’s ACL of \$154 million is considered adequate to absorb the estimated credit losses from any segment of its loan portfolio. For the periods ended September 30, 2021 and 2020, the Company believes the ACL is commensurate with the risk in the Company’s loan portfolio and is directionally consistent with the change in the quality of the Company’s loan portfolio.

While the Company has incorporated its estimate of the impact of the COVID-19 pandemic into its calculation of the allowance based on assumptions and forecasts that existed as of the reporting period end, the uncertainty of the current economic environment remains volatile and the Company cannot predict whether additional credit losses will be sustained as a result of the COVID-19 pandemic if assumptions and forecasts change in the future.

At the end of each quarter, the Company analyzes its loan portfolio and maintains an ACL at a level that is appropriate and determined in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Determining the adequacy of the ACL involves a high degree of judgment and is inevitably imprecise as the risk of loss is difficult to quantify. The ACL methodology is designed to reasonably estimate the probable credit losses within the Company's loan portfolio. Accordingly, the ACL is maintained within a range of estimated losses. The determination of the ACL on loans, including credit loss expense and net charge-offs, is a critical accounting estimate that involves management's judgments about the loan portfolio that impact credit losses, including the credit risk inherent in the loan portfolio, economic forecasts nationally and in the local markets in which the Company operates, trends and changes in collateral values, delinquencies, non-performing assets, net charge-offs, credit-related policies and personnel, and other environmental factors.

In determining the allowance, the loan portfolio is separated into pools of loans that share similar risk characteristics which are the Company's loan segments. The Company then derives estimated loss assumptions from its model by loan segment which is further segregated by the credit quality indicators. The loss assumptions are then applied to each segment of loan to estimate the ACL on the pooled loans. For any loans that do not share similar risk characteristics, the estimated credit losses are determined on an individual loan basis and such loans primarily consist of non-accrual loans. An estimated credit loss is recorded on individually reviewed loans when the fair value of a collateral-dependent loan or the present value of the loan's expected future cash flows (discounted at the loans original effective interest rate) is less than the amortized cost of the loan.

The Company provides commercial banking services to individuals, small to medium-sized businesses, community organizations and public entities from 194 locations, including 173 branches, across Montana, Idaho, Utah, Washington, Wyoming, Colorado, Arizona and Nevada. The states in which the Company operates have diverse economies and markets that are tied to commodities (crops, livestock, minerals, oil and natural gas), tourism, real estate and land development and an assortment of industries, both manufacturing and service-related. Thus, the changes in the global, national, and local economies are not uniform across the Company's geographic locations. The geographic dispersion of these market areas helps to mitigate the risk of credit loss. The Company's model of sixteen bank divisions with separate management teams is also a significant benefit in mitigating and managing the Company's credit risk. This model provides substantial local oversight to the lending and credit management function and requires multiple reviews of larger loans before credit is extended.

The primary responsibility for credit risk assessment and identification of problem loans rests with the loan officer of the account. This continuous process of identifying non-performing loans is necessary to support management's evaluation of the ACL adequacy. An independent loan review function verifying credit risk ratings evaluates the loan officer and management's evaluation of the loan portfolio credit quality. The ACL evaluation is well documented and approved by the Company's Board. In addition, the policy and procedures for determining the balance of the ACL are reviewed annually by the Company's Board, the internal audit department, independent credit reviewers and state and federal bank regulatory agencies.

Although the Company continues to actively monitor economic trends and regulatory developments, no assurance can be given that the Company will not, in any particular period, sustain losses that are significant relative to the ACL amount, or that subsequent evaluations of the loan portfolio applying management's judgment about then current factors will not require significant changes in the ACL. Under such circumstances, additional credit loss expense could result.

For additional information regarding the ACL, its relation to credit loss expense and risk related to asset quality, see Note 3 to the Consolidated Financial Statements in "Part I. Item 1. Financial Statements."

### Loans by Regulatory Classification

Supplemental information regarding identification of the Company's loan portfolio and credit quality based on regulatory classification is provided in the following tables. The regulatory classification of loans is based primarily on the type of collateral for the loans. There may be differences when compared to loan tables and loan amounts appearing elsewhere which reflect the Company's internal loan segments which are based on the purpose of the loan.

The following table summarizes the Company's loan portfolio by regulatory classification:

| (Dollars in thousands)                                | Loans Receivable, by Loan Type |                 |                 |                 | % Change from   |                 |                 |
|---|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | Sep 30,<br>2021                | Jun 30,<br>2021 | Dec 31,<br>2020 | Sep 30,<br>2020 | Jun 30,<br>2021 | Dec 31,<br>2020 | Sep 30,<br>2020 |
| Custom and owner occupied construction                | \$ 170,489                     | \$ 158,405      | \$ 157,529      | \$ 166,195      | 8 %             | 8 %             | 3 %             |
| Pre-sold and spec construction                        | 188,668                        | 163,740         | 148,845         | 157,242         | 15 %            | 27 %            | 20 %            |
| Total residential construction                        | 359,157                        | 322,145         | 306,374         | 323,437         | 11 %            | 17 %            | 11 %            |
| Land development                                      | 151,640                        | 111,736         | 102,930         | 96,814          | 36 %            | 47 %            | 57 %            |
| Consumer land or lots                                 | 143,977                        | 138,292         | 123,747         | 122,019         | 4 %             | 16 %            | 18 %            |
| Unimproved land                                       | 68,805                         | 63,469          | 59,500          | 64,770          | 8 %             | 16 %            | 6 %             |
| Developed lots for operative builders                 | 33,487                         | 27,143          | 30,449          | 30,871          | 23 %            | 10 %            | 8 %             |
| Commercial lots                                       | 76,382                         | 64,664          | 60,499          | 62,445          | 18 %            | 26 %            | 22 %            |
| Other construction                                    | 562,223                        | 554,548         | 555,375         | 537,105         | 1 %             | 1 %             | 5 %             |
| Total land, lot, and other construction               | 1,036,514                      | 959,852         | 932,500         | 914,024         | 8 %             | 11 %            | 13 %            |
| Owner occupied  | 2,069,551                      | 2,019,860       | 1,945,686       | 1,889,512       | 2 %             | 6 %             | 10 %            |
| Non-owner occupied                                    | 2,561,777                      | 2,436,672       | 2,290,512       | 2,259,062       | 5 %             | 12 %            | 13 %            |
| Total commercial real estate                          | 4,631,328                      | 4,456,532       | 4,236,198       | 4,148,574       | 4 %             | 9 %             | 12 %            |
| Commercial and industrial                             | 1,407,353                      | 1,654,237       | 1,850,197       | 2,308,710       | (15)%           | (24)%           | (39)%           |
| Agriculture   | 748,548                        | 746,678         | 721,490         | 747,145         | — %             | 4 %             | — %             |
| 1st lien  | 1,159,265                      | 1,105,579       | 1,228,867       | 1,256,111       | 5 %             | (6)%            | (8)%            |
| Junior lien   | 36,942                         | 38,029          | 41,641          | 43,355          | (3)%            | (11)%           | (15)%           |
| Total 1-4 family                                      | 1,196,207                      | 1,143,608       | 1,270,508       | 1,299,466       | 5 %             | (6)%            | (8)%            |
| Multifamily residential                               | 373,022                        | 398,499         | 391,895         | 359,030         | (6)%            | (5)%            | 4 %             |
| Home equity lines of credit                           | 709,828                        | 693,135         | 657,626         | 651,546         | 2 %             | 8 %             | 9 %             |
| Other consumer  | 198,763                        | 201,336         | 190,186         | 191,761         | (1)%            | 5 %             | 4 %             |
| Total consumer  | 908,591                        | 894,471         | 847,812         | 843,307         | 2 %             | 7 %             | 8 %             |
| States and political subdivisions                     | 612,882                        | 631,199         | 575,647         | 617,624         | (3)%            | 6 %             | (1)%            |
| Other   | 114,427                        | 129,237         | 156,647         | 205,351         | (11)%           | (27)%           | (44)%           |
| Total loans receivable, including loans held for sale | 11,388,029                     | 11,336,458      | 11,289,268      | 11,766,668      | — %             | 1 %             | (3)%            |
| Less loans held for sale <sup>1</sup>                 | (94,138)                       | (98,410)        | (166,572)       | (147,937)       | (4)%            | (43)%           | (36)%           |
| Total loans receivable                                | \$ 11,293,891                  | \$ 11,238,048   | \$ 11,122,696   | \$ 11,618,731   | — %             | 2 %             | (3)%            |

<sup>1</sup> Loans held for sale are primarily 1st lien 1-4 family loans.

The following table summarizes the Company's non-performing assets by regulatory classification:

|  | Non-performing Assets,<br>by Loan Type |                 |                 |                 | Non-<br>Accrual<br>Loans | Accruing<br>Loans 90<br>Days or<br>More Past Due | OREO            |
|--|--|-----------------|-----------------|-----------------|--------------------------|--|-----------------|
| (Dollars in thousands)                 | Sep 30,<br>2021                        | Jun 30,<br>2021 | Dec 31,<br>2020 | Sep 30,<br>2020 | Sep 30,<br>2021          | Sep 30,<br>2021                                  | Sep 30,<br>2021 |
| Custom and owner occupied construction | \$ 240                                 | 243             | 247             | 249             | 240                      | —  | —               |
| Pre-sold and spec construction         | —                                      | —               | —               | —               | —                        | —  | —               |
| Total residential construction         | 240                                    | 243             | 247             | 249             | 240                      | —  | —               |
| Land development                       | 31                                     | 279             | 342             | 450             | 31                       | —  | —               |
| Consumer land or lots                  | 186                                    | 190             | 201             | 223             | 186                      | —  | —               |
| Unimproved land                        | 166                                    | 178             | 294             | 417             | 166                      | —  | —               |
| Developed lots for operative builders  | —                                      | —               | —               | —               | —                        | —  | —               |
| Commercial lots                        | —                                      | 368             | 368             | 682             | —                        | —  | —               |
| Other construction                     | 276                                    | —               | —               | —               | 276                      | —  | —               |
| Total land, lot and other construction | 659                                    | 1,015           | 1,205           | 1,772           | 659                      | —  | —               |
| Owner occupied                         | 3,323                                  | 3,747           | 6,725           | 9,077           | 3,323                    | —  | —               |
| Non-owner occupied                     | 2,089                                  | 1,892           | 4,796           | 4,879           | 1,716                    | 373  | —               |
| Total commercial real estate           | 5,412                                  | 5,639           | 11,521          | 13,956          | 5,039                    | 373  | —               |
| Commercial and industrial              | 5,621                                  | 6,046           | 6,689           | 8,571           | 5,444                    | 177  | —               |
| Agriculture                            | 32,712                                 | 31,742          | 6,313           | 8,972           | 28,412                   | 4,300  | —               |
| 1st lien                               | 3,178                                  | 4,186           | 5,353           | 6,559           | 3,091                    | 87   | —               |
| Junior lien                            | 166                                    | 272             | 301             | 986             | 166                      | —  | —               |
| Total 1-4 family                       | 3,344                                  | 4,458           | 5,654           | 7,545           | 3,257                    | 87   | —               |
| Multifamily residential                | —                                      | —               | —               | —               | —                        | —  | —               |
| Home equity lines of credit            | 2,393                                  | 2,653           | 2,939           | 2,903           | 2,224                    | 81   | 88              |
| Other consumer                         | 539                                    | 542             | 572             | 407             | 392                      | 129  | 18              |
| Total consumer                         | 2,932                                  | 3,195           | 3,511           | 3,310           | 2,616                    | 210  | 106             |
| States and political subdivisions      | —                                      | —               | —               | —               | —                        | —  | —               |
| Other                                  | 259                                    | 703             | 293             | 288             | 234                      | 25   | —               |
| Total                                  | \$ 51,179                              | 53,041          | 35,433          | 44,663          | 45,901                   | 5,172  | 106             |

The following table summarizes the Company's accruing loans 30-89 days past due by regulatory classification:

|  | Accruing 30-89 Days Delinquent<br>Loans, by Loan Type |                 |                 |                 | % Change from   |                 |                 |
|--|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | Sep 30,<br>2021                                       | Jun 30,<br>2021 | Dec 31,<br>2020 | Sep 30,<br>2020 | Jun 30,<br>2021 | Dec 31,<br>2020 | Sep 30,<br>2020 |
| (Dollars in thousands)                 |   |                 |                 |                 |                 |                 |                 |
| Custom and owner occupied construction | \$ 892  | \$ —            | \$ 788          | \$ 448          | n/m             | 13 %            | 99 %            |
| Pre-sold and spec construction         | 325   | 70              | —               | —               | 364 %           | n/m             | n/m             |
| Total residential construction         | 1,217   | 70              | 788             | 448             | 1,639 %         | 54 %            | 172 %           |
| Land development                       | 276   | —               | 202             | —               | n/m             | 37 %            | n/m             |
| Consumer land or lots                  | 325   | —               | 71              | 220             | n/m             | 358 %           | 48 %            |
| Unimproved land                        | 181   | 307             | 357             | 381             | (41)%           | (49)%           | (52)%           |
| Developed lots for operative builders  | 59  | —               | 306             | —               | n/m             | (81)%           | n/m             |
| Other construction                     | 12,884  | —               | —               | —               | n/m             | n/m             | n/m             |
| Total land, lot and other construction | 13,725  | 307             | 936             | 601             | 4,371 %         | 1,366 %         | 2,184 %         |
| Owner occupied                         | 1,933   | 2,243           | 3,432           | 3,163           | (14)%           | (44)%           | (39)%           |
| Non-owner occupied                     | 443   | 574             | 149             | 1,157           | (23)%           | 197 %           | (62)%           |
| Total commercial real estate           | 2,376   | 2,817           | 3,581           | 4,320           | (16)%           | (34)%           | (45)%           |
| Commercial and industrial              | 1,581   | 2,947           | 1,814           | 2,354           | (46)%           | (13)%           | (33)%           |
| Agriculture                            | 1,032   | 837             | 1,553           | 2,795           | 23 %            | (34)%           | (63)%           |
| 1st lien                               | 350   | 736             | 6,677           | 2,589           | (52)%           | (95)%           | (86)%           |
| Junior lien                            | 167   | 106             | 55              | 738             | 58 %            | 204 %           | (77)%           |
| Total 1-4 family                       | 517   | 842             | 6,732           | 3,327           | (39)%           | (92)%           | (84)%           |
| Home equity lines of credit            | 3,023   | 1,942           | 2,840           | 2,200           | 56 %            | 6 %             | 37 %            |
| Other consumer                         | 1,361   | 919             | 1,054           | 789             | 48 %            | 29 %            | 72 %            |
| Total consumer                         | 4,384   | 2,861           | 3,894           | 2,989           | 53 %            | 13 %            | 47 %            |
| States and political subdivisions      | —   | —               | 2,358           | —               | n/m             | (100)%          | n/m             |
| Other                                  | 1,170   | 1,395           | 1,065           | 797             | (16)%           | 10 %            | 47 %            |
| Total                                  | \$ 26,002   | \$ 12,076       | \$ 22,721       | \$ 17,631       | 115 %           | 14 %            | 47 %            |

n/m - not measurable

The following table summarizes the Company's charge-offs and recoveries by regulatory classification:

|  | Net Charge-Offs (Recoveries),<br>Year-to-Date Period Ending,<br>By Loan Type |                 |                 |                 | Charge-Offs     | Recoveries      |
|--|--|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | Sep 30,<br>2021  | Jun 30,<br>2021 | Dec 31,<br>2020 | Sep 30,<br>2020 | Sep 30,<br>2021 | Sep 30,<br>2021 |
| (Dollars in thousands)                 |  |                 |                 |                 |                 |                 |
| Custom and owner occupied construction | \$ —   | —               | (9)             | (9)             | —               | —               |
| Pre-sold and spec construction         | (12)   | (8)             | (24)            | (19)            | —               | 12              |
| Total residential construction         | (12)   | (8)             | (33)            | (28)            | —               | 12              |
| Land development                       | (163)  | (77)            | (106)           | (63)            | —               | 163             |
| Consumer land or lots                  | (164)  | (164)           | (221)           | (217)           | 3               | 167             |
| Unimproved land                        | (241)  | (21)            | (489)           | (489)           | —               | 241             |
| Commercial lots                        | —  | —               | (55)            | (5)             | —               | —               |
| Total land, lot and other construction | (568)  | (262)           | (871)           | (774)           | 3               | 571             |
| Owner occupied                         | (410)  | (70)            | (168)           | (82)            | 41              | 451             |
| Non-owner occupied                     | (356)  | (503)           | 3,030           | 246             | 148             | 504             |
| Total commercial real estate           | (766)  | (573)           | 2,862           | 164             | 189             | 955             |
| Commercial and industrial              | (87)   | (218)           | 1,533           | 740             | 481             | 568             |
| Agriculture                            | —  | (6)             | 337             | 309             | 12              | 12              |
| 1st lien                               | (250)  | (237)           | 69              | (27)            | 42              | 292             |
| Junior lien                            | (511)  | (475)           | (211)           | (169)           | —               | 511             |
| Total 1-4 family                       | (761)  | (712)           | (142)           | (196)           | 42              | 803             |
| Multifamily residential                | (40)   | (40)            | (244)           | (244)           | —               | 40              |
| Home equity lines of credit            | (601)  | (23)            | 101             | 79              | 41              | 642             |
| Other consumer                         | 145  | 74              | 307             | 233             | 369             | 224             |
| Total consumer                         | (456)  | 51              | 408             | 312             | 410             | 866             |
| Other                                  | 4,403  | 3,329           | 3,803           | 2,589           | 7,429           | 3,026           |
| Total                                  | \$ 1,713   | 1,561           | 7,653           | 2,872           | 8,566           | 6,853           |

## Sources of Funds

The Company's deposits have traditionally been the principal source of funds for use in lending and other business purposes. The Company also obtains funds from repayment of loans and debt securities, securities sold under agreements to repurchase ("repurchase agreements"), wholesale deposits, advances from FHLB and other borrowings. Loan repayments are a relatively stable source of funds, while interest bearing deposit inflows and outflows are significantly influenced by general interest rate levels and market conditions. Borrowings and advances may be used on a short-term basis to compensate for reductions in normal sources of funds such as deposit inflows at less than projected levels. Borrowings also may be used on a long-term basis to support expanded activities, match maturities of longer-term assets or manage interest rate risk.

## Deposits

The Company has several deposit programs designed to attract both short-term and long-term deposits from the general public by providing a wide selection of accounts and rates. These programs include non-interest bearing deposit accounts and interest bearing deposit accounts such as NOW, DDA, savings, money market deposits, fixed rate certificates of deposit with maturities ranging from three months to five years, negotiated-rate jumbo certificates, and individual retirement accounts. These deposits are obtained primarily from individual and business residents in the Bank's geographic market areas. Wholesale deposits are obtained through various programs and include brokered deposits classified as NOW, DDA, money market deposits and certificate accounts. The Company's deposits are summarized below:

| (Dollars in thousands)          | September 30, 2021   |              | December 31, 2020    |              | September 30, 2020   |              |
|---------------------------------|----------------------|--------------|----------------------|--------------|----------------------|--------------|
|                                 | Amount               | Percent      | Amount               | Percent      | Amount               | Percent      |
| Non-interest bearing deposits   | \$ 6,632,402         | 38 %         | \$ 5,454,539         | 37 %         | \$ 5,479,311         | 38 %         |
| NOW and DDA accounts            | 4,299,244            | 25 %         | 3,698,559            | 25 %         | 3,300,152            | 23 %         |
| Savings accounts                | 2,502,268            | 14 %         | 2,000,174            | 13 %         | 1,864,143            | 13 %         |
| Money market deposit accounts   | 3,123,425            | 18 %         | 2,627,336            | 18 %         | 2,557,294            | 18 %         |
| Certificate accounts            | 919,852              | 5 %          | 978,779              | 7 %          | 979,857              | 7 %          |
| Wholesale deposits              | 26,123               | — %          | 38,142               | — %          | 119,131              | 1 %          |
| Total interest bearing deposits | 10,870,912           | 62 %         | 9,342,990            | 63 %         | 8,820,577            | 62 %         |
| Total deposits                  | <u>\$ 17,503,314</u> | <u>100 %</u> | <u>\$ 14,797,529</u> | <u>100 %</u> | <u>\$ 14,299,888</u> | <u>100 %</u> |

## Securities Sold Under Agreements to Repurchase, Federal Home Loan Bank Advances and Other Borrowings

The Company borrows money through repurchase agreements. This process involves the selling of one or more of the securities in the Company's investment portfolio and simultaneously entering into an agreement to repurchase the same securities at an agreed upon later date, typically overnight. A rate of interest is paid for the agreed period of time. The Bank enters into repurchase agreements with local municipalities, and certain customers, and has adopted procedures designed to ensure proper transfer of title and safekeeping of the underlying securities. In addition to retail repurchase agreements, the Company periodically enters into wholesale repurchase agreements as additional funding sources. The Company has not entered into reverse repurchase agreements.

The Bank is a member of the FHLB of Des Moines, which is one of eleven banks that comprise the FHLB system. The Bank is required to maintain a certain level of activity-based stock in order to borrow or to engage in other transactions with the FHLB of Des Moines. Additionally, the Bank is subject to a membership capital stock requirement that is based upon an annual calibration tied to the total assets of the Bank. The borrowings are collateralized by eligible categories of loans and debt securities (principally, securities which are obligations of, or guaranteed by, the U.S. government and its agencies), provided certain standards related to credit-worthiness have been met. Advances are made pursuant to several different credit programs, each of which has its own interest rates and range of maturities. The Bank's maximum amount of FHLB advances is limited to the lesser of a fixed percentage of the Bank's total assets or the discounted value of eligible collateral. FHLB advances fluctuate to meet seasonal and other withdrawals of deposits and to expand lending or investment opportunities of the Company.

Additionally, the Company has other sources of secured and unsecured borrowing lines from various sources that may be used from time to time.



### Short-term borrowings

A critical component of the Company's liquidity and capital resources is access to short-term borrowings to fund its operations. Short-term borrowings are accompanied by increased risks managed by the Bank's Asset Liability Committee ("ALCO") such as rate increases or unfavorable change in terms which would make it more costly to obtain future short-term borrowings. The Company's short-term borrowing sources include FHLB advances, federal funds purchased and retail and wholesale repurchase agreements. The Company also has access to the short-term discount window borrowing programs (i.e., primary credit) of the Federal Reserve Bank ("FRB"). FHLB advances and certain other short-term borrowings may be renewed as long-term borrowings to decrease certain risks such as liquidity or interest rate risk; however, the reduction in risks are weighed against the increased cost of funds and other risks.

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

|  | At or for the Nine<br>Months ended<br>September 30,<br>2021 | At or for the Year<br>ended<br>December 31,<br>2020 |
|--|---|---|
| (Dollars in thousands)                       |   |   |
| <b>Repurchase agreements</b>                 |   |   |
| Amount outstanding at end of period          | \$ 1,040,939  | 1,004,583   |
| Weighted interest rate on outstanding amount | 0.19 %  | 0.33 %  |
| Maximum outstanding at any month-end         | \$ 1,040,939  | 1,004,583   |
| Average balance                              | \$ 988,092  | 783,100   |
| Weighted-average interest rate               | 0.25 %  | 0.46 %  |

### Subordinated Debentures

In addition to funds obtained in the ordinary course of business, the Company formed or acquired financing subsidiaries for the purpose of issuing trust preferred securities that entitle the investor to receive cumulative cash distributions thereon. Subordinated debentures were issued in conjunction with the trust preferred securities and the terms of the subordinated debentures and trust preferred securities are the same. For regulatory capital purposes, the trust preferred securities are included in Tier 2 capital at September 30, 2021. The subordinated debentures outstanding as of September 30, 2021 were \$133 million, including fair value adjustments from acquisitions.

### Contractual Obligations and Off-Balance Sheet Arrangements

In the normal course of business, there may be various outstanding commitments to obtain funding and to extend credit, such as letters of credit and unfunded loan commitments, which are not reflected in the accompanying condensed consolidated financial statements. The Company assessed the off-balance sheet credit exposures as of September 30, 2021 and determined its ACL of \$14.1 million was adequate to absorb the estimated credit losses.

Off-balance sheet arrangements also include any obligation related to a variable interest held in an unconsolidated entity. The Company does not anticipate any material losses as a result of these transactions. For additional information regarding the Company's interests in unconsolidated variable interest entities ("VIE"), see Note 7 to the Unaudited Consolidated Financial Statements in "Part I. Item 1. Financial Statements."

## Liquidity Risk

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

1. assessing on an ongoing basis, the current and expected future needs for funds, and ensuring that sufficient funds or access to funds exist to meet those needs at the appropriate time;
2. providing for an adequate cushion of liquidity to meet unanticipated cash flow needs that may arise from potential adverse circumstances ranging from high probability/low severity events to low probability/high severity; and
3. balancing the benefits between providing for adequate liquidity to mitigate potential adverse events and the cost of that liquidity.

The Company has a wide range of versatility in managing the liquidity and asset/liability mix. The Bank's ALCO meets regularly to assess liquidity risk, among other matters. The Company monitors liquidity and contingency funding alternatives through management reports of liquid assets (e.g., debt securities), both unencumbered and pledged, as well as borrowing capacity, both secured and unsecured, including off-balance sheet funding sources. The Company evaluates its potential funding needs across alternative scenarios and maintains contingency funding plans consistent with the Company's access to diversified sources of contingent funding.

The following table identifies certain liquidity sources and capacity available to the Company as of the dates indicated:

| (Dollars in thousands)                 | September 30,<br>2021 | December 31,<br>2020 |
|--|-----------------------|----------------------|
| <b>FHLB advances</b>                   |                       |                      |
| Borrowing capacity                     | \$ 2,822,024          | 2,446,759            |
| Amount utilized                        | —                     | —                    |
| Letters of credit                      | (1,631)               | (1,498)              |
| Amount available                       | <u>\$ 2,820,393</u>   | <u>2,445,261</u>     |
| <b>FRB discount window</b>             |                       |                      |
| Borrowing capacity                     | \$ 1,422,290          | 1,269,778            |
| Amount utilized                        | —                     | —                    |
| Amount available                       | <u>\$ 1,422,290</u>   | <u>1,269,778</u>     |
| Unsecured lines of credit available    | <u>\$ 635,000</u>     | <u>635,000</u>       |
| <b>Unencumbered debt securities</b>    |                       |                      |
| U.S. government and federal agency     | \$ 31,373             | 38,588               |
| U.S. government sponsored enterprises  | 47,051                | 9,781                |
| State and local governments            | 656,611               | 185,680              |
| Corporate bonds                        | 39,986                | 99,764               |
| Residential mortgage-backed securities | 4,261,048             | 1,994,927            |
| Commercial mortgage-backed securities  | 922,366               | 1,028,944            |
| Total unencumbered debt securities     | <u>\$ 5,958,435</u>   | <u>3,357,684</u>     |

## Capital Resources

Maintaining capital strength continues to be a long-term objective of the Company. Abundant capital is necessary to sustain growth, provide protection against unanticipated declines in asset values, and to safeguard the funds of depositors. Capital is also a source of funds for loan demand and enables the Company to effectively manage its assets and liabilities. The Company has the capacity to issue 117,187,500 shares of common stock of which 95,512,659 have been issued as of September 30, 2021. The Company also has the capacity to issue 1,000,000 shares of preferred stock of which none have been issued as of September 30, 2021. Conversely, the Company may decide to utilize a portion of its strong capital position, as it has done in the past, to repurchase shares of its outstanding common stock, depending on market price and other relevant considerations.

The Federal Reserve has adopted capital adequacy guidelines that are used to assess the adequacy of capital in supervising a bank holding company. The federal banking agencies issued final rules ("Final Rules") that established a comprehensive regulatory capital framework based on the recommendation of the Basel Committee on Banking Supervision and certain requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Final Rules require the Company to hold a 2.5 percent capital conservation buffer designed to absorb losses during periods of economic stress. As of September 30, 2021, management believes the Company and Bank meet all capital adequacy requirements to which they are subject and there are no conditions or events subsequent to this date that management believes have changed the Company's or Bank's risk-based capital category.

The following table illustrates the Bank's regulatory capital ratios and the Federal Reserve's capital adequacy guidelines as of September 30, 2021:

|  | Total Capital (To<br>Risk-Weighted<br>Assets) | Tier 1 Capital (To<br>Risk-Weighted<br>Assets) | Common Equity Tier<br>1 (To Risk-Weighted<br>Assets) | Leverage Ratio/<br>Tier 1 Capital (To<br>Average Assets) |
|--|---|--|--|--|
| Glacier Bank   | 13.32 %                                       | 12.32 %  | 12.32 %  | 8.75 %   |
| Minimum capital requirements                                     | 8.00 %  | 6.00 %   | 4.50 %   | 4.00 %   |
| Minimum capital requirements plus capital conservation<br>buffer | 10.50 %                                       | 8.50 %   | 7.00 %   | N/A  |
| Well capitalized requirements                                    | 10.00 %                                       | 8.00 %   | 6.50 %   | 5.00 %   |

On January 1, 2020, the Company adopted the current expected credit losses ("CECL") accounting standard that requires management's estimate of credit losses over the expected contractual lives of the Company's relevant financial assets. On March 27, 2020, in response to the COVID-19 pandemic, federal banking regulators issued an interim final rule to delay for two years the initial adoption impact of CECL on regulatory capital, followed by a three-year transition period to phase out the aggregate amount of the capital benefit provided during 2020 and 2021 (i.e., a five-year transition period). The Company has elected to utilize the five-year transition period. During the two-year delay, the Company will add back to Common Tier 1 capital 100 percent of the initial adoption impact of CECL plus 25 percent of the cumulative quarterly changes in ACL (i.e., quarterly transitional amounts). Starting on January 1, 2022, the quarterly transitional amounts along with the initial adoption impact of CECL will be phased out of Common Tier 1 capital evenly over the three-year period.

## Federal and State Income Taxes

The Company files a consolidated federal income tax return using the accrual method of accounting. All required tax returns have been timely filed. Financial institutions are subject to the provisions of the Internal Revenue Code of 1986, as amended, in the same general manner as other corporations. The federal statutory corporate income tax rate is 21 percent.

Within the Company's geographic footprint, Montana, Idaho, Utah, Colorado and Arizona law, financial institutions are subject to a corporation income tax, which incorporates or is substantially similar to applicable provisions of the Internal Revenue Code. The corporation income tax is imposed on federal taxable income, subject to certain adjustments. State taxes are incurred at the rate of 6.75 percent in Montana, 6.925 percent in Idaho, 4.95 percent in Utah, 4.6 percent in Colorado and 4.9 percent in Arizona. Washington, Wyoming and Nevada do not impose a corporate income tax. The Company is also required to file in the states other than the eight states in which it has properties.

The following table summarizes information relevant to the Company's federal and state income taxes:

|  | Nine Months ended     |                       |
|--|-----------------------|-----------------------|
|  | September 30,<br>2021 | September 30,<br>2020 |
| (Dollars in thousands)   |                       |                       |
| Income Before Income Taxes   | \$ 289,457            | 227,230               |
| Federal and state income tax expense                               | 55,409                | 42,690                |
| Net Income   | \$ 234,048            | 184,540               |
| Effective tax rate <sup>1</sup>                                    | 19.1 %                | 18.8 %                |
| Income from tax-exempt debt securities, municipal loans and leases | \$ 51,377             | 45,378                |
| Benefits from federal income tax credits                           | \$ 9,260              | 9,626                 |

<sup>1</sup> The current and prior year's low effective income tax rates are due to income from tax-exempt debt securities, municipal loans and leases and benefits from federal income tax credits.

The Company has equity investments in Certified Development Entities ("CDE") which have received allocations of New Markets Tax Credits ("NMTC"). Administered by the Community Development Financial Institutions Fund ("CDFI Fund") of the U.S. Department of the Treasury, the NMTC program is aimed at stimulating economic and community development and job creation in low-income communities. The federal income tax credits received are claimed over a seven-year credit allowance period. The Company also has equity investments in Low-Income Housing Tax Credits ("LIHTC") which are indirect federal subsidies used to finance the development of affordable rental housing for low-income households. The federal income tax credits are claimed over a ten-year credit allowance period. The Company has investments of \$16.2 million in Qualified School Construction bonds whereby the Company receives quarterly federal income tax credits in lieu of taxable interest income. The federal income tax credits on these debt securities are subject to federal and state income tax.

Following is a list of expected federal income tax credits to be received in the years indicated.

|                        | New<br>Markets<br>Tax Credits | Low-Income<br>Housing<br>Tax Credits | Debt<br>Securities<br>Tax Credits | Total   |
|------------------------|-------------------------------|--------------------------------------|-----------------------------------|---------|
| (Dollars in thousands) |                               |                                      |                                   |         |
| 2021                   | \$ 6,617                      | 10,049                               | 727                               | 17,393  |
| 2022                   | 5,969                         | 12,926                               | 664                               | 19,559  |
| 2023                   | 5,373                         | 15,652                               | 631                               | 21,656  |
| 2024                   | 3,636                         | 15,878                               | 594                               | 20,108  |
| 2025                   | 1,890                         | 15,760                               | 451                               | 18,101  |
| Thereafter             | 2,340                         | 69,545                               | 452                               | 72,337  |
|                        | \$ 25,825                     | 139,810                              | 3,519                             | 169,154 |

## Average Balance Sheet

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

|  | Three Months ended<br>September 30, 2021 |                           |                           | Nine Months ended<br>September 30, 2021 |                           |                           |
|--|--|---------------------------|---------------------------|---|---------------------------|---------------------------|
|  | Average<br>Balance                       | Interest and<br>Dividends | Average<br>Yield/<br>Rate | Average<br>Balance                      | Interest and<br>Dividends | Average<br>Yield/<br>Rate |
| (Dollars in thousands)                           |  |                           |                           |   |                           |                           |
| <b>Assets</b>                                    |  |                           |                           |   |                           |                           |
| Residential real estate loans                    | \$ 817,150                               | \$ 9,885                  | 4.84 %                    | \$ 844,945                              | \$ 29,572                 | 4.67 %                    |
| Commercial loans <sup>1</sup>                    | 9,468,440                                | 116,963                   | 4.90 %                    | 9,467,329                               | 344,117                   | 4.86 %                    |
| Consumer and other loans                         | 974,582                                  | 10,971                    | 4.47 %                    | 963,002                                 | 32,386                    | 4.50 %                    |
| Total loans <sup>2</sup>                         | 11,260,172                               | 137,819                   | 4.86 %                    | 11,275,276                              | 406,075                   | 4.82 %                    |
| Tax-exempt investment securities <sup>3</sup>    | 1,548,447                                | 14,711                    | 3.80 %                    | 1,547,429                               | 44,162                    | 3.81 %                    |
| Taxable investment securities <sup>4</sup>       | 6,767,418                                | 18,896                    | 1.12 %                    | 5,771,573                               | 51,998                    | 1.20 %                    |
| Total earning assets                             | 19,576,037                               | 171,426                   | 3.47 %                    | 18,594,278                              | 502,235                   | 3.61 %                    |
| Goodwill and intangibles                         | 563,257                                  |                           |                           | 565,724                                 |                           |                           |
| Non-earning assets                               | 803,226                                  |                           |                           | 816,982                                 |                           |                           |
| Total assets                                     | <u>\$ 20,942,520</u>                     |                           |                           | <u>\$ 19,976,984</u>                    |                           |                           |
| <b>Liabilities</b>                               |  |                           |                           |   |                           |                           |
| Non-interest bearing deposits                    | \$ 6,505,530                             | \$ —                      | — %                       | \$ 6,069,326                            | \$ —                      | — %                       |
| NOW and DDA accounts                             | 4,261,648                                | 597                       | 0.06 %                    | 4,057,019                               | 1,768                     | 0.06 %                    |
| Savings accounts                                 | 2,440,332                                | 146                       | 0.02 %                    | 2,277,335                               | 425                       | 0.02 %                    |
| Money market deposit accounts                    | 3,041,634                                | 814                       | 0.11 %                    | 2,895,362                               | 2,540                     | 0.12 %                    |
| Certificate accounts                             | 928,165                                  | 1,036                     | 0.44 %                    | 951,655                                 | 3,640                     | 0.51 %                    |
| Total core deposits                              | 17,177,309                               | 2,593                     | 0.06 %                    | 16,250,697                              | 8,373                     | 0.07 %                    |
| Wholesale deposits <sup>5</sup>                  | 26,117                                   | 16                        | 0.24 %                    | 32,787                                  | 55                        | 0.22 %                    |
| Repurchase agreements                            | 988,283                                  | 495                       | 0.20 %                    | 988,092                                 | 1,835                     | 0.25 %                    |
| Subordinated debentures and other borrowed funds | 166,151                                  | 1,024                     | 2.44 %                    | 165,996                                 | 3,092                     | 2.49 %                    |
| Total interest bearing liabilities               | 18,357,860                               | 4,128                     | 0.09 %                    | 17,437,572                              | 13,355                    | 0.10 %                    |
| Other liabilities                                | 182,573                                  |                           |                           | 181,640                                 |                           |                           |
| Total liabilities                                | 18,540,433                               |                           |                           | 17,619,212                              |                           |                           |
| <b>Stockholders' Equity</b>                      |  |                           |                           |   |                           |                           |
| Common stock                                     | 955                                      |                           |                           | 955                                     |                           |                           |
| Paid-in capital                                  | 1,497,107                                |                           |                           | 1,496,051                               |                           |                           |
| Retained earnings                                | 805,253                                  |                           |                           | 757,666                                 |                           |                           |
| Accumulated other comprehensive income           | 98,772                                   |                           |                           | 103,100                                 |                           |                           |
| Total stockholders' equity                       | 2,402,087                                |                           |                           | 2,357,772                               |                           |                           |
| Total liabilities and stockholders' equity       | <u>\$ 20,942,520</u>                     |                           |                           | <u>\$ 19,976,984</u>                    |                           |                           |
| Net interest income (tax-equivalent)             |  | <u>\$ 167,298</u>         |                           |   | <u>\$ 488,880</u>         |                           |
| Net interest spread (tax-equivalent)             |  |                           | 3.38 %                    |   |                           | 3.51 %                    |
| Net interest margin (tax-equivalent)             |  |                           | 3.39 %                    |   |                           | 3.52 %                    |

<sup>1</sup> Includes tax effect of \$1.4 million and \$4.2 million on tax-exempt municipal loan and lease income for the three and nine months ended September 30, 2021, respectively.

<sup>2</sup> Total loans are gross of the allowance for credit losses, net of unearned income and include loans held for sale. Non-accrual loans were included in the average volume for the entire period.

<sup>3</sup> Includes tax effect of \$3.0 million and \$9.0 million on tax-exempt debt securities income for the three and nine months ended September 30, 2021, respectively.

<sup>4</sup> Includes tax effect of \$255 thousand and \$766 thousand on federal income tax credits for the three and nine months ended September 30, 2021, respectively.

<sup>5</sup> Wholesale deposits include brokered deposits classified as NOW, DDA, money market deposit and certificate accounts with contractual maturities.

### Rate/Volume Analysis

Net interest income can be evaluated from the perspective of relative dollars of change in each period. Interest income and interest expense, which are the components of net interest income, are shown in the following table on the basis of the amount of any increases (or decreases) attributable to changes in the dollar levels of the Company's interest earning assets and interest bearing liabilities ("volume") and the yields earned and paid on such assets and liabilities ("rate"). The change in interest income and interest expense attributable to changes in both volume and rates has been allocated proportionately to the change due to volume and the change due to rate.

| (Dollars in thousands)                           | Nine Months ended<br>2021 vs. 2020 |          |         |
|--|------------------------------------|----------|---------|
|  | Increase (Decrease) Due to:        |          |         |
|  | Volume                             | Rate     | Net     |
| <b>Interest income</b>                           |                                    |          |         |
| Residential real estate loans                    | \$ (5,844)                         | 200      | (5,644) |
| Commercial loans (tax-equivalent)                | 19,187                             | 6,495    | 25,682  |
| Consumer and other loans                         | 431                                | (1,816)  | (1,385) |
| Investment securities (tax-equivalent)           | 82,463                             | (66,915) | 15,548  |
| Total interest income                            | 96,237                             | (62,036) | 34,201  |
| <b>Interest expense</b>                          |                                    |          |         |
| NOW and DDA accounts                             | 808                                | (1,284)  | (476)   |
| Savings accounts                                 | 208                                | (362)    | (154)   |
| Money market deposit accounts                    | 1,106                              | (2,591)  | (1,485) |
| Certificate accounts                             | (272)                              | (3,029)  | (3,301) |
| Wholesale deposits                               | (179)                              | (98)     | (277)   |
| Repurchase agreements                            | 1,019                              | (1,966)  | (947)   |
| FHLB advances                                    | (684)                              | —        | (684)   |
| Subordinated debentures and other borrowed funds | (157)                              | (929)    | (1,086) |
| Total interest expense                           | 1,849                              | (10,259) | (8,410) |
| Net interest income (tax-equivalent)             | \$ 94,388                          | (51,777) | 42,611  |

Net interest income (tax-equivalent) increased \$42.6 million for the nine months ended September 30, 2021 compared to the same period in 2020. The interest income for the first nine months of 2021 increased over the same period last year primarily from income associated with the PPP loans and increased volume of debt securities. Total interest expense decreased from the prior year primarily from a decrease in rates on deposits.

### Effect of inflation and changing prices

GAAP often requires the measurement of financial position and operating results in terms of historical dollars, without consideration for change in relative purchasing power over time due to inflation. Virtually all assets of the Company are monetary in nature; therefore, interest rates generally have a more significant impact on a company's performance than does the effect of inflation.

### **Item 3. Quantitative and Qualitative Disclosure about Market Risk**

The Company's assessment of market risk as of September 30, 2021 indicates there are no material changes in the quantitative and qualitative disclosures from those in the Company's 2020 Annual Report on Form 10-K.

### **Item 4. Controls and Procedures**

#### Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as required by Exchange Act Rules 240.13a-15(b) and 15d-14(c)) as of September 30, 2021. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's current disclosure controls and procedures are effective and timely, providing them with material information relating to the Company required to be disclosed in the reports the Company files or submits under the Exchange Act.

#### Changes in Internal Controls

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the third quarter of 2021, to which this report relates that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

## **PART II – OTHER INFORMATION**

### **Item 1. Legal Proceedings**

The Company is involved in various claims, legal actions and complaints which arise in the ordinary course of business. In the Company's opinion, all such matters are adequately covered by insurance, are without merit or are of such kind, or involve such amounts, that unfavorable disposition would not have a material adverse effect on the financial condition or results of operations of the Company.

### **Item 1A. Risk Factors**

The Company believes there have been no material changes from the risk factors previously disclosed in the Company's 2020 Annual Report on Form 10-K. The risks and uncertainties described in the 2020 Annual Report on Form 10-K should be carefully reviewed. These are not the only risks and uncertainties that the Company faces. Additional risks and uncertainties that the Company does not currently know about or that we currently believe are immaterial, or that the Company has not predicted, may also harm our business operations or adversely affect the Company. If any of these risks or uncertainties actually occurs, the Company's business, financial condition, operating results or liquidity could be adversely affected.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

- (a) Not Applicable
- (b) Not Applicable
- (c) Not Applicable

### **Item 3. Defaults upon Senior Securities**

- (a) Not Applicable
- (b) Not Applicable

**Item 4. Mine Safety Disclosures**

Not Applicable

**Item 5. Other Information**

(a) Not Applicable

(b) Not Applicable



## Item 6. Exhibits

- 2.1 [Agreement and Plan of Merger, dated as of May 18, 2021, by and between Glacier Bancorp, Inc., Glacier Bank, Altabancorp and Altabank, Filed as Exhibit 2.1 to Form 8-K, filed on May 19, 2021](#)
- 3.1 [Restated Articles of Incorporation of Glacier Bancorp, Inc. Filed as Exhibit 3.1 to Form S-4 filed on July 2, 2021](#)
- 3.2 [Amended and Restated Bylaws of Glacier Bancorp, Inc. Filed as Exhibit 3.2 to Form 8-K filed on May 4, 2021](#)
- 31.1 [Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002](#)
- 32 [Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002](#)
- 101.INS XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Labels Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GLACIER BANCORP, INC.

November 1, 2021

/s/ Randall M. Chesler

Randall M. Chesler  
President and CEO

November 1, 2021

/s/ Ron J. Copher

Ron J. Copher  
Executive Vice President and CFO

**CERTIFICATIONS**

I, Randall M. Chesler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Glacier Bancorp, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 1, 2021

/s/ Randall M. Chesler

Randall M. Chesler

President/CEO

## CERTIFICATIONS

I, Ron J. Copher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Glacier Bancorp, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 1, 2021

/s/ Ron J. Copher

Ron J. Copher

Executive Vice President/CFO

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Glacier Bancorp, Inc. ("Company") on Form 10-Q for the period ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof ("Report"), we, Randall M. Chesler, President and Chief Executive Officer, and Ron J. Copher, Executive Vice President and Chief Financial Officer, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

November 1, 2021

/s/ Randall M. Chesler

Randall M. Chesler

President/CEO

November 1, 2021

/s/ Ron J. Copher

Ron J. Copher

Executive Vice President/CFO