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 March 31, 2023**

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

Commission file number 000-18911

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

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

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

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	The New York Stock Exchange

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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

The number of shares of Registrant's common stock outstanding on April 18, 2023 was 110,870,287. 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
BTFP - Bank Term Funding Program of the Federal Reserve 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
MBFD - Modifications to borrowers experiencing financial difficulty
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

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

(Dollars in thousands, except per share data)	March 31, 2023	December 31, 2022
Assets		
Cash on hand and in banks	$ 290,960	300,194
Interest bearing cash deposits	1,238,574	101,801
Cash and cash equivalents	1,529,534	401,995
Debt securities, available-for-sale	5,198,313	5,307,307
Debt securities, held-to-maturity	3,664,393	3,715,052
Total debt securities	8,862,706	9,022,359
Loans held for sale, at fair value	14,461	12,314
Loans receivable	15,518,612	15,246,812
Allowance for credit losses	(186,604)	(182,283)
Loans receivable, net	15,332,008	15,064,529
Premises and equipment, net	399,740	398,100
Other real estate owned and foreclosed assets	31	32
Accrued interest receivable	90,642	83,538
Deferred tax asset	172,453	193,187
Core deposit intangible, net	39,152	41,601
Goodwill	985,393	985,393
Non-marketable equity securities	23,414	82,015
Bank-owned life insurance	168,235	169,068
Other assets	184,665	181,244
Total assets	$ 27,802,434	26,635,375
Liabilities		
Non-interest bearing deposits	$ 7,001,241	7,690,751
Interest bearing deposits	13,147,067	12,915,804
Securities sold under agreements to repurchase	1,191,323	945,916
Federal Home Loan Bank advances	335,000	1,800,000
FRB Bank Term Funding	2,740,000	—
Other borrowed funds	76,185	77,293
Subordinated debentures	132,822	132,782
Accrued interest payable	8,968	4,331
Other liabilities	242,924	225,193
Total liabilities	24,875,530	23,792,070
Commitments and Contingent Liabilities	—	—
Stockholders' Equity		
Preferred shares, $0.01 par value per share, 1,000,000 shares authorized, none issued or outstanding	—	—
Common stock, $0.01 par value per share, 234,000,000 shares authorized at March 31, 2023 and December 31, 2022, respectively	1,109	1,108
Paid-in capital	2,344,514	2,344,005
Retained earnings - substantially restricted	991,509	966,984
Accumulated other comprehensive loss	(410,228)	(468,792)
Total stockholders' equity	2,926,904	2,843,305
Total liabilities and stockholders' equity	$ 27,802,434	26,635,375
Number of common stock shares issued and outstanding	110,868,713	110,777,780

See accompanying notes to unaudited condensed consolidated financial statements.

GLACIER BANCORP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)	Three Months ended March 31, 2023	March 31, 2022
Interest Income		
Investment securities	$ 43,642	38,654
Residential real estate loans	15,838	15,515
Commercial loans	155,682	124,556
Consumer and other loans	16,726	11,791
Total interest income	231,888	190,516
Interest Expense		
Deposits	12,545	3,464
Securities sold under agreements to repurchase	4,606	393
Federal Home Loan Bank advances	23,605	12
FRB Bank Term Funding	3,032	—
Other borrowed funds	496	220
Subordinated debentures	1,412	872
Total interest expense	45,696	4,961
Net Interest Income	186,192	185,555
Provision for credit losses	5,470	7,031
Net interest income after provision for credit losses	180,722	178,524
Non-Interest Income		
Service charges and other fees	17,771	17,111
Miscellaneous loan fees and charges	3,967	3,555
Gain on sale of loans	2,400	9,015
(Loss) gain on sale of debt securities	(114)	446
Other income	3,871	3,436
Total non-interest income	27,895	33,563
Non-Interest Expense		
Compensation and employee benefits	81,477	79,074
Occupancy and equipment	11,665	10,964
Advertising and promotions	4,235	3,232
Data processing	8,109	7,475
Other real estate owned and foreclosed assets	12	—
Regulatory assessments and insurance	4,903	3,055
Core deposit intangibles amortization	2,449	2,664
Other expenses	22,132	23,844
Total non-interest expense	134,982	130,308
Income Before Income Taxes	73,635	81,779
Federal and state income tax expense	12,424	13,984
Net Income	$ 61,211	67,795
Basic earnings per share	$ 0.55	0.61
Diluted earnings per share	$ 0.55	0.61
Dividends declared per share	$ 0.33	0.33
Average outstanding shares - basic	110,824,648	110,724,655
Average outstanding shares - diluted	110,881,708	110,800,001

See accompanying notes to unaudited condensed consolidated financial statements.

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

(Dollars in thousands)	Three Months ended March 31, 2023	Three Months ended March 31, 2022
Net Income	$ 61,211	67,795
Other Comprehensive (Loss) Income, Net of Tax		
Available-For-Sale and Transferred Securities:		
Unrealized gain (losses) on available-for-sale securities	77,466	(369,724)
Reclassification adjustment for losses (gains) included in net income	31	(678)
Reclassification adjustment for securities transferred from available-for-sale to held-to-maturity	1,881	(782)
Tax effect	(20,059)	93,798
Net of tax amount	59,319	(277,386)
Cash Flow Hedge:		
Unrealized (losses) gains on derivatives used for cash flow hedges	(36)	2,967
Reclassification adjustment for gains included in net income	(974)	—
Tax effect	255	(749)
Net of tax amount	(755)	2,218
Total other comprehensive income (loss), net of tax	58,564	(275,168)
Total Comprehensive (Loss) Income	$ 119,775	(207,373)

See accompanying notes to unaudited condensed consolidated financial statements.

GLACIER BANCORP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Three Months ended March 31, 2023 and 2022

(Dollars in thousands, except per share data)	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings-Substantially Restricted	Accumulated Other Comprehensive (Loss) Income	Total
Balance at January 1, 2022	110,687,533	$ 1,107	2,338,814	810,342	27,359	3,177,622
Net income	—	—	—	67,795	—	67,795
Other comprehensive loss	—	—	—	—	(275,168)	(275,168)
Cash dividends declared ($0.33 per share)	—	—	—	(36,648)	—	(36,648)
Stock issuances under stock incentive plans	75,783	1	(1)	—	—	—
Stock-based compensation and related taxes	—	—	592	—	—	592
Balance at March 31, 2022	110,763,316	$ 1,108	2,339,405	841,489	(247,809)	2,934,193
Balance at January 1, 2023	110,777,780	$ 1,108	2,344,005	966,984	(468,792)	2,843,305
Net income	—	—	—	61,211	—	61,211
Other comprehensive loss	—	—	—	—	58,564	58,564
Cash dividends declared ($0.33 per share)	—	—	—	(36,686)	—	(36,686)
Stock issuances under stock incentive plans	90,933	1	(1)	—	—	—
Stock-based compensation and related taxes	—	—	510	—	—	510
Balance at March 31, 2023	110,868,713	$ 1,109	2,344,514	991,509	(410,228)	2,926,904

See accompanying notes to unaudited condensed consolidated financial statements.

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

(Dollars in thousands)	Three Months ended March 31, 2023	Three Months ended March 31, 2022
Operating Activities		
Net income	$ 61,211	67,795
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	5,470	7,031
Net amortization of debt securities	3,098	10,573
Net amortization of purchase accounting adjustments and deferred loan fees and costs	(554)	7,937
Origination of loans held for sale	(79,714)	(305,269)
Proceeds from loans held for sale	115,825	326,767
Gain on sale of loans	(2,400)	(9,015)
Loss (gain) on sale of debt securities	114	(446)
Bank-owned life insurance income, net	(961)	(893)
Stock-based compensation, net of tax benefits	1,740	1,774
Depreciation and amortization of premises and equipment	6,812	5,940
Gain on sale and write-downs of other real estate owned, net	(1)	—
Amortization of core deposit intangibles	2,449	2,664
Amortization of investments in variable interest entities	5,633	4,689
Net increase in accrued interest receivable	(7,105)	(4,794)
Net increase in other assets	(4,118)	(23,707)
Net increase (decrease) in accrued interest payable	4,637	(125)
Net decrease in other liabilities	(13,957)	(12,563)
Net cash provided by operating activities	98,179	78,358
Investing Activities		
Sales of available-for-sale debt securities	29,972	—
Maturities, prepayments and calls of available-for-sale debt securities	153,048	394,802
Purchases of available-for-sale debt securities	—	(348,330)
Maturities, prepayments and calls of held-to-maturity debt securities	50,918	32,048
Purchases of held-to-maturity debt securities	—	(201,742)
Principal collected on loans	750,400	1,557,786
Loan originations	(1,059,597)	(1,868,784)
Net additions to premises and equipment	(8,161)	(3,864)
Proceeds from sale of other real estate owned	10	20
Proceeds from redemption of non-marketable equity securities	559,201	16,036
Purchases of non-marketable equity securities	(500,600)	(19,200)
Proceeds from bank-owned life insurance	1,787	1,303
Investments in variable interest entities	(6,844)	(16,358)
Net cash used in investing activities	(29,866)	(456,283)

See accompanying notes to unaudited condensed consolidated financial statements.

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

(Dollars in thousands)	Three Months ended March 31, 2023	Three Months ended March 31, 2022
Financing Activities		
Net (decrease) increase in deposits	$ (458,062)	360,893
Net (decrease) increase in securities sold under agreements to repurchase	245,407	(62,315)
Net increase (decrease) in short-term Federal Home Loan Bank advances	(1,465,000)	80,000
Proceeds from long-term FRB Bank Term Funding advances	2,740,000	—
Net (decrease) increase in other borrowed funds	(1,108)	11,132
Cash dividends paid	(292)	(11,295)
Tax withholding payments for stock-based compensation	(1,719)	(1,371)
Net cash provided by financing activities	1,059,226	377,044
Net (decrease) increase in cash, cash equivalents and restricted cash	1,127,539	(881)
Cash, cash equivalents and restricted cash at beginning of period	401,995	437,686
Cash, cash equivalents and restricted cash at end of period	$ 1,529,534	436,805
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$ 41,059	5,087
Cash paid during the period for income taxes	—	1,229
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Transfer of debt securities from available-for-sale to held-to-maturity	$ —	2,154,475
Transfer of loans to other real estate owned	8	45
Right-of-use assets obtained in exchange for new lease liabilities	276	2,291
Dividends declared during the period but not paid	36,686	36,643

See accompanying 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 and loan servicing. 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, 2022. Operating results for the three months ended March 31, 2023 are not necessarily indicative of the results anticipated for the year ending December 31, 2023. The condensed consolidated statement of financial condition of the Company as of December 31, 2022 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 affect on the Company's consolidated financial position, results of operations or liquidity.

Material estimates that are particularly susceptible to significant change include: 1) the determination of the allowance for 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 seventeen 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. For additional information on the Bank's interest in VIEs, see Note 7.

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. The required reserve balance at March 31, 2023 was $0.

Debt Securities

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

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 at origination 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 as 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 ACL 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 estimates 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 areas) 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, developments, or environmental conditions 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

On January 1, 2023, the Company adopted FASB ASU 2022-02, *Financial Instruments - Credit Losses*, *Troubled Debt Restructurings and Vintage Disclosures*, which eliminated the accounting guidance for TDRs by creditors in Accounting Standard Codification (ASC) Subtopic 310-40, and enhanced the disclosure requirements for certain loan refinancing and restructures by creditors when a borrower is experiencing financial difficulty. The company identifies modifications to borrowers experiencing financial difficulty ("MBFD") as a loan that has been modified for the borrower that is experiencing financial difficulties. The Company considers some of the indicators that a borrower is experiencing financial difficulty to be: currently in payment default on any of their debt, declaring bankruptcy, going concern, borrower's securities have been delisted, and other indicators of inability to meet obligations. This list does not include all potential indicators of a borrower's financial difficulties. The allowance for credit losses on a loans that are considered MBFD's are measured using the same method as all other loans held for investment.

Prior to the adoption of this guidance, restructured loans were considered to be 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 have not otherwise considered. The allowance for credit losses on a TDR were measured using the same method as all other loans held for investment.

Allowance for Credit Losses - Off-Balance Sheet Credit Exposures

The Company maintains a separate allowance for credit losses for off-balance sheet credit exposures, including unfunded loan commitments. Such ACL 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:

	Three Months ended	
(Dollars in thousands)	March 31, 2023	March 31, 2022
Provision for credit loss loans	$ 6,260	4,344
Provision for credit loss unfunded	(790)	2,687
Total provision for credit losses	$ 5,470	7,031

There was no provision for credit losses on debt securities for the three months ended March 31, 2023, and 2022, 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 elected to bypass the qualitative assessment for its 2022 and 2021 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.

Federal Reserve Bank Term Funding Program

During the first quarter of 2023, the FRB also offered a new Bank Term Funding Program (“BTFP”) for eligible depository institutions. The BTFP offers loans of up to one year in length to institutions pledging collateral eligible for purchase by the FRB in open market operations such as U.S. Treasuries, U.S. Agency securities, and U.S. agency mortgage-backed securities. These assets will be valued at par.

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 and residential real estate derivatives, 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 Accounting Standards Codification™ ("ASC") Topic 606 was $20,879,000 and $19,129,000 for the three months ended March 31, 2023 and 2022, 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 March 31, 2023 and December 31, 2022 and there were no impairment losses recognized. Policies specific to revenue from contracts with customers include the following:

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

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

Accounting Guidance Adopted in 2023

The ASC is the Financial Accounting Standards Board ("FASB") officially recognized source of authoritative GAAP applicable to all public and non-public non-governmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under the authority of the federal securities laws are also sources of authoritative GAAP for the Company as an SEC registrant. All other accounting literature is non-authoritative. The following provides a description of a recently adopted Accounting Standards Updates ("ASU") that could have a material effect on the Company's financial position or results of operations.

ASU 2022-02 - Troubled Debt Restructurings and Vintage Disclosures. In March 2022, FASB amended Subtopic ASC 310-40 and Subtopic 326-20 relating to post-current expected credit losses ("CECL") (ASU 2016-13) implementation areas including TDRs and vintage disclosures. The amendments in this Update eliminate the accounting guidance for TDRs by creditors in Subtopic 326-40, while enhancing disclosure requirements. The amendments to Subtopic 326-20 require an entity to disclose current-period gross write-offs by year of origination for financing receivables within the scope of Subtopic 326-20. For entities that have adopted CECL, the amendments are effective for public business entities the first interim and annual reporting periods beginning after December 15, 2022. Early adoption is permitted if an entity has adopted CECL and the entity may elect to adopt the amendments about TDRs and related disclosure enhancements separately from the amendments related to vintage disclosures. The Company adopted the amendments beginning January 1, 2023. The Company adjusted its processes and procedures related to the amendments and it did not have a material impact to the Company's financial position and results of operations.

Accounting Guidance Pending Adoption in 2023

The following provides a description of a recently issued but not yet effective ASU that could have a material effect on the Company's financial position or results of operations

ASU 2023-02 - Investments Equity Method and Joint Ventures. In March 2023, FASB amended Topic ASC 232 relating to accounting for investments in tax credit structures using the proportional amortization method. The amendments in this Update allow reporting entities to consistently account for equity investments made primarily for the purpose of receiving income tax credits and other income tax benefits. Currently the accounting standards limit the proportional amortization method to account for qualifying investment in low-income-housing tax credit structures. The proportional amortization method results in the cost of the investment being amortized in proportion to the income tax credits and other income tax benefits received, with the amortization of the investment and the tax credits being presented net in the income statement as a component of income tax expense (benefit). The amendments in this Update permit an entity to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. The amendments are effective for public business entities beginning with the first interim and annual reporting periods after December 15, 2023. Early adoption is permitted in any interim periods. If an entity adopts the amendments in an interim period, it shall adopt them as of the beginning of the fiscal year that includes the interim period. The Company is currently evaluating its tax credit investments that may be impacted by this update, but does not expect the adoption of this guidance to have a material impact to the financial statements.

ASU 2020-04, ASU 2021-01, ASU 2022-06 - Reference Rate Reform. In March 2020, FASB amended topic 848 related to the facilitation of the effects of reference rate reform on financial reporting. The amendment provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate ("LIBOR.") These updates are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2024. The Company is currently evaluating its contracts and the optional expedients provided by this update, but does not expect the adoption of this guidance to have a material impact to the financial statements.

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:

	March 31, 2023			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
U.S. government and federal agency	$ 486,250	20	(36,042)	450,228
U.S. government sponsored enterprises	320,614	—	(27,982)	292,632
State and local governments	105,171	696	(3,189)	102,678
Corporate bonds	27,049	—	(927)	26,122
Residential mortgage-backed securities	3,572,207	7	(392,646)	3,179,568
Commercial mortgage-backed securities	1,232,322	1,305	(86,542)	1,147,085
Total available-for-sale	$ 5,743,613	2,028	(547,328)	5,198,313
Held-to-maturity				
U.S. government and federal agency	848,741	—	(72,382)	776,359
State and local governments	1,675,146	2,468	(208,847)	1,468,767
Residential mortgage-backed securities	1,140,506	—	(92,879)	1,047,627
Total held-to-maturity	3,664,393	2,468	(374,108)	3,292,753
Total debt securities	9,408,006	4,496	(921,436)	8,491,066

(Dollars in thousands)	December 31, 2022 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
U.S. government and federal agency	$ 487,320	23	(42,616)	444,727
U.S. government sponsored enterprises	320,157	—	(32,793)	287,364
State and local governments	137,033	709	(4,749)	132,993
Corporate bonds	27,101	—	(992)	26,109
Residential mortgage-backed securities	3,706,427	6	(439,092)	3,267,341
Commercial mortgage-backed securities	1,252,065	347	(103,639)	1,148,773
Total available-for-sale	$ 5,930,103	1,085	(623,881)	5,307,307
Held-to-maturity				
U.S. government and federal agency	846,046	—	(83,796)	762,250
State and local governments	1,682,640	1,045	(248,233)	1,435,452
Residential mortgage-backed securities	1,186,366	—	(109,276)	1,077,090
Total held-to-maturity	3,715,052	1,045	(441,305)	3,274,792
Total debt securities	$ 9,645,155	2,130	(1,065,186)	8,582,099

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 March 31, 2023. Actual maturities may differ from expected or contractual maturities since some issuers have the right to prepay obligations with or without prepayment penalties.

	March 31, 2023			
	Available-for-Sale		Held-to-Maturity	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$ 1,895	1,884	2,834	2,828
Due after one year through five years	852,614	788,517	778,384	717,869
Due after five years through ten years	40,945	39,565	307,011	286,156
Due after ten years	43,630	41,694	1,435,658	1,238,273
	939,084	871,660	2,523,887	2,245,126
Mortgage-backed securities [1]	4,804,529	4,326,653	1,140,506	1,047,627
Total	$ 5,743,613	5,198,313	3,664,393	3,292,753

[1] 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:

	Three Months ended	
(Dollars in thousands)	March 31, 2023	March 31, 2022
Available-for-sale		
Proceeds from sales and calls of debt securities	$ 31,279	53,120
Gross realized gains [1]	145	693
Gross realized losses [1]	(176)	(15)
Held-to-maturity		
Proceeds from calls of debt securities	4,635	12,975
Gross realized gains [1]	8	15
Gross realized losses [1]	(91)	(247)

[1] 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.

	March 31, 2023							
	Number of Securities	Less than 12 Months		12 Months or More		Total		
(Dollars in thousands)		Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	
Available-for-sale								
U.S. government and federal agency	56	$ 3,616	(55)	441,707	(35,987)	445,323	(36,042)	
U.S. government sponsored enterprises	14	—	—	292,633	(27,982)	292,633	(27,982)	
State and local governments	97	13,974	(225)	61,829	(2,964)	75,803	(3,189)	
Corporate bonds	5	11,864	(221)	13,350	(706)	25,214	(927)	
Residential mortgage-backed securities	428	20,139	(528)	3,159,113	(392,118)	3,179,252	(392,646)	
Commercial mortgage-backed securities	155	235,155	(6,526)	853,535	(80,016)	1,088,690	(86,542)	
Total available-for-sale	755	$ 284,748	(7,555)	4,822,167	(539,773)	5,106,915	(547,328)	

	December 31, 2022						
	Number of Securities	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)		Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale							
U.S. government and federal agency	56	$ 4,150	(64)	435,375	(42,552)	439,525	(42,616)
U.S. government sponsored enterprises	14	—	—	287,364	(32,793)	287,364	(32,793)
State and local governments	121	71,512	(2,109)	20,753	(2,640)	92,265	(4,749)
Corporate bonds	5	25,146	(992)	—	—	25,146	(992)
Residential mortgage-backed securities	441	301,548	(24,581)	2,965,512	(414,511)	3,267,060	(439,092)
Commercial mortgage-backed securities	157	673,102	(41,984)	435,176	(61,655)	1,108,278	(103,639)
Total available-for-sale	794	$ 1,075,458	(69,730)	4,144,180	(554,151)	5,219,638	(623,881)

With respect to severity, the majority of available-for-sale debt securities with unrealized loss positions at March 31, 2023 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 March 31, 2023 have been determined to be investment grade.

The Company did not have any past due available-for-sale debt securities as of March 31, 2023 and December 31, 2022, respectively. Accrued interest receivable on available-for-sale debt securities totaled $10,050,000 and $10,518,000 at March 31, 2023, and December 31, 2022, 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 March 31, 2023, 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 March 31, 2023, 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 March 31, 2023. 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 municipal bonds aggregated by NRSRO credit rating:

(Dollars in thousands)	March 31, 2023	December 31, 2022
Municipal bonds held-to-maturity		
S&P: AAA / Moody's: Aaa	$ 427,447	430,542
S&P: AA+, AA, AA- / Moody's: Aa1, Aa2, Aa3	1,196,794	1,206,441
S&P: A+, A, A- / Moody's: A1, A2, A3	39,262	37,162
Not rated by either entity	11,643	8,495
Total municipal bonds held-to-maturity	$ 1,675,146	1,682,640

The Company's municipal bonds in the 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 municipal bonds that are classified as held-to-maturity debt securities at March 31, 2023 have been determined to be investment grade. Held-to-maturity debt securities included in the Company's U.S. government and federal agency and residential mortgage-backed security categories are issued and guaranteed by the U.S. Treasury, Fannie Mae, Freddie Mac, Ginnie Mae and other agencies of the U.S. government are considered to be zero-loss securities. This determination is in consideration of the explicit and implicit guarantees by the US Government, the US Government's ability to print its own currency, a history of no credit losses by the US Government and noted agencies and the current economic and financial condition of the United States and US Government providing no indication the zero-loss determination is unjustified.

As of March 31, 2023 and December 31, 2022, the Company did not have any held-to-maturity debt securities past due. Accrued interest receivable on held-to-maturity debt securities totaled $20,669,000 and $17,524,000 at March 31, 2023 and December 31, 2022, 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 March 31, 2023 or December 31, 2022.

Note 3. Loans Receivable, Net

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

.

(Dollars in thousands)		March 31, 2023	December 31, 2022
Residential real estate	$	1,508,403	1,446,008
Commercial real estate		9,992,019	9,797,047
Other commercial		2,804,104	2,799,668
Home equity		829,844	822,232
Other consumer		384,242	381,857
Loans receivable		15,518,612	15,246,812
Allowance for credit losses		(186,604)	(182,283)
Loans receivable, net	$	15,332,008	15,064,529
Net deferred origination (fees) costs included in loans receivable	$	(25,349)	(25,882)
Net purchase accounting (discounts) premiums included in loans receivable	$	(16,811)	(17,832)
Accrued interest receivable on loans	$	58,053	54,971

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 markets.

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 three months ended March 31, 2023.

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:

	Three Months ended March 31, 2023						
(Dollars in thousands)		Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Balance at beginning of period	$	182,283	19,683	125,816	21,454	10,759	4,571
Provision for credit losses		6,260	293	4,704	(121)	(230)	1,614
Charge-offs		(3,293)	(5)	(347)	(772)	(4)	(2,165)
Recoveries		1,354	3	80	603	45	623
Balance at end of period	$	186,604	19,974	130,253	21,164	10,570	4,643

	Three Months ended March 31, 2022						
(Dollars in thousands)		Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Balance at beginning of period	$	172,665	16,458	117,901	24,703	8,566	5,037
Provision for credit losses		4,344	(249)	3,927	(1,003)	559	1,110
Charge-offs		(2,694)	—	—	(799)	—	(1,895)
Recoveries		1,844	18	344	981	48	453
Balance at end of period	$	176,159	16,227	122,172	23,882	9,173	4,705

During the three months ended March 31, 2023, the ACL increased primarily as a result of loan portfolio growth.

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 three months ended March 31, 2023, 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:

	March 31, 2023					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Accruing loans 30-59 days past due	$ 17,031	4,338	3,842	3,559	2,354	2,938
Accruing loans 60-89 days past due	7,962	140	5,432	988	751	651
Accruing loans 90 days or more past due	3,545	54	2,623	475	194	199
Non-accrual loans with no ACL	28,153	2,036	21,966	2,109	1,227	815
Non-accrual loans with ACL	250	—	—	69	—	181
Total past due and non-accrual loans	56,941	6,568	33,863	7,200	4,526	4,784
Current loans receivable	15,461,671	1,501,835	9,958,156	2,796,904	825,318	379,458
Total loans receivable	$ 15,518,612	1,508,403	9,992,019	2,804,104	829,844	384,242

	December 31, 2022					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Accruing loans 30-59 days past due	$ 16,331	2,796	5,462	4,192	754	3,127
Accruing loans 60-89 days past due	4,636	142	2,865	297	529	803
Accruing loans 90 days or more past due	1,559	215	472	542	138	192
Non-accrual loans with no ACL	31,036	2,236	22,943	3,790	1,234	833
Non-accrual loans with ACL	115	—	—	56	—	59
Total past due and non-accrual loans	53,677	5,389	31,742	8,877	2,655	5,014
Current loans receivable	15,193,135	1,440,619	9,765,305	2,790,791	819,577	376,843
Total loans receivable	$ 15,246,812	1,446,008	9,797,047	2,799,668	822,232	381,857

The Company had $27,000 and $720,000 of interest reversed on non-accrual loans during the three months ended March 31, 2023 and March 31, 2022, respectively.

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 2022, there were no significant changes 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:

	March 31, 2023					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Business assets	$ 3,290	—	21	3,269	—	—
Residential real estate	3,661	2,214	91	49	1,195	112
Other real estate	34,262	45	33,922	201	70	24
Other	810	—	—	31	—	779
Total	$ 42,023	2,259	34,034	3,550	1,265	915

	December 31, 2022					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Business assets	$ 3,172	—	32	3,140	—	—
Residential real estate	5,061	2,407	990	318	1,201	145
Other real estate	33,125	49	32,333	300	75	368
Other	1,155	—	—	530	—	625
Total	$ 42,513	2,456	33,355	4,288	1,276	1,138

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

On January 1, 2023, the Company adopted FASB ASU 2022-02, *Financial Instruments - Credit Losses Troubled Debt Restructurings and Vintage Disclosures,* which changed the disclosures and classifications of loans previously considered TDRs. The following disclosures for loan modifications made to borrowers experiencing financial difficulty ("MBFD") are presented in accordance with ASC Topic 310, whereas prior periods are presented in accordance with the prior guidance as disclosed in the Company's 2022 Annual Report Form 10-K. The following tables shows the amortized cost basis at the end of the period of the loans modified to borrowers experiencing financial difficulty by segment:

	March 31, 2023						
	Term Extension		Principal Forgiveness		Combination - Term Extension and Interest Rate Reduction		
(Dollars in thousands)	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable	Total
Commercial real estate	$ 4,981	— %	$ —	— %	$ 35	— %	$ 5,016
Other commercial	1,568	0.1 %	—	— %	25	— %	$ 1,593
Other consumer	18	— %	10	— %	—	— %	$ 28
Total	$ 6,567		$ 10		$ 60		$ 6,637

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty by segment:

	Weighted Average Interest Rate Reduction	Weighted Average Term Extension	Principal Forgiveness
Commercial real estate	2.11%	10 months	—
Other commercial	—%	6 months	—
Other consumer	—%	8 months	$10 thousand

There were no financing receivables modified in the twelve months that had a payment default during the period.

The following table depicts the performance of loans that have been modified in the last twelve months by segment:

(Dollars in thousands)	Total	Current	30-89 Days Past Due	90 Days or More Past Due
Commercial real estate	$ 5,016	1,446	3,570	—
Other commercial	1,593	1,379	193	21
Other consumer	28	28	—	—
Total	$ 6,637	2,853	3,763	21

Additional Disclosures

The implementation of FASB ASU 2022-02, *Financial Instruments - Credit Losses Trouble Deb Restructings and Vintage Disclosures,* eliminated the guidance and disclosure requirements related to TDRs. The following tables represent disclosures for the prior period that are no longer required as of January 1, 2023, but are included in this Form 10-Q since the Company is required to disclose comparative information with respected to restructured loans. A restructured loan was 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. 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 March 31, 2022					
(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	3	1	—	2	—	—
Pre-modification recorded balance	$ 87	31	—	56	—	—
Post-modification recorded balance	$ 87	31	—	56	—	—

The modifications for the loans designated as TDRs during the three months ended March 31, 2022 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 prior periods provided in the preceding tables, the Company had TDRs with pre-modification loan balances of $77,000 for the three months ended March 31, 2022, for which OREO was received in full or partial satisfaction of the loans. The majority of such TDRs were in consumer for the three months ended March 31, 2022. At December 31, 2022, the Company had $270,000, of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process. At December 31, 2022, the Company did not have any OREO secured by residential real estate properties.

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 and the gross charge-offs. 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.

	March 31, 2023					
(Dollars in thousands)	Gross Charge-Offs	Total	Pass	Special Mention	Substandard	Doubtful/ Loss
Commercial real estate loans						
Term loans by origination year						
2023 (year-to-date)	$ —	461,073	461,073	—	—	—
2022	300	2,541,603	2,534,386	—	6,912	305
2021	—	2,406,658	2,403,479	—	3,179	—
2020	—	1,228,836	1,224,116	—	4,720	—
2019	—	728,604	693,522	—	35,082	—
Prior	47	2,394,798	2,316,087	1,412	77,268	31
Revolving loans	—	230,447	230,209	—	237	1
Total	$ 347	9,992,019	9,862,872	1,412	127,398	337
Other commercial loans						
Term loans by origination year						
2023 (year-to-date)	$ 755	60,778	60,004	—	774	—
2022	—	628,411	626,914	17	1,479	1
2021	—	567,517	564,433	—	2,123	961
2020	2	292,021	288,377	—	3,641	3
2019	—	183,443	178,084	—	5,357	2
Prior	15	524,802	516,219	108	8,434	41
Revolving loans	—	547,132	543,827	—	3,305	—
Total	$ 772	2,804,104	2,777,858	125	25,113	1,008

	December 31, 2022				
(Dollars in thousands)	Total	Pass	Special Mention	Substandard	Doubtful/ Loss
Commercial real estate loans					
Term loans by origination year					
2022	2,584,831	2,578,558	—	6,273	—
2021	2,457,790	2,454,696	—	3,094	—
2020	1,274,852	1,269,254	—	5,598	—
2019	744,634	709,246	—	35,388	—
2018	658,268	634,316	—	23,952	—
Prior	1,851,965	1,787,941	1,416	62,576	32
Revolving loans	224,707	224,629	—	78	—
Total	9,797,047	9,658,640	1,416	136,959	32
Other commercial loans					
Term loans by origination year					
2022	603,393	599,498	371	3,469	55
2021	573,273	569,542	—	2,707	1,024
2020	308,555	304,179	—	4,373	3
2019	191,498	185,748	—	5,748	2
2018	140,122	135,727	—	4,394	1
Prior	404,319	398,523	114	5,322	360
Revolving loans	578,508	567,770	—	10,604	134
Total	2,799,668	2,760,987	485	36,617	1,579

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:

	March 31, 2023				
(Dollars in thousands)	Gross Charge-Offs	Total	Performing	30-89 Days Past Due	Non-Accrual and 90 Days or More Past Due
Residential real estate loans					
Term loans by origination year					
2023 (year-to-date)	$ —	34,038	34,038	—	—
2022	5	594,723	592,734	1,989	—
2021	—	540,013	539,632	381	—
2020	—	112,360	112,360	—	—
2019	—	44,792	44,000	792	—
Prior	—	179,783	176,377	1,316	2,090
Revolving loans	—	2,694	2,694	—	—
Total	$ 5	1,508,403	1,501,835	4,478	2,090
Home equity loans					
Term loans by origination year					
2023 (year-to-date)	$ —	—	—	—	—
2022	—	61	61	—	—
2021	—	80	80	—	—
2020	—	26	26	—	—
2019	—	221	191	—	30
Prior	—	7,196	6,893	135	168
Revolving loans	4	822,260	818,067	2,970	1,223
Total	$ 4	829,844	825,318	3,105	1,421
Other consumer loans					
Term loans by origination year					
2023 (year-to-date)	$ 2,011	40,877	39,490	1,359	28
2022	13	131,626	130,497	875	254
2021	47	85,679	84,915	675	89
2020	34	44,976	44,746	180	50
2019	25	17,849	17,487	205	157
Prior	35	24,027	23,266	154	607
Revolving loans	—	39,208	39,057	141	10
Total	$ 2,165	384,242	379,458	3,589	1,195

(Dollars in thousands)	December 31, 2022 Total	Performing	30-89 Days Past Due	Non-Accrual and 90 Days or More Past Due
Residential real estate loans				
Term loans by origination year				
2022	543,469	543,023	446	—
2021	552,748	551,756	992	—
2020	116,810	116,543	136	131
2019	45,055	44,604	451	—
2018	37,252	36,993	—	259
Prior	149,292	146,318	913	2,061
Revolving loans	1,382	1,382	—	—
Total	1,446,008	1,440,619	2,938	2,451
Home equity loans				
Term loans by origination year				
2022	60	60	—	—
2021	77	77	—	—
2020	82	82	—	—
2019	225	195	—	30
2018	594	594	—	—
Prior	7,165	6,868	131	166
Revolving loans	814,029	811,701	1,152	1,176
Total	822,232	819,577	1,283	1,372
Other consumer loans				
Term loans by origination year				
2022	152,685	149,702	2,825	158
2021	94,210	93,749	421	40
2020	49,257	48,990	212	55
2019	20,432	20,166	96	170
2018	10,598	9,970	91	537
Prior	16,014	15,786	106	122
Revolving loans	38,661	38,480	179	2
Total	381,857	376,843	3,930	1,084

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:

(Dollars in thousands)	March 31, 2023 Finance Leases	March 31, 2023 Operating Leases	December 31, 2022 Finance Leases	December 31, 2022 Operating Leases
ROU assets	$ 30,254		30,254	
Accumulated depreciation	(3,786)		(2,760)	
Net ROU assets	$ 26,468	42,931	27,494	43,551
Lease liabilities	$ 26,899	46,171	28,204	46,579
Weighted-average remaining lease term	12 years	16 years	12 years	17 years
Weighted-average discount rate	3.6 %	3.6 %	3.6 %	3.6 %

Maturities of lease liabilities consist of the following:

(Dollars in thousands)	March 31, 2023 Finance Leases	March 31, 2023 Operating Leases
Maturing within one year	$ 4,483	4,737
Maturing one year through two years	4,424	4,692
Maturing two years through three years	4,432	4,520
Maturing three years through four years	4,442	4,353
Maturing four years through five years	3,482	3,956
Thereafter	11,569	41,659
Total lease payments	32,832	63,917
Present value of lease payments		
Short-term	3,574	3,181
Long-term	23,325	42,990
Total present value of lease payments	26,899	46,171
Difference between lease payments and present value of lease payments	$ 5,933	17,746

The components of lease expense consist of the following:

(Dollars in thousands)	Three Months ended March 31, 2023	Three Months ended March 31, 2022
Finance lease cost		
Amortization of ROU assets	$ 1,026	78
Interest on lease liabilities	244	46
Operating lease cost	1,496	1,496
Short-term lease cost	205	105
Variable lease cost	443	307
Sublease income	(13)	(12)
Total lease expense	$ 3,401	2,020

Supplemental cash flow information related to leases is as follows:

	Three Months ended			
	March 31, 2023		March 31, 2022	
(Dollars in thousands)	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows	$ 244	926	46	1,025
Financing cash flows	861	N/A	39	N/A

The Company also leases office space to third parties through operating leases. Rent income from these leases for the three months ended March 31, 2023 and 2022 was not significant.

Note 5. Goodwill

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

	Three Months ended	
(Dollars in thousands)	March 31, 2023	March 31, 2022
Net carrying value at beginning of period	$ 985,393	985,393

The Company performed its annual goodwill impairment test during the third quarter of 2022 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 March 31, 2023 and December 31, 2022.

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:

(Dollars in thousands)		March 31, 2023	December 31, 2022
Carrying value at beginning of period	$	13,488	12,839
Additions		101	2,461
Amortization		(313)	(1,812)
Carrying value at end of period	$	13,276	13,488
Principal balances of loans serviced for others	$	1,641,897	1,661,294
Fair value of servicing rights	$	19,665	19,716

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)	March 31, 2023	December 31, 2022
Assets		
Loans receivable	$ 135,194	134,603
Accrued interest receivable	491	370
Other assets	49,753	48,136
Total assets	$ 185,438	183,109
Liabilities		
Other borrowed funds	$ 49,286	49,089
Accrued interest payable	270	274
Other liabilities	75	179
Total liabilities	$ 49,631	49,542

Unconsolidated Variable Interest Entities

The Company has equity investments in LIHTC partnerships, both directly and through tax credit funds, with carrying values of $75,813,000 and $72,918,000 as of March 31, 2023 and December 31, 2022, 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 three months ended March 31, 2023 and 2022. Future unfunded contingent equity commitments related to the Company's LIHTC investments at March 31, 2023 are as follows:

(Dollars in thousands)	Amount
Years ending December 31,	
2023	$ 27,231
2024	47,624
2025	17,401
2026	7,241
2027	381
Thereafter	2,649
Total	$ 102,527

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.

	Three Months ended	
(Dollars in thousands)	March 31, 2023	March 31, 2022
Amortization expense	$ 3,949	2,995
Tax credits and other tax benefits recognized	5,283	3,996

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	
(Dollars in thousands)	March 31, 2023	December 31, 2022
Residential mortgage-backed securities	$ 1,191,323	945,916

The repurchase agreements are secured by debt securities with carrying values of $1,444,580,000 and $1,378,962,000 at March 31, 2023 and December 31, 2022, 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. The Company has 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 three months ended March 31, 2023. 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 plus 3 month LIBOR. At March 31, 2023 and December 31, 2022, the interest rate caps had a fair value of $6,705,000 and $7,757,000, 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 $42,000 for the three months ended March 31, 2023 and 2022, 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 March 31, 2023 and 2022 was as follows:

	Three Months ended	
(Dollars in thousands)	March 31, 2023	March 31, 2022
Amount of (loss) gain recognized in OCI	$ (36)	2,967
Amount of gain reclassified from OCI to net income	974	—

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 March 31, 2023 and December 31, 2022, loan commitments with interest rate lock commitments totaled $42,228,000 and $28,910,000, respectively. At March 31, 2023 and December 31, 2022, the fair value of the related derivatives on the interest rate lock commitments was $732,000 and $362,000, 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 March 31, 2023 and December 31, 2022, TBA commitments were $18,500,000 and $21,000,000, respectively. At March 31, 2023 and December 31, 2022, the fair value was $170,000 and $188,000, respectively, 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	
(Dollars in thousands)	March 31, 2023	March 31, 2022
Consulting and outside services	$ 4,081	3,143
Debit card expenses	2,965	1,804
VIE amortization and other expenses	2,528	2,544
Loan expenses	1,707	1,823
Telephone	1,579	1,594
Business development	1,361	1,081
Employee expenses	1,295	1,088
Postage	1,118	995
Accounting and audit fees	1,024	671
Printing and supplies	844	1,050
Checking and operating expenses	666	352
Mergers and acquisition expenses	352	6,207
Legal fees	325	448
Gain on dispositions of fixed assets	(15)	(310)
Other	2,302	1,354
Total other expenses	$ 22,132	23,844

Note 11. Accumulated Other Comprehensive (Loss) Income

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

(Dollars in thousands)	(Losses) Gains on Available-For-Sale and Transferred Debt Securities	(Losses) Gains on Derivatives Used for Cash Flow Hedges	Total
Balance at January 1, 2022	$ 27,038	321	27,359
Other comprehensive (loss) income before reclassifications	(276,295)	2,218	(274,077)
Reclassification adjustments for gains and transfers included in net income	(507)	—	(507)
Reclassification adjustments for amortization included in net income for transferred securities	(584)	—	(584)
Net current period other comprehensive (loss) income	(277,386)	2,218	(275,168)
Balance at March 31, 2022	$ (250,348)	2,539	(247,809)
Balance at January 1, 2023	$ (474,338)	5,546	(468,792)
Other comprehensive (loss) income before reclassifications	57,890	(27)	57,863
Reclassification adjustments for gains and transfers included in net income	24	(728)	(704)
Reclassification adjustments for amortization included in net income for transferred securities	1,405	—	1,405
Net current period other comprehensive (loss) income	59,319	(755)	58,564
Balance at March 31, 2023	$ (415,019)	4,791	(410,228)

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:

	Three Months ended	
(Dollars in thousands, except per share data)	March 31, 2023	March 31, 2022
Net income available to common stockholders, basic and diluted	$ 61,211	67,795
Average outstanding shares - basic	110,824,648	110,724,655
Add: dilutive restricted stock units and stock options	57,060	75,346
Average outstanding shares - diluted	110,881,708	110,800,001
Basic earnings per share	$ 0.55	0.61
Diluted earnings per share	$ 0.55	0.61
Restricted stock units and stock options excluded from the diluted average outstanding share calculation [1]	205,974	4,934

[1] 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 three month periods ended March 31, 2023 and 2022.

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 March 31, 2023.

*Debt securities, available-for-sal*e. 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 gains of $119,000 and net losses of $1,583,000 for the three month periods ended March 31, 2023 and 2022, 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 At the End of the Reporting Period Using		
(Dollars in thousands)	Fair Value March 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities, available-for-sale				
U.S. government and federal agency	$ 450,228	—	450,228	—
U.S. government sponsored enterprises	292,632	—	292,632	—
State and local governments	102,678	—	102,678	—
Corporate bonds	26,122	—	26,122	—
Residential mortgage-backed securities	3,179,568	—	3,179,568	—
Commercial mortgage-backed securities	1,147,085	—	1,147,085	—
Loans held for sale, at fair value	14,461	—	14,461	—
Interest rate caps	6,705	—	6,705	—
Interest rate locks	732	—	732	—
Total assets measured at fair value on a recurring basis	$ 5,220,211	—	5,220,211	—
TBA hedge	$ 170	—	170	—
Total liabilities measured at fair value on a recurring basis	$ 170	—	170	—

(Dollars in thousands)	Fair Value December 31, 2022	Fair Value Measurements At the End of the Reporting Period Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities, available-for-sale				
U.S. government and federal agency	$ 444,727	—	444,727	—
U.S. government sponsored enterprises	287,364	—	287,364	—
State and local governments	132,993	—	132,993	—
Corporate bonds	26,109	—	26,109	—
Residential mortgage-backed securities	3,267,341	—	3,267,341	—
Commercial mortgage-backed securities	1,148,773	—	1,148,773	—
Loans held for sale, at fair value	12,314	—	12,314	—
Interest rate caps	7,757	—	7,757	—
Interest rate locks	362	—	362	—
Total assets measured at fair value on a recurring basis	$ 5,327,740	—	5,327,740	—
TBA hedge	$ 188	—	188	—
Total liabilities measured at fair value on a recurring basis	$ 188	—	188	—

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 March 31, 2023.

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:

(Dollars in thousands)	Fair Value March 31, 2023	Fair Value Measurements At the End of the Reporting Period Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral-dependent impaired loans, net of ACL	$ 1,439	—	—	1,439
Total assets measured at fair value on a non-recurring basis	$ 1,439	—	—	1,439

(Dollars in thousands)	Fair Value December 31, 2022	Fair Value Measurements At the End of the Reporting Period Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral-dependent impaired loans, net of ACL	$ 1,360	—	—	1,360
Total assets measured at fair value on a non-recurring basis	$ 1,360	—	—	1,360

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 March 31, 2023	Quantitative Information about Level 3 Fair Value Measurements: Valuation Technique	Unobservable Input	Range (Weighted-Average) [1]
Collateral-dependent impaired loans, net of ACL	$ 1,363	Cost approach	Selling costs	10.0% - 10.0% (10.0%)
	76	Sales comparison approach	Selling costs	10.0% - 10.0% (10.0%)
	$ 1,439			

(Dollars in thousands)	Fair Value December 31, 2022	Quantitative Information about Level 3 Fair Value Measurements: Valuation Technique	Unobservable Input	Range (Weighted-Average) [1]
Collateral-dependent impaired loans, net of ACL	$ 1,329	Cost approach	Selling costs	10.0% - 10.0% (10.0%)
	31	Sales comparison approach	Selling Costs	10.0% - 10.0% (10.0%)
	$ 1,360			

[1] 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 March 31, 2023.

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.

FHLB advances: fair value of advances is estimated based on borrowing rates currently available to the Company for advances with similar terms and maturities.

FRB borrowing: fair value of borrowings through the FRB is estimated based on borrowing rates currently available to the Company through the FRB Bank Term Funding facility with similar terms and maturities.

Repurchase agreements and other borrowed funds: fair value of term repurchase agreements and other term borrowings is estimated based on current repurchase rates and borrowing rates currently available to the Company for repurchases and borrowings with similar terms and maturities. The estimated fair value for overnight repurchase agreements and other borrowings is book value.

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

*Off-balance sheet financial instrument*s: 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.

(Dollars in thousands)	Carrying Amount March 31, 2023	Fair Value Measurements At the End of the Reporting Period Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash and cash equivalents	$ 1,529,534	1,529,534	—	—
Debt securities, held-to-maturity	3,664,393	—	3,292,753	—
Loans receivable, net of ACL	15,332,008	—	—	15,063,785
Total financial assets	$ 20,525,935	1,529,534	3,292,753	15,063,785
Financial liabilities				
Term deposits	$ 1,155,494	—	1,156,303	—
FHLB advances	335,000	—	335,000	—
FRB Bank Term Funding	2,740,000		2,730,300	
Repurchase agreements and other borrowed funds	1,267,508	—	1,267,508	—
Subordinated debentures	132,822	—	113,358	—
Total financial liabilities	$ 5,630,824	—	5,602,469	—

(Dollars in thousands)	Carrying Amount December 31, 2022	Fair Value Measurements At the End of the Reporting Period Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash and cash equivalents	$ 401,995	401,995	—	—
Debt securities, held-to-maturity	3,715,052	—	3,274,792	—
Loans receivable, net of ACL	15,064,529	—	—	14,806,354
Total financial assets	$ 19,181,576	401,995	3,274,792	14,806,354
Financial liabilities				
Term deposits	$ 880,589	—	874,850	—
FHLB advances	1,800,000	—	1,799,936	—
Repurchase agreements and other borrowed funds	1,023,209	—	1,023,209	—
Subordinated debentures	132,782	—	122,549	—
Total financial liabilities	$ 3,836,580	—	3,820,544	—

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 Company’s 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 the Company’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 other comparable words or phrases of a future or forward-looking nature. 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 based on assumptions that are subject to change. The following factors, among others, including additional factors identified 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 in the Company’s 2022 Annual Report on Form 10-K, could cause actual results to differ materially from the anticipated results:

- risks associated with lending and potential adverse changes in the credit quality of the Company’s loan portfolio;
- changes in monetary and fiscal policies, including interest rate policies of the Federal Reserve Board, which could adversely affect the Company’s net interest income and margin, the fair value of its financial instruments, profitability, and stockholders’ equity;
- legislative or regulatory changes, including increased banking and consumer protection regulations, that may adversely affect the Company’s business;
- risks related to overall economic conditions, including the impact on the economy of a rising interest rate environment, inflationary pressures, and geopolitical instability, including the war in Ukraine;
- risks associated with the Company’s ability to negotiate, complete, and successfully integrate any future acquisitions;
- costs or difficulties related to the completion and integration of acquisitions;
- impairment of the goodwill recorded by the Company in connection with acquisitions, which may have an adverse impact on earnings and capital;
- reduction in demand for banking products and services, whether as a result of changes in customer behavior, economic conditions, banking environment, or competition;
- deterioration of the reputation of banks and the financial services industry, which could adversely affect the Company's ability to obtain and maintain customers;
- changes in the competitive landscape, including as may result from new market entrants or further consolidation in the financial services industry, resulting in the creation of larger competitors with greater financial resources;
- 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 through acquisitions;
- risks associated with dependence on the Chief Executive Officer (“CEO”), the senior management team and the Presidents of Glacier Bank (the “Bank”) divisions;
- material failure, potential interruption or breach in security of the Company’s systems or changes in technological which could expose the Company to cybersecurity risks, fraud, system failures, or direct liabilities;
- risks related to natural disasters, including droughts, fires, floods, earthquakes, pandemics, and other unexpected events;
- success in managing risks involved in the foregoing; and
- 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.

Financial Highlights

	At or for the Three Months ended		
(Dollars in thousands, except per share and market data)	Mar 31, 2023	Dec 31, 2022	Mar 31, 2022
Operating results			
Net income	$ 61,211	79,677	67,795
Basic earnings per share	$ 0.55	0.72	0.61
Diluted earnings per share	$ 0.55	0.72	0.61
Dividends declared per share	$ 0.33	0.33	0.33
Market value per share			
Closing	$ 42.01	49.42	50.28
High	$ 50.03	59.70	60.69
Low	$ 37.07	48.64	49.61
Selected ratios and other data			
Number of common stock shares outstanding	110,868,713	110,777,780	110,763,316
Average outstanding shares - basic	110,824,648	110,773,084	110,724,655
Average outstanding shares - diluted	110,881,708	110,872,127	110,800,001
Return on average assets (annualized)	0.93 %	1.19 %	1.06 %
Return on average equity (annualized)	8.54 %	11.35 %	8.97 %
Efficiency ratio	60.39 %	53.18 %	57.11 %
Dividend payout ratio	60.00 %	45.83 %	54.10 %
Loan to deposit ratio	77.09 %	74.05 %	63.52 %
Number of full time equivalent employees	3,390	3,390	3,439
Number of locations	222	221	223
Number of ATMs	263	265	273

The Company reported net income of $61.2 million for the current quarter, a decrease of $6.6 million, or 10 percent, from the $67.8 million of net income for the prior year first quarter. Diluted earnings per share for the current quarter was $0.55 per share, a decrease of 10 percent from the prior year first quarter diluted earnings per share of $0.61. The decrease in net income versus the prior quarter and prior year first quarter is primarily due to the significant increase in funding costs.

Financial Condition Analysis

Assets

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

(Dollars in thousands)	Mar 31, 2023	Dec 31, 2022	Mar 31, 2022	$ Change from Dec 31, 2022	$ Change from Mar 31, 2022
Cash and cash equivalents	$ 1,529,534	401,995	436,805	1,127,539	1,092,729
Debt securities, available-for-sale	5,198,313	5,307,307	6,535,763	(108,994)	(1,337,450)
Debt securities, held-to-maturity	3,664,393	3,715,052	3,576,941	(50,659)	87,452
Total debt securities	8,862,706	9,022,359	10,112,704	(159,653)	(1,249,998)
Loans receivable					
Residential real estate	1,508,403	1,446,008	1,125,648	62,395	382,755
Commercial real estate	9,992,019	9,797,047	8,865,585	194,972	1,126,434
Other commercial	2,804,104	2,799,668	2,661,048	4,436	143,056
Home equity	829,844	822,232	715,963	7,612	113,881
Other consumer	384,242	381,857	362,775	2,385	21,467
Loans receivable	15,518,612	15,246,812	13,731,019	271,800	1,787,593
Allowance for credit losses	(186,604)	(182,283)	(176,159)	(4,321)	(10,445)
Loans receivable, net	15,332,008	15,064,529	13,554,860	267,479	1,777,148
Other assets	2,078,186	2,146,492	1,995,955	(68,306)	82,231
Total assets	$ 27,802,434	26,635,375	26,100,324	1,167,059	1,702,110

Total debt securities of $8.863 billion at March 31, 2023 decreased $160 million, or 2 percent, during the current quarter and decreased $1.250 billion, or 12 percent, from the prior year first quarter. The Company continues to utilize cash flow from the securities portfolio to primarily fund loan growth. Debt securities represented 32 percent of total assets at March 31, 2023 compared to 34 percent at December 31, 2022 and 39 percent at March 31, 2022. In addition, the Company increased its cash position by $1.1 billion during the current quarter to further strengthen its liquidity position.

The loan portfolio of $15.519 billion increased $272 million, or 7 percent annualized, during the current quarter with the largest dollar increase in commercial real estate which increased $195 million, or 8 percent annualized. The loan portfolio increased $1.788 billion, or 13 percent, from the prior year first quarter with the largest dollar increase in commercial real estate loans which increased $1.126 billion, or 13 percent.

Liabilities

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

(Dollars in thousands)	Mar 31, 2023	Dec 31, 2022	Mar 31, 2022	$ Change from Dec 31, 2022	$ Change from Mar 31, 2022
Deposits					
Non-interest bearing deposits	$ 7,001,241	7,690,751	7,990,003	(689,510)	(988,762)
NOW and DDA accounts	5,156,709	5,330,614	5,376,881	(173,905)	(220,172)
Savings accounts	2,985,351	3,200,321	3,287,521	(214,970)	(302,170)
Money market deposit accounts	3,429,123	3,472,281	4,044,655	(43,158)	(615,532)
Certificate accounts	1,155,494	880,589	995,147	274,905	160,347
Core deposits, total	19,727,918	20,574,556	21,694,207	(846,638)	(1,966,289)
Wholesale deposits	420,390	31,999	3,688	388,391	416,702
Deposits, total	20,148,308	20,606,555	21,697,895	(458,247)	(1,549,587)
Securities sold under agreements to repurchase	1,191,323	945,916	958,479	245,407	232,844
Federal Home Loan Bank advances	335,000	1,800,000	80,000	(1,465,000)	255,000
FRB Bank Term Funding	2,740,000	—	—	2,740,000	2,740,000
Other borrowed funds	76,185	77,293	57,258	(1,108)	18,927
Subordinated debentures	132,822	132,782	132,661	40	161
Other liabilities	251,892	229,524	239,838	22,368	12,054
Total liabilities	$ 24,875,530	23,792,070	23,166,131	1,083,460	1,709,399

During the current quarter, the Company continued to focus on its diversified deposit and repurchase agreement product offerings. Total deposits and retail repurchase agreements of $21.340 billion at the current quarter end increased $289 million, or 1 percent, during March and decreased $213 million, or 1 percent, during the current quarter. Non-interest bearing deposits were 35 percent of total core deposits at March 31, 2023 compared to 37 percent at December 31, 2022 and March 31, 2022.

During the current quarter, the Company participated in the Bank Term Funding Program of the Federal Reserve Bank ("FRB") which enabled the Company to pay off higher rate FHLB advances. The FHLB advances decreased $1.465 billion during the current quarter while FRB Bank Term funding increased $2.740 billion and was used to fund the FHLB pay down, support the additional $1.1 billion cash position and the current quarter decrease in deposits. The Company's liquidity position remains strong with solid core deposit customer relationships, excess cash, debt securities, and access to diversified borrowing sources.

Stockholders’ Equity

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

(Dollars in thousands, except per share data)	Mar 31, 2023	Dec 31, 2022	Mar 31, 2022	$ Change from Dec 31, 2022	$ Change from Mar 31, 2022
Common equity	$ 3,337,132	3,312,097	3,182,002	25,035	155,130
Accumulated other comprehensive income	(410,228)	(468,792)	(247,809)	58,564	(162,419)
Total stockholders’ equity	2,926,904	2,843,305	2,934,193	83,599	(7,289)
Goodwill and core deposit intangible, net	(1,024,545)	(1,026,994)	(1,034,987)	2,449	10,442
Tangible stockholders’ equity	$ 1,902,359	1,816,311	1,899,206	86,048	3,153
Stockholders’ equity to total assets	10.53 %	10.67 %	11.24 %		
Tangible stockholders’ equity to total tangible assets	7.10 %	7.09 %	7.58 %		
Book value per common share	$ 26.40	25.67	26.49	0.73	(0.09)
Tangible book value per common share	$ 17.16	16.40	17.15	0.76	0.01

Tangible stockholders’ equity of $1.902 billion at March 31, 2023 increased $86.0 million, or 5 percent, from the prior quarter which was primarily due to earnings retention and the decrease in the net unrealized loss (after-tax) on the AFS debt securities. Accumulated other comprehensive income (“AOCI”) includes the net unrealized loss (after-tax) on AFS debt securities. AOCI does not include $278 million of net unrealized loss on HTM debt securities. Tangible book value per common share of $17.16 at the current quarter end increased $0.76 per share, or 5 percent, from the prior quarter. The tangible book value per common share increased $0.01 per share from the prior year first quarter.

Cash Dividend

On March 29, 2023, the Company’s Board of Directors declared a quarterly cash dividend of $0.33 per share The current quarter dividend of $0.33 per share was consistent with the dividend declared in the prior quarter and the prior year first quarter. The dividend was payable April 20, 2023 to shareholders of record on April 11, 2023. The dividend was the Company’s 152nd consecutive regular 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 March 31, 2023
Compared to December 31, 2022, March 31, 2022

Income Summary

The following table summarizes income for the periods indicated:

	Three Months ended			$ Change from	
(Dollars in thousands)	Mar 31, 2023	Dec 31, 2022	Mar 31, 2022	Dec 31, 2022	Mar 31, 2022
Net interest income					
Interest income	$ 231,888	225,085	190,516	6,803	41,372
Interest expense	45,696	21,026	4,961	24,670	40,735
Total net interest income	186,192	204,059	185,555	(17,867)	637
Non-interest income					
Service charges and other fees	17,771	18,734	17,111	(963)	660
Miscellaneous loan fees and charges	3,967	3,905	3,555	62	412
Gain on sale of loans	2,400	2,175	9,015	225	(6,615)
(Loss) gain on sale of investments	(114)	519	446	(633)	(560)
Other income	3,871	3,150	3,436	721	435
Total non-interest income	27,895	28,483	33,563	(588)	(5,668)
Total income	$ 214,087	232,542	219,118	(18,455)	(5,031)
Net interest margin (tax-equivalent)	3.08 %	3.30 %	3.20 %		

Net Interest Income

The current quarter interest income of $232 million increased $6.8 million, or 3 percent, over the prior quarter and was driven primarily by the increase in the loan portfolio and an increase in loan yields. The current quarter interest income increased $41.4 million, or 22 percent, over the prior year first quarter also due to loan growth and increased loan yields.

The current quarter interest expense of $45.7 million increased $24.7 million, or 117 percent, over the prior quarter and increased $40.7 million, or 821 percent, over the prior year first quarter primarily the result of an increase in rates on deposits and borrowings along with increased use of borrowing programs. Core deposit cost (including non-interest bearing deposits) was 23 basis points for the current quarter compared to 8 basis points in the prior quarter and 7 basis points for the prior year first quarter. The total cost of funding (including non-interest bearing deposits) was 79 basis points in the current quarter compared to 35 basis points in the prior quarter and 9 basis points in the prior year first quarter which was the result of the increased deposit and borrowing rates.

The Company’s net interest margin as a percentage of earning assets, on a tax-equivalent basis, for the current quarter was 3.08 percent compared to 3.30 percent in the prior quarter and 3.20 percent in the prior year first quarter. The core net interest margin, excluding discount accretion, the impact from non-accrual interest and the impact from the PPP loans, was 3.07 percent compared to 3.27 percent in the prior quarter and 3.07 percent in the prior year first quarter. The core net interest margin decreased 20 basis points in the current quarter primarily as a result of increased deposit and borrowing rates. The loan yield of 5.02 percent in the current quarter increased 19 basis points from the prior quarter loan yield of 4.83 percent and increased 43 basis points from the prior year first quarter core loan yield of 4.59 percent. New loan production yields for the quarter were 6.96 percent.

Non-interest Income

Non-interest income for the current quarter totaled $27.9 million which was a decrease of $588 thousand, or 2 percent, over the prior quarter. Current quarter non-interest income decreased $5.7 million, or 17 percent, over the same quarter last year which was primarily driven by the decrease in gain on sale of residential loans. Gain on the sale of residential loans of $2.4 million for the current quarter increased $225 thousand, or 10 percent, compared to the prior quarter and decreased $6.6 million, or 73 percent, from the prior year first quarter.

Non-interest Expense

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

	Three Months ended			$ Change from	
(Dollars in thousands)	Mar 31, 2023	Dec 31, 2022	Mar 31, 2022	Dec 31, 2022	Mar 31, 2022
Compensation and employee benefits	$ 81,477	79,814	79,074	1,663	2,403
Occupancy and equipment	11,665	10,734	10,964	931	701
Advertising and promotions	4,235	3,558	3,232	677	1,003
Data processing	8,109	8,079	7,475	30	634
Other real estate owned	12	5	—	7	12
Regulatory assessments and insurance	4,903	3,425	3,055	1,478	1,848
Core deposit intangibles amortization	2,449	2,664	2,664	(215)	(215)
Other expenses	22,132	20,700	23,844	1,432	(1,712)
Total non-interest expense	$ 134,982	128,979	130,308	6,003	4,674

Total non-interest expense of $135 million for the current quarter increased $6.0 million, or 5 percent, over the prior quarter and increased $4.7 million, or 4 percent, over the prior year first quarter.

Compensation and employee expense of $81.5 million for the current quarter increased $1.7 million, or 2 percent, from the prior quarter and increased $2.4 million, or 3 percent, over the prior year first quarter which was driven primarily by annual salary increases. Regulatory assessments and insurance of $4.9 million, increased $1.5 million, or 43 percent, over the prior quarter and $1.8 million, or 60 percent, over the prior year first quarter and was primarily due to the FDIC uniformly increasing all depository institutions premiums in the current quarter. Other expense of $22.1 million in the current quarter increased $1.4 million, or 7 percent, over prior quarter due to a $2.5 million gain on sale of former branch in the prior quarter. Other expense in the current quarter decreased by $1.7 million, or 7 percent, over the prior year first quarter primarily as a result of a decrease in acquisition-related expense which was partially offset by increases in several miscellaneous expense categories. Acquisition-related expense was $352 thousand in the current quarter compared to $804 thousand in the prior quarter and $6.2 million in the prior year first quarter.

Efficiency Ratio

The efficiency ratio was 60.39 percent in the current quarter compared to 53.18 percent in the prior quarter and 57.11 percent in the prior year first quarter. The increase from prior quarter and prior year first quarter was primarily attributable to the increase in interest expense and non-interest expense 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 Credit Losses on Loans	Net Charge-Offs (Recoveries)	Allowance for Credit Losses as a Percent of Loans	Accruing Loans 30-89 Days Past Due as a Percent of Loans	Non-Performing Assets to Total Sub-sidiary Assets
First quarter 2023	$ 6,260	$ 1,939	1.20 %	0.16 %	0.12 %
Fourth quarter 2022	6,060	1,968	1.20 %	0.14 %	0.12 %
Third quarter 2022	8,382	3,154	1.20 %	0.07 %	0.13 %
Second quarter 2022	(1,353)	1,843	1.20 %	0.12 %	0.16 %
First quarter 2022	4,344	850	1.28 %	0.12 %	0.24 %
Fourth quarter 2021	19,301	616	1.29 %	0.38 %	0.26 %
Third quarter 2021	2,313	152	1.36 %	0.23 %	0.24 %
Second quarter 2021	(5,723)	(725)	1.35 %	0.11 %	0.26 %

The current quarter provision for credit loss expense for loans was $6.3 million which was an increase of $200 thousand from the prior quarter and a $1.9 million increase from the prior year first quarter. 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.

Net charge-offs for the current and prior quarter were $2.0 million compared to $850 thousand for the prior year first quarter. Net charge-offs of $2.0 million included $2.0 million in deposit overdraft net charge-offs and $31 thousand of net loan recoveries.

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."

Investment Activity

The Company's investment securities primarily consist of debt securities classified as either 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. 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:

	March 31, 2023		December 31, 2022		March 31, 2022	
(Dollars in thousands)	Carrying Amount	Percent	Carrying Amount	Percent	Carrying Amount	Percent
Available-for-sale						
U.S. government and federal agency	$ 450,228	5 %	$ 444,727	5 %	$ 465,760	5 %
U.S. government sponsored enterprises	292,632	3 %	287,364	3 %	302,350	3 %
State and local governments	102,678	1 %	132,993	1 %	463,041	5 %
Corporate bonds	26,122	1 %	26,109	1 %	113,185	1 %
Residential mortgage-backed securities	3,179,568	36 %	3,267,341	36 %	3,974,655	39 %
Commercial mortgage-backed securities	1,147,085	13 %	1,148,773	13 %	1,216,772	12 %
Total available-for-sale	5,198,313	59 %	5,307,307	59 %	6,535,763	65 %
Held-to-maturity						
U.S. government and federal agency	848,741	9 %	846,046	9 %	843,264	8 %
State and local governments	1,675,146	19 %	1,682,640	19 %	1,385,516	14 %
Residential mortgage-backed securities	1,140,506	13 %	1,186,366	13 %	1,348,161	13 %
Total held-to-maturity	3,664,393	41 %	3,715,052	41 %	3,576,941	35 %
Total debt securities	$ 8,862,706	100 %	$ 9,022,359	100 %	$ 10,112,704	100 %

The Company's debt securities are primarily comprised of state and local government securities and mortgage-backed securities. The Company's debt securities were primarily comprised of U.S. government and federal agency 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.

(Dollars in thousands)	March 31, 2023 Amortized Cost	March 31, 2023 Fair Value	December 31, 2022 Amortized Cost	December 31, 2022 Fair Value
S&P: AAA / Moody's: Aaa	$ 446,471	397,032	456,074	395,371
S&P: AA+, AA, AA- / Moody's: Aa1, Aa2, Aa3	1,258,275	1,101,111	1,291,020	1,102,120
S&P: A+, A, A- / Moody's: A1, A2, A3	57,399	56,950	58,045	56,865
S&P: BBB+, BBB, BBB- / Moody's: Baa1, Baa2, Baa3	—	—	—	—
Not rated by either entity	18,172	16,352	14,534	14,089
Total	$ 1,780,317	1,571,445	1,819,673	1,568,445

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.

(Dollars in thousands)	March 31, 2023 Amortized Cost	March 31, 2023 Fair Value	December 31, 2022 Amortized Cost	December 31, 2022 Fair Value
General obligation - unlimited	$ 399,353	374,215	421,698	389,762
General obligation - limited	184,093	163,893	186,401	162,096
Revenue	1,157,354	997,230	1,171,971	981,486
Certificate of participation	36,788	33,450	36,864	32,464
Other	2,729	2,657	2,739	2,637
Total	$ 1,780,317	1,571,445	1,819,673	1,568,445

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

(Dollars in thousands)	March 31, 2023 Amortized Cost	March 31, 2023 Fair Value	December 31, 2022 Amortized Cost	December 31, 2022 Fair Value
New York	$ 378,704	332,467	382,529	324,651
Texas	127,597	114,241	128,590	113,444
Michigan	85,468	80,363	89,372	82,649
California	116,246	105,063	117,284	102,804
Washington	98,855	89,829	103,106	92,411
All other states	973,447	849,482	998,792	852,486
Total	$ 1,780,317	1,571,445	1,819,673	1,568,445

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 March 31, 2023. 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.

	One Year or Less		After One through Five Years		After Five through Ten Years		After Ten Years		Mortgage-Backed Securities [1]		Total	
(Dollars in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Available-for-sale												
U.S. government and federal agency	$ 24	3.82 %	$ 435,735	1.07 %	$ 3,791	3.86 %	$ 10,678	4.17 %	$ —	— %	$ 450,228	1.17 %
U.S. government sponsored enterprises	—	— %	292,632	1.29 %	—	— %	—	— %	—	— %	292,632	1.29 %
State and local governments	1,860	2.04 %	38,571	1.82 %	32,139	2.40 %	30,108	2.49 %	—	— %	102,678	2.21 %
Corporate bonds	—	— %	21,579	3.61 %	3,635	4.00 %	908	0.46 %	—	— %	26,122	3.56 %
Residential mortgage-backed securities	—	— %	—	— %	—	— %	—	— %	3,179,568	1.22 %	3,179,568	1.22 %
Commercial mortgage-backed securities	—	— %	—	— %	—	— %	—	— %	1,147,085	2.57 %	1,147,085	2.57 %
Total available-for-sale	1,884	2.06 %	788,517	1.25 %	39,565	2.70 %	41,694	2.87 %	4,326,653	1.57 %	5,198,313	1.54 %
Held-to-maturity												
U.S. government and federal agency	—	— %	711,654	1.61 %	137,087	1.66 %	—	— %	—	— %	848,741	1.62 %
State and local governments	2,834	2.47 %	66,730	2.90 %	169,924	3.12 %	1,435,658	2.47 %	—	— %	1,675,146	2.55 %
Residential mortgage-backed securities	—	— %	—	— %	—	— %	—	— %	1,140,506	1.63 %	1,140,506	1.63 %
Total held-to-maturity	2,834	2.47 %	778,384	1.72 %	307,011	2.47 %	1,435,658	2.47 %	1,140,506	1.63 %	3,664,393	2.05 %
Total debt securities	$ 4,718	2.30 %	$ 1,566,901	1.48 %	$ 346,576	2.49 %	$ 1,477,352	2.48 %	$ 5,467,159	1.58 %	$ 8,862,706	1.74 %

[1] 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 March 31, 2023, 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 March 31, 2023.

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 March 31, 2023, 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:

	March 31, 2023		December 31, 2022		March 31, 2022	
(Dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent
Residential real estate	$ 1,508,403	10 %	$ 1,446,008	9 %	$ 1,125,648	8 %
Commercial real estate	9,992,019	65 %	9,797,047	65 %	8,865,585	65 %
Other commercial	2,804,104	18 %	2,799,668	19 %	2,661,048	20 %
Home equity	829,844	5 %	822,232	5 %	715,963	6 %
Other consumer	384,242	3 %	381,857	3 %	362,775	2 %
Loans receivable	15,518,612	101 %	15,246,812	101 %	13,731,019	101 %
Allowance for credit losses	(186,604)	(1)%	(182,283)	(1)%	(176,159)	(1)%
Loans receivable, net	$ 15,332,008	100 %	$ 15,064,529	100 %	$ 13,554,860	100 %

Non-performing Assets

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

(Dollars in thousands)	At or for the Three Months ended March 31, 2023	At or for the Year ended December 31, 2022	At or for the Three Months ended March 31, 2022
Other real estate owned and foreclosed assets	$ 31	32	43
Accruing loans 90 days or more past due	3,545	1,559	4,510
Non-accrual loans	28,403	31,151	57,923
Total non-performing assets	$ 31,979	32,742	62,476
Non-performing assets as a percentage of subsidiary assets	0.12 %	0.12 %	0.24 %
ACL as a percentage of non-performing loans	584 %	557 %	282 %
Accruing loans 30-89 days past due	$ 24,993	20,967	16,080
U.S. government guarantees included in non-performing assets	$ 2,071	2,312	5,068
Interest income [1]	$ 353	1,450	648

[1] 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 $32.0 million at March 31, 2023 decreased $763 thousand, or 2 percent, over the prior quarter and decreased $30.5 million, or 49 percent, over prior year first quarter. Non-performing assets as a percentage of subsidiary assets at March 31, 2023 was 0.12 percent compared to 0.12 percent in the prior quarter and 0.24 percent in the prior year first quarter.

Early stage delinquencies (accruing loans 30-89 days past due) of $24.9 million at March 31, 2023 increased $3.9 million from the prior quarter and increased $8.8 million from the prior year first quarter. Early stage delinquencies as a percentage of loans at March 31, 2023 was 16 basis points, which compared to 14 basis points in the prior quarter and 12 basis points from prior year first 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.”

Modifications to Borrowers Experiencing Financial Difficulty

Modifications to borrowers experiencing financial difficulties are considered modification 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 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. Such loans at March 31, 2023 had an amortized cost of $6.6 million.

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”) and other foreclosed assets during 2023 was $25 thousand. The fair value of the loan collateral acquired in foreclosure during 2023 was $8 thousand. The following table sets forth the changes in OREO for the periods indicated:

(Dollars in thousands)	At or for the Three Months ended March 31, 2023	At or for the Year ended December 31, 2022	At or for the Three Months ended March 31, 2022
Balance at beginning of period	$ 32	18	18
Additions	8	907	45
Sales	(9)	(893)	(20)
Balance at end of period	$ 31	32	43

Allowance for Credit Losses - Loans Receivable

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

	March 31, 2023			December 31, 2022			March 31, 2022		
(Dollars in thousands)	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	$ 19,974	11 %	10 %	$ 19,683	10 %	10 %	$ 16,227	9 %	8 %
Commercial real estate	130,253	70 %	64 %	125,816	69 %	65 %	122,172	69 %	65 %
Other commercial	21,164	11 %	18 %	21,454	12 %	18 %	23,882	14 %	19 %
Home equity	10,570	6 %	5 %	10,759	6 %	5 %	9,173	5 %	5 %
Other consumer	4,643	2 %	3 %	4,571	3 %	2 %	4,705	3 %	3 %
Total	$ 186,604	100 %	100 %	$ 182,283	100 %	100 %	$ 176,159	100 %	100 %

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

(Dollars in thousands)	At or for the Three Months ended		At or for the Year ended		At or for the Three Months ended	
	March 31, 2023	% of Average Loans	December 31, 2022	% of Average Loans	March 31, 2022	% of Average Loans
Balance at beginning of period	$ 182,283		172,665		172,665	
Provision for credit losses	6,260		17,433		4,344	
Net (charge-offs) recoveries						
Residential real estate	(2)	— %	63	— %	18	— %
Commercial real estate	(267)	— %	684	0.01 %	344	— %
Other commercial	(169)	(0.01)%	(2,545)	(0.10)%	182	0.01 %
Home equity	41	— %	250	0.03 %	48	0.01 %
Other consumer	(1,542)	(0.40)%	(6,267)	(1.70)%	(1,442)	(0.41)%
Net charge-offs	(1,939)	(0.01)%	(7,815)	(0.05)%	(850)	(0.01)%
Balance at end of period	$ 186,604		182,283		176,159	
ACL as a percentage of total loans	1.20 %		1.20 %		1.28 %	
Non-accrual loans as a percentage of total loans	0.21 %		0.20 %		0.42 %	
ACL as a percentage of non-accrual loans	656.99 %		585.16 %		304.13 %	

The current quarter credit loss expense of $5.5 million included $6.3 million of credit loss expense from loans and $790 thousand of credit loss benefit from unfunded loan commitments.

The allowance for credit losses on loans ("ACL") as a percentage of total loans outstanding at March 31, 2023 was 1.20 percent which was the same compared to the prior quarter and an 8 basis points decrease from the prior year first quarter. The Company's ACL of $187 million is considered adequate to absorb the estimated credit losses from any segment of its loan portfolio. For the periods ended March 31, 2023 and 2022, 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.

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 222 locations, including 187 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 seventeen 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:

	Loans Receivable, by Loan Type			% Change from	
(Dollars in thousands)	Mar 31, 2023	Dec 31, 2022	Mar 31, 2022	Dec 31, 2022	Mar 31, 2022
Custom and owner occupied construction	$ 295,604	$ 298,461	$ 265,579	(1)%	11 %
Pre-sold and spec construction	312,715	297,895	258,429	5 %	21 %
Total residential construction	608,319	596,356	524,008	2 %	16 %
Land development	230,823	219,842	180,270	5 %	28 %
Consumer land or lots	187,498	206,604	184,217	(9)%	2 %
Unimproved land	104,811	104,662	90,498	— %	16 %
Developed lots for operative builders	69,896	60,987	61,276	15 %	14 %
Commercial lots	91,780	93,952	98,403	(2)%	(7)%
Other construction	965,244	938,406	833,218	3 %	16 %
Total land, lot, and other construction	1,650,052	1,624,453	1,447,882	2 %	14 %
Owner occupied	2,885,798	2,833,469	2,675,681	2 %	8 %
Non-owner occupied	3,631,158	3,531,673	3,190,519	3 %	14 %
Total commercial real estate	6,516,956	6,365,142	5,866,200	2 %	11 %
Commercial and industrial	1,353,919	1,377,888	1,378,500	(2)%	(2)%
Agriculture	715,863	735,553	731,248	(3)%	(2)%
1st lien	1,864,294	1,808,502	1,466,279	3 %	27 %
Junior lien	42,397	40,445	33,438	5 %	27 %
Total 1-4 family	1,906,691	1,848,947	1,499,717	3 %	27 %
Multifamily residential	649,148	622,185	545,483	4 %	19 %
Home equity lines of credit	893,037	872,899	753,362	2 %	19 %
Other consumer	224,125	220,035	207,827	2 %	8 %
Total consumer	1,117,162	1,092,934	961,189	2 %	16 %
States and political subdivisions	806,878	797,656	659,742	1 %	22 %
Other	208,085	198,012	168,334	5 %	24 %
Total loans receivable, including loans held for sale	15,533,073	15,259,126	13,782,303	2 %	13 %
Less loans held for sale [1]	(14,461)	(12,314)	(51,284)	17 %	(72)%
Total loans receivable	$ 15,518,612	$ 15,246,812	$ 13,731,019	2 %	13 %

[1] 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:

(Dollars in thousands)	Non-performing Assets, by Loan Type Mar 31, 2023	Dec 31, 2022	Mar 31, 2022	Non-Accrual Loans Mar 31, 2023	Accruing Loans 90 Days or More Past Due Mar 31, 2023	OREO Mar 31, 2023
Custom and owner occupied construction	$ 220	224	233	220	—	—
Pre-sold and spec construction	1,548	389	—	—	1,548	—
Total residential construction	1,768	613	233	220	1,548	—
Land development	129	138	240	129	—	—
Consumer land or lots	112	278	160	112	—	—
Unimproved land	51	78	128	51	—	—
Developed lots for operative builders	607	251	—	—	607	—
Commercial lots	188	—	—	141	47	—
Other construction	12,884	12,884	12,884	12,884	—	—
Total land, lot and other construction	13,971	13,629	13,412	13,317	654	—
Owner occupied	2,682	2,076	3,508	2,424	258	—
Non-owner occupied	4,544	805	1,526	4,539	5	—
Total commercial real estate	7,226	2,881	5,034	6,963	263	—
Commercial and industrial	2,001	3,326	4,252	1,715	262	24
Agriculture	2,573	2,574	28,801	2,208	365	—
1st lien	2,015	2,678	2,015	1,950	65	—
Junior lien	111	166	301	105	6	—
Total 1-4 family	2,126	2,844	2,316	2,055	71	—
Multifamily residential	—	4,535	6,469	—	—	—
Home equity lines of credit	1,225	1,393	1,416	1,042	183	—
Other consumer	1,062	911	543	883	172	7
Total consumer	2,287	2,304	1,959	1,925	355	7
Other	27	36	—	—	27	—
Total	$ 31,979	32,742	62,476	28,403	3,545	31

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

	Accruing 30-89 Days Delinquent Loans, by Loan Type			% Change from	
(Dollars in thousands)	Mar 31, 2023	Dec 31, 2022	Mar 31, 2022	Dec 31, 2022	Mar 31, 2022
Custom and owner occupied construction	$ 1,624	$ 1,082	$ 703	50 %	131 %
Pre-sold and spec construction	—	1,712	—	(100)%	n/m
Total residential construction	1,624	2,794	703	(42)%	131 %
Land development	946	—	317	n/m	198 %
Consumer land or lots	668	442	28	51 %	2,286 %
Unimproved land	—	120	—	(100)%	n/m
Developed lots for operative builders	—	958	142	(100)%	(100)%
Commercial lots	—	47	54	(100)%	(100)%
Other construction	5,264	209	—	2,419 %	n/m
Total land, lot and other construction	6,878	1,776	541	287 %	1,171 %
Owner occupied	1,783	3,478	3,778	(49)%	(53)%
Non-owner occupied	429	496	266	(14)%	61 %
Total commercial real estate	2,212	3,974	4,044	(44)%	(45)%
Commercial and industrial	3,677	3,439	3,275	7 %	12 %
Agriculture	947	1,367	162	(31)%	485 %
1st lien	3,321	2,174	2,963	53 %	12 %
Junior lien	385	190	78	103 %	394 %
Total 1-4 family	3,706	2,364	3,041	57 %	22 %
Multifamily residential	201	492	—	(59)%	n/m
Home equity lines of credit	2,804	1,182	1,315	137 %	113 %
Other consumer	1,598	1,824	1,097	(12)%	46 %
Total consumer	4,402	3,006	2,412	46 %	83 %
States and political subdivisions	—	28	21	(100)%	(100)%
Other	1,346	1,727	1,881	(22)%	(28)%
Total	$ 24,993	$ 20,967	$ 16,080	19 %	55 %

n/m - not measurable

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

	Net Charge-Offs (Recoveries), Year-to-Date Period Ending, By Loan Type			Charge-Offs	Recoveries
(Dollars in thousands)	Mar 31, 2023	Dec 31, 2022	Mar 31, 2022	Mar 31, 2023	Mar 31, 2023
Custom and owner occupied construction	$ —	17	—	—	—
Pre-sold and spec construction	$ (4)	(15)	(4)	—	4
Total residential construction	(4)	2	(4)	—	4
Land development	—	(34)	(21)	—	—
Consumer land or lots	—	(46)	(10)	—	—
Total land, lot and other construction	—	(80)	(31)	—	—
Owner occupied	(68)	555	(386)	—	68
Non-owner occupied	298	(242)	(2)	300	2
Total commercial real estate	230	313	(388)	300	70
Commercial and industrial	(382)	(70)	(449)	24	406
Agriculture	—	(7)	(2)	—	—
1st lien	44	(109)	(9)	47	3
Junior lien	(5)	(302)	(78)	—	5
Total 1-4 family	39	(411)	(87)	47	8
Multifamily residential	—	136	—	—	—
Home equity lines of credit	(39)	(91)	(5)	4	43
Other consumer	125	451	55	160	35
Total consumer	86	360	50	164	78
Other	1,970	7,572	1,761	2,758	788
Total	$ 1,939	7,815	850	3,293	1,354

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, borrowings from the FRB, 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:

	March 31, 2023		December 31, 2022		March 31, 2022	
(Dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent
Non-interest bearing deposits	$ 7,001,241	35 %	$ 7,690,751	37 %	$ 7,990,003	36 %
NOW and DDA accounts	5,156,709	25 %	5,330,614	26 %	5,376,881	25 %
Savings accounts	2,985,351	15 %	3,200,321	16 %	3,287,521	15 %
Money market deposit accounts	3,429,123	17 %	3,472,281	17 %	4,044,655	19 %
Certificate accounts	1,155,494	6 %	880,589	4 %	995,147	5 %
Wholesale deposits	420,390	2 %	31,999	— %	3,688	— %
Total interest bearing deposits	13,147,067	65 %	12,915,804	63 %	13,707,892	64 %
Total deposits	$ 20,148,308	100 %	$ 20,606,555	100 %	$ 21,697,895	100 %

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.

During the first quarter of 2023, the FRB also offered a new Bank Term Funding Program ("BTFP") for eligible depository institutions. The BTFP offers loans of up to one year in length to institutions pledging collateral eligible for purchase by the FRB in open market operations such as U.S. Treasuries, U.S. Agency securities, and U.S. agency mortgage-backed securities. These assets will be valued at par. The Company participated in the BTFP which enabled the Company to pay off higher rate FHLB advances and support its current cash position.

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, FRB Bank Term Funding facility, 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") as well as a line of credit with a large national banking institution. 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.

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 or holding 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 March 31, 2023. The subordinated debentures outstanding as of March 31, 2023 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 March 31, 2023 and determined its ACL of $24.5 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

In the normal course of business, the Company has commitments that require material cash requirements for customer deposits outflows, repurchase agreements, borrowed funds, lease obligations, off-balance sheet obligations, operating expenses and other contractual obligations. The source of funding for such requirements includes loan repayments, customer deposit inflows, borrowings, revenue from operations, and capital resources. 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)	March 31, 2023	December 31, 2022
FHLB advances		
Borrowing capacity	$ 3,939,638	4,358,079
Amount utilized	(335,000)	(1,800,000)
Letters of credit	(2,075)	(2,075)
Amount available	$ 3,602,563	2,556,004
FRB discount window		
Borrowing capacity	$ 1,641,990	1,680,117
Amount utilized	—	—
Amount available	$ 1,641,990	1,680,117
FRB Bank Term Funding Program		
Borrowing capacity	$ 3,575,755	—
Amount utilized	(2,740,000)	—
Amount available	$ 835,755	$ —
Unsecured lines of credit available	$ 805,000	805,000
Unencumbered debt securities		
U.S. government and federal agency	$ 393,683	811,311
U.S. government sponsored enterprises	—	286,480
State and local governments	1,777,824	1,513,164
Corporate bonds	26,122	26,109
Residential mortgage-backed securities	63,690	2,646,766
Commercial mortgage-backed securities	290,010	970,300
Total unencumbered debt securities [1]	$ 2,551,329	6,254,130

[1] Total unencumbered debt securities at March 31, 2023, included $663 million classified as AFS and $1.9 billion classified as HTM. Total unencumbered debt securities at December 31, 2022, included $4.0 billion classified as AFS, and $2.8 million classified as HTM. During the quarter, the Company increased the amount of securities pledged to the FRB's Bank Term Funding Program.

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 234,000,000 shares of common stock of which 110,868,713 have been issued as of March 31, 2023. The Company also has the capacity to issue 1,000,000 shares of preferred stock of which none have been issued as of March 31, 2023. 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 March 31, 2023, 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 March 31, 2023:

	Total Capital (To Risk-Weighted Assets)	Tier 1 Capital (To Risk-Weighted Assets)	Common Equity Tier 1 (To Risk-Weighted Assets)	Leverage Ratio/ Tier 1 Capital (To Average Assets)
Glacier Bank actual regulatory ratios	13.73 %	12.69 %	12.69 %	9.06 %
Minimum capital requirements	8.00 %	6.00 %	4.50 %	4.00 %
Minimum capital requirements plus capital conservation 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 added 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 under 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, 6.00 percent in Idaho, 4.85 percent in Utah, 4.55 percent in Colorado and 4.90 percent in Arizona. Washington, Wyoming and Nevada do not impose a corporate income tax. The Company is also required to file in 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:

(Dollars in thousands)	Three Months ended March 31, 2023	Three Months ended March 31, 2022
Income Before Income Taxes	$ 73,635	81,779
Federal and state income tax expense	12,424	13,984
Net Income	$ 61,211	67,795
Effective tax rate [1]	16.9 %	17.1 %
Income from tax-exempt debt securities, municipal loans and leases	$ 19,657	17,612
Benefits from federal income tax credits	$ 5,283	3,996

[1] 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 $14.7 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.

(Dollars in thousands)	New Markets Tax Credits	Low-Income Housing Tax Credits	Debt Securities Tax Credits	Total
2024	$ 7,408	17,158	642	25,208
2025	5,812	22,144	602	28,558
2026	4,332	23,512	451	28,295
2027	3,612	23,577	219	27,408
2028	3,612	21,636	42	25,290
Thereafter	1,596	88,340	190	90,126
	$ 26,372	196,367	2,146	224,885

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 March 31, 2023			Three Months ended March 31, 2022		
(Dollars in thousands)	Average Balance	Interest and Dividends	Average Yield/ Rate	Average Balance	Interest and Dividends	Average Yield/ Rate
Assets						
Residential real estate loans	$ 1,493,938	$ 15,838	4.24 %	$ 1,140,224	$ 15,515	5.44 %
Commercial loans [1]	12,655,551	157,456	5.05 %	11,318,767	125,919	4.51 %
Consumer and other loans	1,207,315	16,726	5.62 %	1,075,102	11,791	4.45 %
Total loans [2]	15,356,804	190,020	5.02 %	13,534,093	153,225	4.59 %
Tax-exempt investment securities [3, 4]	1,761,533	16,030	3.64 %	1,723,125	15,664	3.64 %
Taxable investment securities [5]	8,052,662	31,084	1.54 %	8,883,211	26,465	1.19 %
Total earning assets	25,170,999	237,134	3.82 %	24,140,429	195,354	3.28 %
Goodwill and intangibles	1,025,716			1,036,315		
Non-earning assets	478,962			756,422		
Total assets	$ 26,675,677			$ 25,933,166		
Liabilities						
Non-interest bearing deposits	$ 7,274,228	$ —	— %	$ 7,859,706	$ —	— %
NOW and DDA accounts	5,080,175	2,271	0.18 %	5,279,984	845	0.06 %
Savings accounts	3,107,559	514	0.07 %	3,246,512	332	0.04 %
Money market deposit accounts	3,468,953	5,834	0.68 %	4,030,795	1,381	0.14 %
Certificate accounts	984,770	2,584	1.06 %	1,019,595	897	0.36 %
Total core deposits	19,915,685	11,203	0.23 %	21,436,592	3,455	0.07 %
Short-term borrowings						
Wholesale deposits [6]	120,468	1,342	4.52 %	17,191	9	0.22 %
Repurchase agreements	1,035,582	4,606	1.80 %	970,544	393	0.16 %
FHLB advances	1,990,833	23,605	4.74 %	15,000	12	0.33 %
FRB Bank Term Funding	280,944	3,032	4.32 %	—	—	— %
Total short-term borrowings	3,427,827	32,585	3.80 %	1,002,735	414	0.17 %
Long-term borrowings						
Subordinated debentures and other borrowed funds	209,547	1,908	3.69 %	179,725	1,092	2.46 %
Total interest bearing liabilities	23,553,059	45,696	0.79 %	22,619,052	4,961	0.09 %
Other liabilities	217,245			249,316		
Total liabilities	23,770,304			22,868,368		
Stockholders' Equity						
Stockholders' equity	2,905,373			3,064,798		
Total liabilities and stockholders' equity	$ 26,675,677			$ 25,933,166		
Net interest income (tax-equivalent)		$ 191,438			$ 190,393	
Net interest spread (tax-equivalent)			3.03 %			3.19 %
Net interest margin (tax-equivalent)			3.08 %			3.20 %

[1] Includes tax effect of $1.8 million and $1.4 million on tax-exempt municipal loan and lease income for the three months ended March 31, 2023, and 2022, respectively.
[2] 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.
[3] Includes tax effect of $3.3 million and $3.3 million on tax-exempt debt securities income for the three months ended March 31, 2023, and 2022, respectively.
[4] Includes interest income of $2.1 million and $80 thousand on average interest-bearing cash balances of $176.3 million and $222.1 million for the three months ended March 31, 2023, and 2022, respectively.
[5] Includes tax effect of $215 thousand and $225 thousand on federal income tax credits for the three months ended March 31, 2023, and 2022, respectively.
[6] 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.

	Three Months ended 2023 vs. 2022 Increase (Decrease) Due to:		
(Dollars in thousands)	Volume	Rate	Net
Interest income			
Residential real estate loans	$ 4,813	(4,490)	323
Commercial loans (tax-equivalent)	14,871	16,666	31,537
Consumer and other loans	1,450	3,485	4,935
Investment securities (tax-equivalent)	(3,145)	8,133	4,988
Total interest income	17,989	23,794	41,783
Interest expense			
NOW and DDA accounts	(32)	1,457	1,425
Savings accounts	(14)	197	183
Money market deposit accounts	(192)	4,646	4,454
Certificate accounts	(31)	1,717	1,686
Wholesale deposits	56	1,277	1,333
Repurchase agreements	27	4,186	4,213
FHLB advances	1,633	21,960	23,593
FRB Bank Term Funding	3,032	—	3,032
Subordinated debentures and other borrowed funds	181	635	816
Total interest expense	4,660	36,075	40,735
Net interest income (tax-equivalent)	$ 13,329	(12,281)	1,048

Net interest income (tax-equivalent) increased $1.0 million for the three months ended March 31, 2023 compared to the same period in 2022. The interest income for the first three months of 2023 increased over the same period last year primarily loan growth and increased loan yields. The increase in interest expense for the first three months of 2023 was primarily the result of an increase in interest rates coupled with an increase in higher costs borrowings.

Market Risk

Market risk is the risk of loss in a financial instrument arising from adverse changes in market rates/prices such as interest rates, foreign currency exchange rates, commodity prices, and equity prices. The Company’s primary market risk exposure is interest rate risk.

Interest Rate Risk

Interest rate risk is the potential for loss of future earnings resulting from adverse changes in the level of interest rates. Interest rate risk results from many factors and could have a significant impact on the Company’s net interest income, which is the Company’s primary source of net income. Net interest income is affected by a myriad of variables, including changes in interest rates, the relationship between rates on interest bearing assets and liabilities, the impact of the interest fluctuations on asset prepayments and the mix of interest bearing assets and liabilities.

Although interest rate risk is inherent in the banking industry, banks are expected to have sound risk management practices in place to measure, monitor and control interest rate exposures. The objective of interest rate risk management is to appropriately manage the risks associated with interest rate fluctuations. The process includes identification and management of the sensitivity of net interest income to changing interest rates.

Net interest income simulation

The Company uses a detailed and dynamic simulation model to quantify the estimated exposure of net interest income ("NII") to sustained interest rate changes. While ALCO routinely monitors simulated NII sensitivity over rolling two-year and five-year horizons, it also utilizes additional tools to monitor potential longer-term interest rate risk. The simulation model captures the impact of changing interest rates on the interest income received and interest expense paid on all assets and liabilities reflected on the Company's statements of financial condition. This sensitivity analysis is compared to ALCO policy limits which specify a maximum tolerance level for NII exposure over a one year and two year horizon, assuming no balance sheet growth. The ALCO policy rate scenarios include upward and downward shifts in interest rates for 100 bps, 200 bps, 300 bps, and 400 bps scenarios with instantaneous and parallel changes in current market yield curves. The ALCO policy also includes 200 bps and 400 bps rate scenarios with gradual parallel shifts in interest rates over 12-month and 24-month periods, respectively. Other non-parallel rate movement scenarios are also modeled to determine the potential impact on net interest income. The additional scenarios are adjusted as the economic environment changes and provide ALCO additional interest rate risk monitoring tools to evaluate current market conditions.

The following is indicative of the Company's overall NII sensitivity analysis as of March 31, 2023. The Company's NII sensitivity remained within policy limits at March 31, 2023.

	Estimated Sensitivity	
Rate Scenarios	One Year	Two Years
-100 bps Rate shock	3.87 %	2.48 %
+100 bps Rate shock	(3.19 %)	(3.04 %)
+200 bps Rate shock	(6.23 %)	(5.96 %)
+200 bps Rate ramp	(4.30 %)	(6.82 %)
+300 bps Rate shock	(9.30 %)	(8.91 %)
+400 bps Rate shock	(12.36 %)	(11.87 %)
+400 bps Rate ramp	(4.32 %)	(11.04 %)

The preceding sensitivity analysis does not represent a forecast and should not be relied upon as being indicative of expected operating results. Growth in the Company's core deposit franchise, updated deposit pricing assumptions, and other balance sheet changes It is important to note that these hypothetical estimates are based upon numerous assumptions that are specific to our Company and thus may not be directly comparable to other institutions. These assumptions include: the nature and timing of interest rate levels including, but not limited to, yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits and reinvestment/replacement of asset and liability cash flows. While assumptions are developed based upon current economic and local market conditions, the Company cannot make any assurances as to the predictive nature of these assumptions including how customer preferences or competitor influences might change. Also, as market conditions vary from those assumed in the sensitivity analysis, actual results will also differ due to prepayment/refinancing levels likely deviating from those assumed, the varying impact of interest rate caps or floors on adjustable rate assets, the potential effect of changing debt service levels on customers with adjustable rate loans, depositor early withdrawals and product preference changes, and other internal and external variables. Furthermore, the sensitivity analysis does not reflect actions that ALCO might take in responding to or anticipating changes in interest rates.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

See “Market Risk” of this Management’s Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-Q.

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 March 31, 2023. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company’s current disclosure controls and procedures are effective and timely, providing them with material information relating to the Company required to be disclosed in the reports the Company files or submits under the Exchange Act.

Changes in Internal Controls

There have not been any changes in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the first quarter of 2023, 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 following risk factor represents a material update and addition to the risk factors previously disclosed in the Company’s 2022 Annual Report on Form 10-K. The risks and uncertainties described in the 2022 Annual Report continue to be present and should be carefully reviewed. These are not the only risks and uncertainties that the Company faces. Additional risks and uncertainties that we do not currently know about or that we currently believe are immaterial, or that we have not predicted, may also harm our business operations or adversely affect the Company. If any of these risks or uncertainties actually occurs, our business, financial condition, operating results or liquidity could be adversely affected.

Recent events impacting the financial services industry could adversely affect our results of operations and financial condition.

Late in the first quarter of 2023, the financial services industry was negatively affected by the bank failures involving Silicon Valley Bank and Signature Bank. More recently, First Republic Bank was acquired by JP Morgan Chase after being seized by the FDIC. The adverse events involving Silicon Valley Bank and Signature Bank caused significant volatility in the trading prices of stock of publicly traded bank holding companies and have decreased confidence in banks among depositors and investors. Such ramifications could continue or worsen in light of the recent failure and acquisition of First Republic Bank. Banking regulators’ actions in response to these events have included ensuring that depositors of Silicon Valley and Signature would have access to their deposits, including uninsured deposit accounts, establishing the Bank Term Funding Program as an additional source of liquidity for banks generally, and most recently facilitating the acquisition of First Republic by JP Morgan Chase. Continued concerns relating to these adverse events could result in a reduction in demand for our products and services, including withdrawals of uninsured deposits, and could impact profitability and stockholders’ equity. The premiums of the FDIC’s deposit insurance program are expected to increase, and banking regulators have signaled further review of regulatory requirements and the potential for changes to laws or regulations governing banks and bank holding companies. Changes resulting from these events could include increased regulatory oversight, higher capital requirements or changes in the way regulatory capital is calculated, and the impositions of additional restrictions through regulatory changes or supervisory or enforcement activities, each of which could have a material impact on our business.

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

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.

May 2, 2023	/s/ Randall M. Chesler Randall M. Chesler President and CEO
May 2, 2023	/s/ Ron J. Copher Ron J. Copher Executive Vice President and CFO

Exhibit 31.1

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.

May 2, 2023

/s/ Randall M. Chesler
Randall M. Chesler
President/CEO

Exhibit 31.2

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.

May 2, 2023

/s/ Ron J. Copher
Ron J. Copher
Executive Vice President/CFO

Exhibit 32

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 March 31, 2023, 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.

May 2, 2023	/s/ Randall M. Chesler
	Randall M. Chesler
	President/CEO
May 2, 2023	/s/ Ron J. Copher
	Ron J. Copher
	Executive Vice President/CFO