GLACIER BANCORP INC
Form 10-Q
August 07, 2009

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

FORM 10-Q

[X] Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended June 30, 2009

[ ] Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____________ to _____________

COMMISSION FILE 0-18911

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

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

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

Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [ ] No [ ]

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	[X]	Accelerated Filer	[ ]
Non-Accelerated Filer (Do not check if a smaller reporting company)	[ ]	Smaller reporting Company	[ ]

Indicate by checkmark whether the registrant is a shell company (as defined in

Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

The number of shares of Registrant's common stock outstanding on July 22, 2009 was 61,519,808. No preferred shares are issued or outstanding.

GLACIER BANCORP, INC.
QUARTERLY REPORT ON FORM 10-Q

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GLACIER BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands, except per share data)	JUNE 30, 2009 (unaudited)	Decemb 20 (aud
ASSETS:		
Cash on hand and in banks	$ 100,773	12
Federal funds sold	62,405	
Interest bearing cash deposits	24,608	
Cash and cash equivalents	187,786	13
Investment securities	994,147	99

Loans receivable, net	3,939,219	3,99
Loans held for sale	92,166	5
Premises and equipment, net	135,902	13
Real estate and other assets owned, net	47,424	1
Accrued interest receivable	30,346	2
Deferred tax asset	14,890	1
Core deposit intangible, net	11,477	1
Goodwill	146,259	14
Other assets	38,808	2
Total assets	$ 5,638,424	5,55
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Non-interest bearing deposits	$ 754,844	74
Interest bearing deposits	2,631,599	2,51
Advances from Federal Home Loan Bank	613,478	33
Securities sold under agreements to repurchase	180,779	18
Federal Reserve Bank discount window	587,000	91
U.S. Treasury Tax & Loan	5,120	
Other borrowed funds	12,072	
Accrued interest payable	8,421	
Subordinated debentures	120,157	12
Other liabilities	35,290	3
Total liabilities	4,948,760	4,87
Preferred shares, $.01 par value per share. 1,000,000 shares authorized None issued or outstanding	--	
Common stock, $.01 par value per share. 117,187,500 shares authorized	615	
Paid-in capital	495,223	49
Retained earnings - substantially restricted	196,208	18
Accumulated other comprehensive loss	(2,382)	(
Total stockholders' equity	689,664	67
Total liabilities and stockholders' equity	$ 5,638,424	5,55
Number of shares outstanding	61,519,808	61,33
Book value per share	$ 11.21	

See accompanying notes to condensed consolidated financial statements.

GLACIER BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED JUNE 30,		SIX
(UNAUDITED - dollars in thousands, except per share data)	2009	2008	2
INTEREST INCOME:			
Real estate loans	$ 13,871	12,399	
Commercial loans	37,597	41,100	

Consumer and other loans	11,142	11,790	
Investment securities and other	11,810	9,284	
Total interest income	74,420	74,573	1
INTEREST EXPENSE:			
Deposits	9,433	13,474	
Federal Home Loan Bank advances	1,852	4,821	
Securities sold under agreements to repurchase	409	808	
Subordinated debentures	1,676	1,853	
Other borrowed funds	569	1,317	
Total interest expense	13,939	22,273	
NET INTEREST INCOME	60,481	52,300	1
Provision for loan losses	25,140	5,042	
Net interest income after provision for loan losses	35,341	47,258	
NON-INTEREST INCOME:			
Service charges and other fees	10,215	10,599	
Miscellaneous loan fees and charges	1,162	1,624	
Gains on sale of loans	9,071	4,245	
Gain on sale of investments	--	--	
Other income	870	913	
Total non-interest income	21,318	17,381	
NON-INTEREST EXPENSE:			
Compensation, employee benefits and related expense	20,710	20,967	
Occupancy and equipment expense	5,611	5,116	
Advertising and promotions expense	1,722	1,833	
Outsourced data processing expense	680	647	
Core deposit intangibles amortization	762	767	
Other expense	13,478	7,113	
Total non-interest expense	42,963	36,443	
EARNINGS BEFORE INCOME TAXES	13,696	28,196	
Federal and state income tax expense	3,044	9,737	
NET EARNINGS	$ 10,652	18,459	
Basic earnings per share	$ 0.17	0.35	
Diluted earnings per share	$ 0.17	0.34	
Dividends declared per share	$ 0.13	0.13	
Return on average assets (annualized)	0.77%	1.51%	
Return on average equity (annualized)	6.18%	13.51%	
Average outstanding shares - basic	61,515,946	53,971,220	61,4
Average outstanding shares - diluted	61,518,289	54,151,290	61,4

See accompanying notes to condensed consolidated financial statements.

GLACIER BANCORP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

AND COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2008 AND UNAUDITED SIX MONTHS ENDED JUNE 30, 2009

(Dollars in thousands, except per share data)	Common Stock Shares		Paid-in capital	Retained earnings substantial restricte
Balance at December 31, 2007	53,646,480	$536	374,728	150,195
Comprehensive income:				
Net earnings	--	--	--	65,657
Unrealized loss on securities, net of reclassification adjustment and taxes	--	--	--	--
Total comprehensive income				
Cash dividends declared ($.52 per share)	--	--	--	(29,079)
Stock options exercised	719,858	7	9,789	--
Stock issued in connection with acquisition	639,935	7	9,280	--
Public offering of stock issued	6,325,000	63	93,890	--
Cumulative effect of change in accounting principle	--	--	--	(997)
Stock based compensation and tax benefit	--	--	4,107	--
Balance at December 31, 2008	61,331,273	$613	491,794	185,776
Comprehensive income:				
Net earnings	--	--	--	26,431
Unrealized loss on securities, net of reclassification adjustment and taxes	--	--	--	--
Total comprehensive income				
Cash dividends declared ($.26 per share)	--	--	--	(15,999)
Stock options exercised	188,535	2	2,552	--
Stock based compensation and tax benefit	--	--	877	--
Balance at June 30, 2009 (unaudited)	61,519,808	$615	495,223	196,208

See accompanying notes to condensed consolidated financial statements.

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GLACIER BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED - Dollars in thousands)	SIX MONTHS ENDED JUNE 2009	2008
OPERATING ACTIVITIES :		
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 25,726	42,90

INVESTING ACTIVITIES:		
Proceeds from sales, maturities and prepayments of investments available-for-sale	97,332	211,64
Purchases of investments available-for-sale	(103,724)	(293,75
Principal collected on commercial and consumer loans	483,879	558,50
Commercial and consumer loans originated or acquired	(529,042)	(752,16
Principal collections on real estate loans	97,507	175,14
Real estate loans originated or acquired	(76,282)	(194,49
Net purchase of FHLB and FRB stock	(61)	(13
Proceeds from sale of other real estate owned	5,257	65
Net addition of premises and equipment and other real estate owned	(7,854)	(6,23
NET CASH USED IN INVESTING ACTIVITIES	(32,988)	(300,82
FINANCING ACTIVITIES:		
Net increase (decrease) in deposits	123,881	(58,55
Net increase in FHLB advances	275,022	119,26
Net decrease in securities sold under repurchase agreements	(7,584)	(1,83
Net (decrease) increase in Federal Reserve Bank discount window	(327,000)	144,00
Net decrease in U.S. Treasury Tax and Loan funds	(947)	(12,11
Net increase (decrease) in other borrowed funds	9,791	(3
Cash dividends paid	(15,999)	(14,03
Excess tax benefits from stock options	75	52
Proceeds from exercise of stock options and other stock issued	2,554	3,42
NET CASH PROVIDED BY FINANCING ACTIVITIES	59,793	180,64
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,531	(77,27
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	135,255	227,60
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 187,786	150,33
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 30,423	51,02
Cash paid for Income taxes	23,407	22,26
Sale and refinancing of other real estate owned	2,243	82
Other real estate acquired in settlement of loans	44,584	5,91

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1) Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of Glacier Bancorp Inc.'s (the "Company") financial condition as of June 30, 2009 and 2008, stockholders' equity and comprehensive income for the six months ended June 30, 2009, the results of operations for the three and six months ended June 30, 2009 and 2008, and cash flows for the six months ended June 30, 2009 and 2008. The condensed consolidated statement of financial condition and statement of stockholders' equity and comprehensive income of the Company as of December 31, 2008 have been derived from the audited consolidated statements of the Company as of that date.

The accompanying condensed consolidated financial statements do not include

all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. Operating results for the six months ended June 30, 2009 are not necessarily indicative of the results anticipated for the year ending December 31, 2009. Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 presentation.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan and lease losses ("ALLL" or "allowance") and the valuations related to investments, business combinations and real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the ALLL and other real estate valuation estimates management obtains independent appraisals for significant items. Estimates relating to investments are obtained from independent parties. Estimates relating to business combinations are determined based on internal calculations using significant independent party inputs and independent party valuations.

2) Organizational Structure

The Company, headquartered in Kalispell, Montana, is a Montana corporation incorporated in 2004 as a successor corporation to the Delaware corporation incorporated in 1990. The Company is a regional multi-bank holding company that provides a full range of banking services to individual and corporate customers in Montana, Idaho, Wyoming, Colorado, Utah and Washington through its bank subsidiaries. The bank subsidiaries are subject to competition from other financial service providers. The bank subsidiaries are also subject to the regulations of certain government agencies and undergo periodic examinations by those regulatory authorities.

As of June 30, 2009, the Company is the parent holding company for ten wholly-owned, independent community bank subsidiaries: Glacier Bank ("Glacier"), First Security Bank of Missoula ("First Security"), Western Security Bank ("Western"), Big Sky Western Bank ("Big Sky"), Valley Bank of Helena ("Valley"), First Bank of Montana ("First Bank-MT"), all located in Montana, Mountain West Bank ("Mountain West") which is located in Idaho, Utah, and Washington, Citizens Community Bank ("Citizens") located in Idaho, 1st Bank ("1st Bank") located in Wyoming and Utah, and Bank of the San Juans ("San Juans") located in Colorado.

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On February 9, 2009, the Company announced a definitive agreement (the "agreement") to acquire First Company and its subsidiary First National Bank & Trust, a community bank based in Powell, Wyoming. First National Bank & Trust has three branch locations in Powell, Cody, and Lovell, Wyoming. As of June 30, 2009, First National Bank & Trust had total assets of $272 million. Upon completion of the transaction, which is subject to regulatory approval and other customary conditions of closing, First National Bank & Trust will become a wholly-owned subsidiary of the Company. The agreement was recently extended to September 15, 2009. The transaction is now targeted to close in the third quarter.

On February 1, 2009, First National Bank of Morgan ("Morgan") merged into 1st Bank resulting in operations being conducted under the 1st Bank charter. Prior period activity of Morgan has been combined and included in

1st Bank's historical results. The merger has been accounted for as a combination of two wholly-owned subsidiaries without acquisition accounting.

On December 1, 2008, Bank of the San Juans Bancorporation and its subsidiary, San Juans, were acquired by the Company. The results of operations and financial condition are included from the acquisition date.

On April 30, 2008, Glacier Bank of Whitefish ("Whitefish") merged into Glacier resulting in operations conducted under the Glacier charter. Prior period activity of Whitefish was combined and included in Glacier's historical results. The merger was accounted for as a combination of two wholly-owned subsidiaries without acquisition accounting.

An entity is referred to as a variable interest entity ("VIE") if it meets the criteria outlined in Financial Accounting Standards Board ("FASB") Interpretation 46(R) ("FIN 46R"), Consolidation of Variable Interest Entities. FIN 46R provides guidance as to when a company should include the assets, liabilities, and activities of a VIE in its financial statements, and when a company should disclose information about its relationship with a VIE. A VIE is a legal structure used to conduct activities or hold assets, and a VIE must be consolidated by a company if it is the primary beneficiary because a primary beneficiary absorbs the majority of the entity's expected losses, the majority of the expected residual returns, or both. The Company has equity investments in Certified Development Entities in the form of limited liability companies ("LLC") which have received allocations of new market tax credits ("NMTC"). The Company also has equity investments in low-income housing tax credit partnerships. The LLCs and the partnerships are considered VIEs. The Company has evaluated the relationships and has determined the Company to be the primary beneficiary and accordingly consolidates its interest in the VIEs into the community bank subsidiary which holds the investment in the VIE.

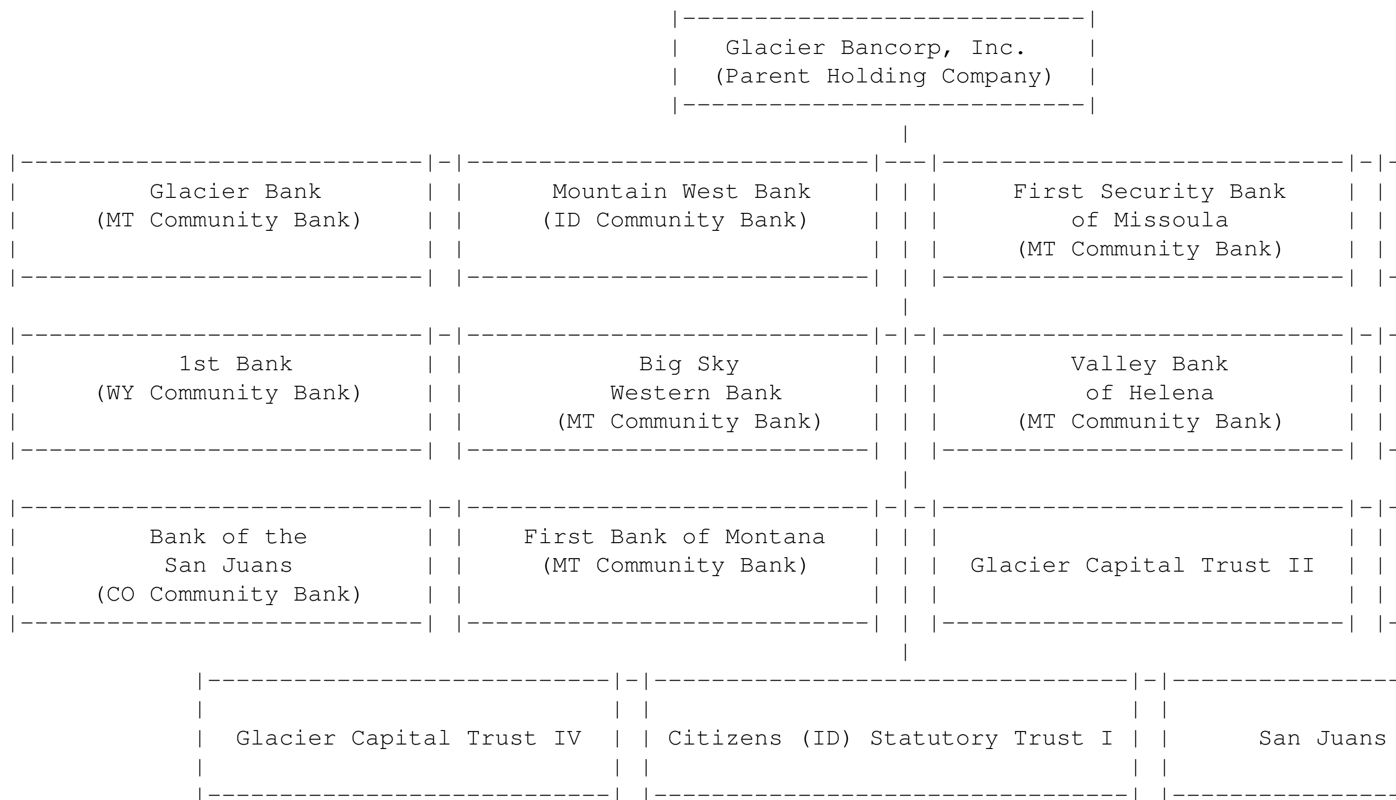
In June 2009, FASB issued Statement of Financial Accounting Standard ("SFAS") No. 167, Amendments to FASB Interpretation No. 46(R). This Statement shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company is currently evaluating the impact of the adoption of this standard, but does not expect it to have a material effect on the Company's financial position or results of operations. For further information regarding the Statement see discussion in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Impact of Recently Issued Standards".

In addition, the Company owns five trust subsidiaries, Glacier Capital Trust II ("Glacier Trust II"), Glacier Capital Trust III ("Glacier Trust III"), Glacier Capital Trust IV ("Glacier Trust IV"), Citizens (ID) Statutory Trust I ("Citizens Trust I") and Bank of the San Juans Trust I ("San Juans Trust I") for the purpose of issuing trust preferred securities and, in accordance with FIN 46(R), the subsidiaries are not consolidated into the Company's financial statements. The Company does not have any other off-balance sheet entities.

See Note 12 - Segment Information for selected financial data including net earnings and total assets for the parent company and each of the community

bank subsidiaries. Although the consolidated total assets of the Company were $5.6 billion at June 30, 2009, eight of the ten community banks had total assets of less than $1 billion. The smallest community bank subsidiary had $176 million in total assets, while the largest community bank subsidiary had $1.3 billion in total assets at June 30, 2009.

The following abbreviated organizational chart illustrates the various relationships as of June 30, 2009:



3) Investments

A comparison of the amortized cost and estimated fair value of the Company's investment securities, available-for-sale and other investments is as follows:

INVESTMENTS AS OF JUNE 30, 2009

(Dollars in thousands)	Weighted Yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimat[ed] Fair Value
AVAILABLE-FOR-SALE:					

U.S. GOVERNMENT AGENCIES:					
maturing one year through five years	1.62%	$ 211	--	(4)	20
GOVERNMENT-SPONSORED ENTERPRISES:					
maturing one year through five years	3.07%	184	--	(1)	18
maturing five years through ten years	1.64%	42	--	--	4
maturing after ten years	2.05%	66	--	--	6
	2.63%	292	--	(1)	29
STATE AND LOCAL GOVERNMENTS AND OTHER ISSUES:					
maturing within one year	3.73%	757	2	--	75
maturing one year through five years	4.49%	3,754	128	(3)	3,87
maturing five years through ten years	4.61%	23,295	1,038	(68)	24,26
maturing after ten years	4.96%	434,096	9,828	(6,445)	437,47
	4.94%	461,902	10,996	(6,516)	466,38
COLLATERALIZED DEBT OBLIGATIONS:					
maturing after ten years	8.39%	15,066	--	(5,094)	9,97
RESIDENTIAL MORTGAGE-BACKED SECURITIES	5.00%	459,118	9,215	(12,513)	455,82
TOTAL MARKETABLE SECURITIES	5.02%	936,589	20,211	(24,128)	932,67
OTHER INVESTMENTS:					
FHLB and FRB stock, at cost	1.27%	61,011	--	--	61,01
Other stock, at cost	3.72%	464	--	--	46
TOTAL INVESTMENTS	4.79%	$998,064	20,211	(24,128)	994,14

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INVESTMENTS AS OF DECEMBER 31, 2008

(Dollars in thousands) AVAILABLE-FOR-SALE:	Weighted Yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimat Fair Value
AVAILABLE-FOR-SALE:					
U.S. GOVERNMENT AGENCIES:					
maturing one year through five years	1.62%	$ 213	4	--	21
GOVERNMENT-SPONSORED ENTERPRISES:					
maturing five years through ten years	4.12%	246	--	(2)	24
maturing after ten years	3.75%	68	--	--	6
	4.04%	314	--	(2)	31
STATE AND LOCAL GOVERNMENTS AND OTHER ISSUES:					
maturing within one year	3.76%	940	6	--	94
maturing one year through five years	4.61%	4,482	104	(9)	4,57
maturing five years through ten years	5.08%	20,219	1,030	(80)	21,16
maturing after ten years	4.95%	393,377	7,807	(9,733)	391,45
	4.95%	419,018	8,947	(9,822)	418,14

COLLATERALIZED DEBT OBLIGATIONS:					
maturing after ten years	8.39%	15,226	314	--	15,54
RESIDENTIAL MORTGAGE-BACKED SECURITIES	4.62%	495,961	4,956	(6,447)	494,47
TOTAL MARKETABLE SECURITIES	4.83%	930,732	14,221	(16,271)	928,68
OTHER INVESTMENTS:					
FHLB and FRB stock, at cost	1.72%	60,945	--	--	60,94
Other stock, at cost	3.10%	465	--	--	46
TOTAL INVESTMENTS	4.64%	$992,142	14,221	(16,271)	990,09

Maturities of securities do not reflect repricing opportunities present in adjustable rate securities, nor do they reflect expected shorter maturities based upon early prepayment of principal. Weighted yields on tax-exempt investment securities exclude the tax effect.

Interest income includes tax-exempt interest for the six months ended June 30, 2009 and 2008 of $11,070,000 and $6,348,000, respectively, and for the three months ended June 30, 2009 and 2008 of $5,739,000 and $3,174,000, respectively.

Gross proceeds from sale of marketable securities for the six months ended June 30, 2009 and 2008 were $0 and $97,002,000, respectively, resulting in gross gains of $0 and $0, respectively, and gross losses of $0 and $0, respectively. The gross proceeds and gross gains from the sale of other stock was $0 and $248,000 for the six months ended June 30, 2009 and 2008, respectively. During the first quarter of 2008, the Company realized a gain of $130,000 from extinguishment of the Company's share ownership in Principal Financial Group and a gain of $118,000 from the mandatory redemption of a portion of Visa, Inc. shares from its recent initial public offering. The cost of any investment sold is determined by specific identification.

At June 30, 2009, the Company had investment securities with carrying values of approximately $674,072,000, pledged as collateral for FHLB advances, Federal Reserve Bank ("FRB") discount window borrowings, securities sold under agreements to repurchase, U.S. Treasury Tax and Loan borrowings and deposits of several local government units.

The investments in the Federal Home Loan Bank ("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 12 FHLBs are jointly and severally liable for repayment of each other's debt.

Investments with an unrealized loss position at June 30, 2009:

	Less than 12 months		12 months or more	
(dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss

U.S. Government Agencies	$ 207	4	--	--	
Government Sponsored Enterprises	--	--	146	1	
State and Local Governments and other issues	126,288	5,058	13,041	1,458	1
Collateralized Debt Obligations	7,973	5,094	--	--	
Residential Mortgage-backed Securities	5,126	171	49,865	12,342	
Total temporarily impaired securities	$139,594	10,327	63,052	13,801	2

Investments with an unrealized loss position at December 31, 2008:

	Less than 12 months		12 months or more		
(dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	
U.S. Government Agencies	$ --	--	--	--	
Government Sponsored Enterprises	104	1	205	1	
State and Local Governments and other issues	142,826	9,772	1,621	50	1
Collateralized Debt Obligations	--	--	--	--	
Residential Mortgage-backed Securities	116,004	5,758	12,403	689	1
Total temporarily impaired securities	$258,934	15,531	14,229	740	2

The Company assesses individual securities in its investment securities portfolio for impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant. An investment is impaired if the fair value of the security is less than its carrying value at the financial statement date. If impairment is determined to be other-than-temporary, an impairment loss is recognized by reducing the amortized cost basis to fair value and as a charge to earnings.

For fair value estimates provided by third party vendors, management also considered the models and methodology, for appropriate consideration of both observable and unobservable inputs, including appropriately adjusted discount rates and credit spreads for securities with limited or inactive markets, and whether the quoted prices reflect orderly transactions, The Company obtained independent estimates of inputs, including cash flows, in supplement to third party vendor provided information. The Company also reviewed financial statements of issuers, with follow up discussions with issuers' management for clarification and verification of information relevant to the Company's impairment analysis.

In evaluating debt securities for other-than-temporary impairment losses, management assesses whether the Company intends to sell or if it is more likely-than-not that it will be required to sell impaired debt

securities. In so doing, management considers contractual constraints, liquidity, capital, asset / liability management and securities portfolio objectives. With respect to its impaired debt securities at June 30, 2009,

management determined that it does not intend to sell and that there is no expected requirement to sell any of its impaired debt securities.

As of June 30, 2009, there were 214 investments in an unrealized loss position and were considered to be temporarily impaired and therefore an impairment charge has not been recorded. All of such temporarily impaired investments are debt securities. Residential Mortgage-backed securities have the largest unrealized loss. The fair value of these securities, which have underlying collateral consisting of U.S. government sponsored enterprise guaranteed mortgages and non-guaranteed private label whole loan mortgages, decreased from $67,365,000 at December 31, 2008 to $54,991,000 at June 30, 2009, and the unrealized loss increased from 9.0 percent of fair value to 22.8 percent of fair value for those same periods. The fair value of State and Local Government and other issued securities in an unrealized loss position increased from $119,928,000 at December 31, 2008 to $139,329,000 at June 30, 2009, and the unrealized loss decreased from 7.5 percent of fair value to 4.7 percent of fair value for those same years. The fair value of Collateralized Debt Obligation securities in an unrealized loss position is $7,973,000 with unrealized losses of $5,094,000 or 63.9 percent of fair value at June 30, 2009; such investments had an unrealized gain position at December 31, 2008.

The Company stratified the 214 debt securities for both severity and duration of impairment. With respect to severity, 75 debt securities had impairment that exceeded 5 percent of the respective book values, of which 18 had impairment that exceeded 15 percent of the respective book values at June 30, 2009. 1 of the 214 debt securities had impairment that exceeded 40 percent of the respective book values at June 30, 2009. The remaining 139 debt securities had impairment that was 5 percent or less of the respective book values as of June 30, 2009.

With respect to the duration of the impaired securities, the Company identified 44 securities which have been continuously impaired for the 12 months ending June 30, 2009. The valuation history of such securities in the prior year(s) was also reviewed to determine the number of months in prior year(s) in which the identified securities was in an unrealized loss position. 13 of these 44 securities are non-guaranteed, non-Agency CMOs with an aggregate unrealized loss of $12,271,986, the most notable of which had an unrealized loss of $2,085,002. 17 of the 44 securities are state and local tax-exempt securities with an unrealized loss of $1,457,301, the most notable of which had an unrealized loss of $409,446. 14 of the 44 securities are mortgage-backed securities issued by U.S. government sponsored agencies, i.e., GNMA, FNMA, FHLMC and SBA, the aggregate unrealized loss of which was $71,190.

For impaired debt securities for which there was no intent or expected requirement to sell, management considers available evidence to assess whether it is more likely-than-not that all amounts due would not be collected In such assessment, management considers the severity and duration of the impairment, the credit ratings of the security, the overall deal and payment structure, including the Company's position within the structure, underlying obligors, financial condition and near term prospects of the issuer, delinquencies, defaults, loss severities, recoveries, prepayments, cumulative loss projections, discounted cash flows and fair value estimates.

Based on an analysis of its impaired securities as of June 30, 2009, the Company determined that none of such securities had other-than-temporary impairment.

4) Loans and Leases

The following table summarizes the Company's loan and lease portfolio:

TYPE OF LOAN (Dollars in thousands)	At 6/30/09 Amount	At 6/30/09 Percent	At 12/31/2008 Amount	At 12/31/2008 Percent	A 6/3 Amount
Real Estate Loans:					
Residential real estate	$ 747,931	18.6%	$ 786,869	19.4%	$ 706,81
Loans held for sale	92,166	2.3%	54,976	1.4%	42,77
Total	840,097	20.9%	841,845	20.8%	749,58
Commercial Loans:					
Real estate	1,944,784	48.2%	1,935,341	47.8%	1,736,78
Other commercial	649,634	16.1%	645,033	15.9%	664,55
Total	2,594,418	64.3%	2,580,374	63.7%	2,401,34
Consumer and other Loans:					
Consumer	198,454	4.9%	208,166	5.1%	207,59
Home equity	502,288	12.5%	507,831	12.5%	471,39
Total	700,742	17.4%	715,997	17.6%	678,99
Net deferred loan fees, premiums and discounts	(6,498)	-0.2%	(8,023)	-0.2%	(8,97
Allowance for loan and lease losses	(97,374)	-2.4%	(76,739)	-1.9%	(60,80
Loan receivable, net	$4,031,385	100.0%	$4,053,454	100.0%	$3,760,14

The following table sets forth information regarding the Company's non-performing assets at the dates indicated:

(Dollars in thousands)	June 30, 2009	December 31, 2008	June 30, 2008
Real estate and other assets owned	$ 47,424	11,539	6,523
Accruing Loans 90 days or more overdue	10,086	8,613	3,700
Non-accrual loans	116,362	64,301	19,674
Total non-performing assets	$173,872	84,453	29,897
Non-performing assets as a percentage of total bank assets	3.06%	1.46%	0.58%

Impaired loans, net of government guaranteed amounts, were $140,087,000, $79,949,000, and $23,707,000 as of June 30, 2009, December 31, 2008 and June 30, 2008, respectively. The allowance for loan and lease loss includes valuation allowances of $9,034,000, $7,999,000 and $3,030,000 specific to impaired loans as of June 30, 2009, December 31, 2008 and June 30, 2008, respectively.

The following table illustrates the loan and lease loss experience:

(Dollars in thousands)	June 30, 2009	December 31, 2008	June 30, 2008
Balance at the beginning of the period	$ 76,739	54,413	54,413
Charge-offs	(21,246)	(9,839)	(1,498)
Recoveries	1,026	1,060	350
Net charge-offs	$(20,220)	(8,779)	(1,148)
Acquisition (1)	--	2,625	--
Provision	40,855	28,480	7,542
Balance at the end of the period	$ 97,374	76,739	60,807
Net charge-offs as a percentage of total loans	0.490%	0.213%	0.030%

(1) Acquisition of Bank of the San Juans in 2008

5) Intangible Assets

The following table sets forth information regarding the Company's core deposit intangible and mortgage servicing rights as of June 30, 2009:

(Dollars in thousands)	Core Deposit Intangible	Mortgage Servicing Rights (1)	Total
Gross carrying value	$ 27,807		
Accumulated Amortization	(16,330)		
Net carrying value	$ 11,477	1,134	12,611
WEIGHTED-AVERAGE AMORTIZATION PERIOD			
(Period in years)	10.0	9.5	10.0
AGGREGATE AMORTIZATION EXPENSE			
For the three months ended June 30, 2009	$ 762	81	843
For the six months ended June 30, 2009	1,536	140	1,676
ESTIMATED AMORTIZATION EXPENSE			
For the year ended December 31, 2009	$ 2,972	180	3,152
For the year ended December 31, 2010	2,603	78	2,681
For the year ended December 31, 2011	1,895	76	1,971
For the year ended December 31, 2012	1,534	74	1,608
For the year ended December 31, 2013	1,283	71	1,354

(1) The mortgage servicing rights are included in other assets and the gross carrying value and accumulated amortization are immaterial and therefore not presented.

Acquisitions were accounted for using the purchase accounting method as prescribed by SFAS No. 141, Business Combinations, for acquisitions prior to January 1, 2009 and acquisitions will subsequently be accounted for as prescribed by SFAS No. 141(R), Business Combinations. Acquisition accounting under both standards 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 for the residual amount in excess of the net fair value.

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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.

6) Deposits

The following table illustrates the amounts outstanding for deposits $100,000 and greater at June 30, 2009 according to the time remaining to maturity. Included in the Certificate of Deposits are brokered deposits of $70,653,000 issued through the Certificate of Deposit Account Registry System.

(Dollars in thousands)	Certificates of Deposit	Non-Maturity Deposits	Totals
Within three months	$190,309	1,242,965	1,433,274
Three to six months	125,255	--	125,255
Seven to twelve months ..	116,690	--	116,690
Over twelve months	62,601	--	62,601
Totals	$494,855	1,242,965	1,737,820

7) Advances and Other Borrowings

The following chart illustrates the average balances and the maximum outstanding month-end balances of amounts borrowed through FHLB, repurchase agreements, U.S. Treasury Tax and Loan and FRB discount window programs:

(Dollars in thousands)	As of and for the six months ended June 30, 2009	As of and for the year ended December 31, 2008	As of and for the six months ended June 30, 2008
FHLB advances:			
Amount outstanding at end of period ...	$ 613,478	338,456	658,211

Average balance	$ 352,183	566,933	648,296
Maximum outstanding at any month-end ..	$ 613,478	822,107	815,860
Weighted average interest rate	2.10%	2.71%	3.26%
Repurchase agreements:			
Amount outstanding at end of period ...	$ 180,779	188,363	176,211
Average balance	$ 191,388	188,952	184,892
Maximum outstanding at any month-end ..	$ 199,669	196,461	192,216
Weighted average interest rate	1.06%	2.02%	2.33%
U.S. Treasury Tax and Loan:			
Amount outstanding at end of period ...	$ 5,120	6,067	209,298
Average balance	$ 3,667	165,690	173,434
Maximum outstanding at any month-end ..	$ 5,120	385,246	299,477
Weighted average interest rate	0.00%	2.28%	2.74%
Federal Reserve Bank discount window:			
Amount outstanding at end of period ...	$ 587,000	914,000	144,000
Average balance	$ 891,558	277,611	33,429
Maximum outstanding at any month-end ..	$1,005,000	928,000	144,000
Weighted average interest rate	0.27%	1.76%	2.95%

8) Stockholders' Equity

The Federal Reserve Board has adopted capital adequacy guidelines that are used to assess the adequacy of capital in supervising a bank holding company. The following table illustrates the Federal Reserve Board's capital adequacy guidelines and the Company's compliance with those guidelines as of June 30, 2009.

CONSOLIDATED (Dollars in thousands)	Tier 1 (Core) Capital	Tier 2 (Total) Capital	Leverage Capital
Total stockholder's equity....................	$ 689,664	689,664	689,664
Less: Goodwill and intangibles	(156,965)	(156,965)	(156,965)
Plus: Allowance for loan and lease losses.....	--	57,110	--
Accumulated other comprehensive			
Unrealized loss on AFS securities	2,382	2,382	2,382
Subordinated debentures.......................	117,500	117,500	117,500
Regulatory capital computed..................	$ 652,581	709,691	652,581
Risk weighted assets	$4,528,177	4,528,177	
Total adjusted average assets			$5,418,999
Capital as % of risk weighted assets..........	14.41%	15.67%	12.04%
Regulatory "well capitalized" requirement	6.00%	10.00%	5.00%
Excess over "well capitalized" requirement....	8.41%	5.67%	7.04%

9) Computation of Earnings Per Share

Basic earnings per common share is computed by dividing net earnings by the weighted average number of shares of common stock outstanding during the

period presented. Diluted earnings per share is computed by including the net increase in shares as if dilutive outstanding stock options were exercised, using the treasury stock method.

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

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009
Net earnings available to common stockholders	$10,652,000	18,459,000	26,431,000
Average outstanding shares - basic	61,515,946	53,971,220	61,489,422
Add: Dilutive stock options	2,343	180,070	3,844
Average outstanding shares - diluted	61,518,289	54,151,290	61,493,266
Basic earnings per share	$ 0.17	0.35	0.43
Diluted earnings per share	$ 0.17	0.34	0.43

There were approximately 2,399,487 and 1,567,573 average shares excluded from the diluted average outstanding share calculation for the three months ended June 30, 2009 and 2008, respectively, due to the option exercise price exceeding the market price.

10) Comprehensive Income

The Company's only component of comprehensive income other than net earnings is the unrealized gains and losses on available-for-sale securities.

(Dollars in thousands)	For the three months ended June 30, 2009	2008	For the s ended J 2009
Net earnings	$ 10,652	18,459	26,431
Unrealized holding gain (loss) arising during the period	7,687	(10,492)	(1,866)
Tax (expense) benefit	(3,012)	4,134	727
Net after tax	4,675	(6,358)	(1,139)
Reclassification adjustment for gains included in net earnings	--	--	--
Tax expense	--	--	--
Net after tax	--	--	--

Net unrealized gain (loss) on securities	4,675	(6,358)	(1,139)
Total comprehensive income	$ 15,327	12,101	25,292

11) Federal and State Income Taxes

The Company and its financial institution subsidiaries join together in the filing of consolidated income tax returns in the following jurisdictions: federal, Montana, Idaho Colorado and Utah. Although 1st Bank has operations in Wyoming and Mountain West has operations in Washington, neither Wyoming nor Washington impose a corporate level income tax. All required income tax returns have been timely filed. Income tax returns for the years ended December 31, 2006, 2007 and 2008 remain subject to examination by the state of Utah tax authorities, income tax returns for the years ended December 31, 2005, 2006, 2007, and 2008 remain subject to examination by the federal, states of Montana, Colorado, Idaho tax authorities, income tax returns for the year ended December 31, 2004 remain subject to examination by the states of Colorado, Montana and Idaho and the income tax returns for the year ended December 31, 2003 remain subject to examination by the states of Montana and Idaho.

During the second quarter 2009, the Company made investments in Certified Development Entities which received allocations of NMTC. Administered by the Community Development Financial Institutions Fund of the U.S. Department of the Treasury, the NMTC program is aimed at stimulating economic and community development and job creation in low-income communities. The federal tax credits received are claimed over a seven-year credit allowance period. Following is a list of expected tax credits to be received in the years indicated.

Years ended (Dollars in thousands)	New Market Tax Credits
2009	$1,115
2010	1,115
2011	1,115
2012	1,338
2013	1,338
2014	1,338
2015	1,338
	$8,697

In accordance with FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes, the Company determined its unrecognized tax benefit to be $113,000 as of June 30, 2009. If the unrecognized tax benefit amount was recognized, it would decrease the Company's effective tax rate from 26.8 percent to 26.5 percent. Management believes that it is unlikely

that the balance of its unrecognized tax benefits will significantly increase or decrease over the next twelve months.

In accordance with FIN 48, the Company recognizes interest related to unrecognized income tax benefits in interest expense and penalties are recognized in other expense. During the six months ended June 30, 2009 and 2008, the Company recognized $0 interest expense and recognized $0 penalty with respect to income tax liabilities. The Company had approximately $20,000 and $37,000 accrued for the payment of interest at June 30, 2009 and 2008, respectively. The Company had accrued liabilities of $0 for the payment of penalties at June 30, 2009 and 2008.

12) Segment Information

SFAS No. 131, Financial Reporting for Segments of a Business Enterprise, requires that a public business enterprise report financial and descriptive information about its reportable operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company defines operating segments and evaluates segment performance internally based on individual bank charters. Centrally provided services to the banks are allocated based on estimated usage of those services. VIEs are consolidated into the operating segment which invested into such entities. Intersegment revenues primarily represents interest income on intercompany borrowings, management fees, and data processing fees received by individual banks or the parent company. Intersegment revenues, expenses and assets are eliminated in order to report results in accordance with accounting principles generally accepted in the United States of America.

On February 1, 2009, Morgan was merged into 1st Bank resulting in operations being conducted under the 1st Bank charter.

On December 1, 2008, Bank of the San Juans Bancorporation and its subsidiary, San Juans, was acquired by the Company. The results of operations and financial condition are included from the acquisition date.

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The following schedule provides selected financial data for the Company's operating segments:

	Six months ended and as of June 30, 2009					
(Dollars in thousands)	Glacier	Mountain West	First Security	Western	1st Bank	Big S
Revenues from external customers	$ 41,022	45,239	26,644	17,994	16,781	11,1
Intersegment revenues	93	1	555	371	126	
Expenses	(33,766)	(43,043)	(20,391)	(14,811)	(16,940)	(9,2
Net Earnings	$ 7,349	2,197	6,808	3,554	(33)	1,8
Total Assets	$1,217,302	1,266,555	831,352	541,763	588,480	332,5

	Citizens	San Juans	First Bank of MT	Parent	Eliminations	Con
Revenues from external customers	$ 8,105	5,171	4,933	116	--	
Intersegment revenues	2	--	--	35,242	(36,475)	
Expenses	(6,910)	(4,306)	(3,611)	(8,927)	8,050	
Net Earnings	$ 1,197	865	1,322	26,431	(28,425)	
Total Assets	$243,830	177,850	176,222	825,575	(854,031)	5

Six months ended and as of June 30, 2008

(Dollars in thousands)	Glacier	Mountain West	First Security	Western	1st Bank	Big S
Revenues from external customers	$ 42,359	43,550	27,897	18,534	16,698	12,4
Intersegment revenues	82	25	947	644	871	
Expenses	(32,167)	(37,647)	(21,754)	(15,124)	(14,383)	(9,4
Net Earnings	$ 10,274	5,928	7,090	4,054	3,186	3,0
Total Assets	$1,156,216	1,114,885	847,406	567,957	530,244	330,8

	Citizens	First Bank of MT	Parent	Eliminations	Total Consolidated
Revenues from external customers	$ 7,007	4,548	229	--	184,232
Intersegment revenues	165	124	44,798	(47,868)	--
Expenses	(6,230)	(3,547)	(9,169)	9,522	(148,374)
Net Earnings	$ 942	1,125	35,858	(38,346)	35,858
Total Assets	$203,816	153,124	680,379	(843,876)	5,027,868

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Three months ended and as of June 30, 2009

		Mountain	First

(Dollars in thousands)	Glacier	West	Security	Western	1st Bank	Big S
Revenues from external customers	$ 20,283	23,859	13,327	9,062	8,470	5,5
Intersegment revenues	46	1	248	201	55	
Expenses	(17,555)	(22,853)	(10,279)	(7,757)	(9,637)	(4,7
Net Earnings	$ 2,774	1,007	3,296	1,506	(1,112)	7
Total Assets	$1,217,302	1,266,555	831,352	541,763	588,480	332,5

	Citizens	San Juans	First Bank of MT	Parent	Eliminations	Con
Revenues from external customers	$ 4,186	2,643	2,521	58	--	
Intersegment revenues	2	--	--	14,990	(15,579)	
Expenses	(3,591)	(2,193)	(1,844)	(4,396)	3,996	
Net Earnings	$ 597	450	677	10,652	(11,583)	
Total Assets	$243,830	177,850	176,222	825,575	(854,031)	

	Three months ended and as of June 30, 2008					
(Dollars in thousands)	Glacier	Mountain West	First Security	Western	1st Bank	Big S
Revenues from external customers	$ 21,121	21,846	13,675	9,284	8,277	6,1
Intersegment revenues	41	25	475	258	310	
Expenses	(15,954)	(18,809)	(10,561)	(7,446)	(6,940)	(4,6
Net Earnings	$ 5,208	3,062	3,589	2,096	1,647	1,5
Total Assets	$1,156,216	1,114,885	847,406	567,957	530,244	330,8

	Citizens	First Bank of MT	Parent	Eliminations	Total Consolidated
Revenues from external customers	$ 3,580	2,334	91	--	91,954
Intersegment revenues	33	23	22,910	(24,198)	--
Expenses	(3,088)	(1,796)	(4,542)	4,511	(73,495)
Net Earnings	$ 525	561	18,459	(19,687)	18,459
Total Assets	$203,816	153,124	680,379	(843,876)	5,027,868

13) Fair Value Measurement

On January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements. FASB issued FSP SFAS 157-2, Effective Date of SFAS No. 157, which delayed the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). On January 1, 2009, the delay from FSP SFAS 157-2 expired.

SFAS 157 defines fair value 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. SFAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

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

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

The following are the assets measured at fair value on a recurring basis at and for the period ended June 30, 2009.

(Dollars in thousands)	Carrying value of Assets/ Liabilities at 06/30/09	Assets/ Liabilities measured at Fair Value 06/30/09	Quoted pric in active mar for identic assets (Level 1)
Financial Assets:			
U.S. Government Agencies	$ 207	207	--
Government Sponsored Enterprises	291	291	--
State and Local Governments and other issues ..	466,382	466,382	--
Collateralized Debt Obligations	9,972	9,972	--
Residential Mortgage-backed securities	455,820	455,820	--
Total financial assets	$932,672	932,672	--

The following is a description of the inputs and valuation methodologies used for financial assets measured at fair value on a recurring basis. There have been no significant changes in the valuation techniques during the period.

Investment securities - fair value for available-for-sale securities is estimated by obtaining quoted market prices for identical assets, where available. If such prices are not available, fair value is based on independent asset pricing services and models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. For those securities where greater reliance on unobservable inputs occurs, such securities are classified as Level 3 within the hierarchy.

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the six month period ended June 30, 2009.

(Dollars in thousands)	Significant unobservable inputs (Level 3)
Balance as of December 31, 2008	$23,421
Total unrealized loss included in other comprehensive income	(7,295)
Purchases, issuances and settlements	261
Amortization, accretion and principal payments	(887)
Balance as of June 30, 2009	$15,500

The change in unrealized losses related to available-for-sale securities is reported in Accumulated Other Comprehensive Income (Loss).

Certain financial assets or liabilities are not measured at fair value on a recurring basis, but are subject to fair value measurement in certain circumstances, for example upon acquisition or when there is evidence of impairment. The following are the assets measured at fair value on a nonrecurring basis at June 30, 2009.

(Dollars in thousands)	Carrying value of Assets/ Liabilities at 06/30/09	Assets/ Liabilities measured at Fair Value 06/30/09	Quoted prices in active markets for identical assets (Level 1)	Sign o obs i (Le
Real estate and other assets owned, net	$ 47,424	47,424	--	
Impaired Loans, net of allowance for loan and lease losses	131,053	131,053	--	
Total	$178,477	178,477	--	

The following is a description of the inputs and valuation methodologies used for financial assets measured at fair value on a nonrecurring basis. There have been no significant changes in the valuation techniques during the period.

Real estate and other assets owned, net - real estate and other assets owned are carried at the lower of fair value at acquisition date or current estimated fair value, less estimated cost to sell. Estimated fair value of real estate and other assets owned is based on appraisals. Real estate and other assets owned are classified within Level 3 of the fair value hierarchy.

Impaired Loans, net of ALLL - loans included in the Company's financials for which it is probable that the Company will not collect all principal and interest due according to contractual terms are considered impaired in accordance with SFAS 114, Accounting by Creditors for Impairment of a Loan. Allowable methods for estimating fair value include using the fair value of the collateral for collateral dependent loans or, where a loan is determined not to be collateral dependent, using the discounted cash flow method. Impaired loans are primarily collateral-dependent and the estimated fair value is based on the fair value of the collateral. Impaired loans are classified within Level 3 of the fair value hierarchy.

The following presents the estimated fair values as in accordance with SFAS 107, Disclosures about Fair Value of Financial Instruments, as of June 30, 2009.

(Dollars in thousands)	June 30, 2009 Amount	June 30, 2009 Fair Value
Financial Assets:		
Cash on hand and in banks	$ 100,773	100,773
Federal funds sold	62,405	62,405
Interest bearing cash deposits	24,608	24,608
Investment securities	477,316	477,316
Residential Mortgage-backed securities	455,820	455,820
FHLB and FRB stock	61,011	61,011
Loans receivable, net of allowance for loan and lease losses	4,031,385	4,036,828
Accrued interest receivable	30,346	30,346
Total financial assets	$5,243,664	5,249,107
Financial Liabilities:		
Deposits	$3,386,443	3,397,205
Advances from the FHLB	613,478	618,812
Federal Reserve Bank discount window	587,000	587,000
Repurchase agreements and other borrowed funds	197,971	197,993
Subordinated debentures	120,157	65,987
Accrued interest payable	8,421	8,421
Total financial liabilities	$4,913,470	4,875,418

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The following is a description of the methods used to estimate the fair value of all other financial instruments recognized at amounts other than fair value.

Financial Assets

The estimated fair value of cash, federal funds sold, interest bearing cash deposits, and accrued interest receivable is the book value of such financial assets.

The estimated fair value of FHLB and FRB stock is book value due to the restrictions that such stock may only be sold to another member institution or the FHLB or FRB at par value.

Loans receivable, net of ALLL - fair value for unimpaired loans, net of ALLL, is estimated by discounting the future cash flows using the rates at which similar notes would be written for the same remaining maturities. Impaired loans are primarily collateral-dependent and the estimated fair value is based on the fair value of the collateral.

Financial Liabilities

The estimated fair value of accrued interest payable is the book value of such financial liabilities.

Deposits - fair value of term deposits is estimated by discounting the future cash flows using rates of similar deposits with similar maturities. The estimated fair value of demand, NOW, savings, and money market deposits is the book value since rates are regularly adjusted to market rates.

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

FRB discount window - fair value of FRB discount window borrowings is estimated based on borrowing rates currently available to the Company for FRB discount window borrowings with similar terms and maturities.

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

Subordinated debentures - fair value of the subordinated debt is estimated by discounting the estimated future cash flows using current estimated market rates for subordinated debt issuances with similar characteristics.

Off-balance sheet financial instruments - Commitments to extend credit and letters of credit represent the principal categories of off-balance sheet financial instruments. Rates for these commitments are set at time of loan closing, such that no adjustment is necessary to reflect these commitments at market value.

14) Rate/Volume Analysis

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

	Six Months Ended June 30, 2009 vs. 2008 Increase (Decrease) due to:		
(Dollars in thousands)	Volume	Rate	Net
INTEREST INCOME			
Residential real estate loans	$ 4,411	(1,190)	3,221
Commercial loans	10,536	(18,606)	(8,070)
Consumer and other loans	2,013	(3,429)	(1,416)
Investment securities and other	5,340	288	5,628
Total Interest Income	22,300	(22,937)	(637)
INTEREST EXPENSE			
NOW accounts	197	(783)	(586)
Savings accounts	83	(553)	(470)
Money market accounts	(309)	(5,060)	(5,369)
Certificates of deposit	2,536	(6,887)	(4,351)
FHLB advances	(4,814)	(2,054)	(6,868)
Other borrowings and repurchase agreements	11,954	(14,877)	(2,923)
Total Interest Expense	9,647	(30,214)	(20,567)
NET INTEREST INCOME	$12,653	7,277	19,930

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15) Average Balance Sheet

The following schedule provides (i) the total dollar amount of interest and dividend income of the Company for earning assets and the resultant average yield; (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average rate; (iii) net interest and dividend income; (iv) interest rate spread; and (v) net interest margin. Non-accrual loans are included in the average balance of the loans.

AVERAGE BALANCE SHEET

(Dollars in thousands)	For the Three months ended 6-30-09 Average Balance	Interest Dividends	Average Yield/ Rate	For the Six mont Average Balance	In Div
ASSETS					
Residential real estate loans	$ 846,969	13,871	6.55%	$ 851,484	
Commercial loans	2,616,008	37,597	5.76%	2,604,811	
Consumer and other loans	701,320	11,142	6.37%	704,273	
Total Loans	4,164,297	62,610	6.03%	4,160,568	1
Tax - exempt investment securities (1)	452,801	5,739	5.07%	439,118	
Other investment securities	575,647	6,071	4.22%	581,338	
Total Earning Assets	5,192,745	74,420	5.75%	5,181,024	1
Goodwill and core deposit intangible	158,163			158,749	
Other non-earning assets	225,056			226,680	
TOTAL ASSETS	$5,575,964			$5,566,453	
LIABILITIES AND STOCKHOLDERS' EQUITY					
NOW accounts	$ 537,496	466	0.35%	$ 522,805	
Savings accounts	297,648	251	0.34%	292,579	
Money market accounts	754,475	2,073	1.10%	757,151	
Certificates of deposit	1,010,597	6,643	2.64%	979,225	
FHLB advances	367,407	1,852	2.02%	352,183	
Repurchase agreements and other borrowed funds	1,153,122	2,654	0.92%	1,210,902	
Total Interest Bearing Liabilities	4,120,745	13,939	1.36%	4,114,845	
Non-interest bearing deposits	727,798			723,070	
Other liabilities	36,076			37,896	
Total Liabilities	4,884,619			4,875,811	
Common stock	615			615	
Paid-in capital	495,084			494,344	
Retained earnings	196,569			193,900	
Accumulated other comprehensive (loss) gain	(923)			1,783	
Total Stockholders' Equity	691,345			690,642	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$5,575,964			$5,566,453	
Net interest income		$60,481			$1
Net interest spread			4.39%		
Net Interest Margin			4.67%		
Net Interest Margin (Tax Equivalent)			4.87%		
Return on average assets (annualized)			0.77%		
Return on average equity (annualized)			6.18%		

(1) Excludes tax effect of $4,901,000 and $2,541,000 on non-taxable investment security income for the three and six months ended June 30, 2009.

16) Subsequent Events

Subsequent events have been evaluated through August 7, 2009, which is the date the financial statements were issued.

In July and August of 2009, the Company sold municipal securities and received gross proceeds of $26,275,000, which resulted in gross gains of $2,035,000. Had such securities been sold on June 30, 2009, the after-tax effect of $1,237,000 would have increased net income for the quarter from $10,652,000 to $11,889,000.

On February 6, 2009, the Company announced a Plan and Agreement of Merger ("Merger Agreement") with First Company, a Wyoming corporation and its wholly owned subsidiary, First National Bank & Trust, whereby First Company will merge with and into the Company, and the Bank will become a wholly owned subsidiary of the Company. In July 2009, the parties have amended the Merger Agreement to extend the Termination Date (as defined in the Merger Agreement) from July 31, 2009 to September 15, 2009. The proposed transaction is pending regulatory approval.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - THE THREE MONTHS ENDED JUNE 30, 2009 COMPARED TO MARCH 31, 2009 AND JUNE 30, 2008

Performance Summary

The Company reported net earnings of $10.652 million for the second quarter, a decrease of $7.807 million, or 42 percent, from the $18.459 million for the second quarter of 2008. Diluted earnings per share of $.17 for the quarter decreased 50 percent from the diluted earnings per share of $.34 for the same quarter of 2008. Annualized return on average assets and return on average equity for the second quarter were .77 percent and 6.18 percent, which compares with prior year returns for the second quarter of 1.51 percent and 13.51 percent, respectively.

REVENUE SUMMARY

	Three months ended		
(UNAUDITED - DOLLARS IN THOUSANDS)	June 30, 2009 (unaudited)	March 31, 2009 (unaudited)	June 30, 2008 (unaudited)
Net interest income			
Interest income	$74,420	$75,532	$74,573
Interest expense	13,939	15,154	22,273

Net interest income	60,481	60,378	52,300
Non-interest income			
Service charges, loan fees, and other fees	11,377	10,179	12,223
Gain on sale of loans	9,071	6,150	4,245
Other income	870	1,048	913
Total non-interest income	21,318	17,377	17,381
	$81,799	$77,755	$69,681
Tax equivalent net interest margin	4.87%	4.92%	4.75%

(UNAUDITED - DOLLARS IN THOUSANDS)	$ change from March 31, 2009	$ change from June 30, 2008	% change from March 31, 2009	%
Net interest income				
Interest income	$(1,112)	$ (153)	-1%	
Interest expense	$(1,215)	$(8,334)	-8%	
Net interest income	103	8,181	0%	
Non-interest income				
Service charges, loan fees, and other fees	1,198	(846)	12%	
Gain on sale of loans	2,921	4,826	47%	
Other income	(178)	(43)	-17%	
Total non-interest income	3,941	3,937	23%	
	$ 4,044	$12,118	5%	

Net Interest Income

Net interest income for the quarter increased $8 million, or 16 percent, with interest expense decreasing $8 million, or 37 percent, over the same period in 2008. Interest income for the current quarter decreased $1 million, or 1 percent, with interest expense also decreasing $1 million, or 8 percent, compared to the prior quarter. The decrease in total interest expense is primarily attributable to rate decreases in interest bearing

deposits and lower cost borrowings. The net interest margin as a percentage of earning assets, on a tax equivalent basis, was 4.87 percent which is 5 basis points lower than the 4.92 percent achieved for the prior quarter and 12 basis points higher than the 4.75 percent result for the second quarter of 2008.

Non-interest Income

Non-interest income for the quarter increased $4 million, or 23 percent, from the prior quarter, and increased $4 million, or 23 percent, over the same period in 2008. Gain on sale of loans increased $3 million, or 47 percent, for the quarter and increased $5 million, or 114 percent, over the same period last

year, primarily the result of increased refinancing of residential loans originated and sold in the secondary market. Fee income increased $1 million, or 12 percent, during the quarter, compared to the decrease of $846 thousand, or 7 percent, over the same period last year.

NON-INTEREST EXPENSE SUMMARY

(UNAUDITED - DOLLARS IN THOUSANDS)	Three months ended June 30, 2009 (unaudited)	March 31, 2009 (unaudited)	June 30, 2008 (unaudited)
Compensation and employee benefits	$20,710	$21,944	$20,967
Occupancy and equipment expense	5,611	5,895	5,116
Advertising and promotion expense	1,722	1,724	1,833
Outsourced data processing	680	671	647
Core deposit intangibles amortization	762	774	767
Other expenses	13,478	8,618	7,113
Total non-interest expense	$42,963	$39,626	$36,443

(UNAUDITED - DOLLARS IN THOUSANDS)	$ change from March 31, 2009	$ change from June 30, 2008	% change from March 31, 2009	%
Compensation and employee benefits	$(1,234)	$ (257)	-6%	
Occupancy and equipment expense	(284)	495	-5%	
Advertising and promotion expense	(2)	(111)	0%	
Outsourced data processing	9	33	1%	
Core deposit intangibles amortization	(12)	(5)	-2%	
Other expenses	4,860	6,365	56%	
Total non-interest expense	$ 3,337	$6,520	8%	

Non-interest Expense

Non-interest expense increased by $3 million, or 8 percent from the prior quarter. Compensation and employee benefits decreased $1 million, or 6 percent, from prior quarter and $257 thousand, or 1 percent from prior year's second quarter. The current quarter compensation and employee benefits included significant reductions in bonuses and employee benefits tied to Company performance. The current quarter decrease in compensation and employee benefits also reflects decreased staffing with the number of full-time equivalent employees decreasing from 1,610 to 1,597 during the quarter, and increasing from 1,537 since the end of the 2008 second quarter. The increase of $5 million in other expenses includes increases of $2.7 million in FDIC insurance premiums, $362 thousand in outside legal, accounting, and audit firm expense, $1.5 million of loss from sales of other real estate owned, and $288 thousand in expenses associated with repossessed assets.

Non-interest expense increased by $7 million, or 18 percent from the same

quarter of 2008, including a $6 million, or 89 percent increase in other expenses. The increase in other expenses includes $3.5 million in Federal Deposit Insurance Corporation ("FDIC") insurance premiums, $749 thousand in outside legal, accounting, and audit firm

expense, $1.8 million of loss from sales of other real estate owned, and $451 thousand of expense associated with repossessed assets. Occupancy and equipment expense has increased $495 thousand, or 10 percent, since June 30, 2008, reflecting the cost of additional branch locations and facility upgrades. Advertising and promotion expense decreased $111 thousand, or 6 percent, from the same quarter of 2008.

In the second quarter of 2009, the FDIC increased the deposit insurance premiums for all financial institutions and also imposed a special premium insurance assessment based on financial institutions' total assets as of June 30, 2009. Of the increase in FDIC insurance premiums, $2.5 million is attributable to the second quarter asset-based special assessment. The Company expects the heightened FDIC deposit insurance premiums to continue, and the FDIC has indicated that another special assessment is probable in the fourth quarter of the current year.

Excluding the $2.5 million special FDIC insurance assessment, the efficiency ratio (non-interest expense / net interest income plus non-interest income) was 49 percent for the quarter, compared to 52 percent for the 2008 second quarter, a three percentage point improvement.

Allowance for Loan and Lease Losses

The current quarter provision for loan loss expense was $25 million, an increase of $20 million from the same quarter in 2008. Charged-off loans for the current quarter exceeded recoveries of previously charged-off loans by $12 million.

The determination of the allowance for loan and lease losses ("ALLL" or "Allowance") and the related provision for loan losses is a critical accounting estimate that involves management's judgments about current environmental factors which affect loan losses, such factors including economic conditions, changes in collateral values, net charge-offs, and other factors discussed in "Financial Condition Analysis" - Allowance for Loan and Lease Losses.

RESULTS OF OPERATIONS - THE SIX MONTHS ENDED JUNE 30, 2009 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2008

Performance Summary

Net earnings for the six months ended June 30, 2009 were $26.431 million, which is a decrease of $9.427 million, or 26 percent, over the prior year. Diluted earnings per share of $.43, is a decrease of 35 percent from the $.66 earned in 2008.

REVENUE SUMMARY

(UNAUDITED - DOLLARS IN THOUSANDS)	Six months ended June 30, 2009 (unaudited)	Six months ended June 30, 2008 (unaudited)	$ change	% change
Interest income	$149,952	$150,589	$ (637)	0%
Interest expense	29,093	49,660	(20,567)	-41%
Net interest income	120,859	100,929	19,930	20%
Non-interest income				
Service charges, loan fees, and other fees	21,556	23,184	(1,628)	-7%
Gain on sale of loans	15,221	8,125	7,096	87%
Gain on investments	--	248	(248)	-100%
Other income	1,918	2,086	(168)	-8%
Total non-interest income	38,695	33,643	5,052	15%
	$159,554	$134,572	$ 24,982	19%
Tax equivalent net interest margin	4.90%	4.65%		

Net Interest Income

Net interest income for the six months increased $20 million, or 20 percent, over the same period in 2008. Total interest income decreased $637 thousand, or 42 basis points, while total interest expense decreased $21 million, or 41 percent. The decrease in interest expense is primarily attributable to the rate decreases on interest bearing deposits and lower cost borrowings. The net interest margin as a percentage of earning assets, on a tax equivalent basis, was 4.90 percent, an increase of 25 basis points from the 4.65 percent for the same period in 2008.

Non-interest Income

Total non-interest income increased $5 million, or 15 percent in 2009. Fee income for the first half of 2009 decreased $2 million, or 7 percent, over the first half of 2008. Gain on sale of loans increased $7 million, or 87 percent, from the first six months of last year, primarily the result of increased refinancing of residential loans originated and sold in the secondary market. Gain from the sale of investments during the first half of 2008 included a first quarter mandatory redemption of a portion of Visa, Inc. shares from its initial public offering, and the sale of shares in Principal Financial Group.

NON-INTEREST EXPENSE SUMMARY

(UNAUDITED - DOLLARS IN THOUSANDS)	Six months ended June 30, 2009 (unaudited)	Six months ended June 30, 2008 (unaudited)	$ change	% change

Compensation and employee benefits	$42,654	$42,064	$ 590	1%
Occupancy and equipment expense	11,506	10,249	1,257	12%
Advertising and promotion expense	3,446	3,372	74	2%
Outsourced data processing	1,351	1,314	37	3%
Core deposit intangibles amortization	1,536	1,546	(10)	-1%
Other expenses	22,096	13,511	8,585	64%
Total non-interest expense	$82,589	$72,056	$10,533	15%

Non-interest Expense

Non-interest expense increased by $11 million, or 15 percent, from the first six months of 2008. Compensation and employee benefit expense increased $590 thousand, or 1 percent, from the first half of 2008, due to the increased number of employees added since June 30, 2008, which was partially offset by the reductions in bonuses and employee benefits. Occupancy and equipment expense increased $1 million, or 12 percent, reflecting the cost of additional locations and facility upgrades. Advertising and promotion expense increased $74 thousand, or 2 percent, from the first half of 2008. Other expenses increased $9 million, or 64 percent, since June 30, 2008. The increase in other expenses includes $4.4 million in FDIC insurance premiums, $1.1 million in outside legal, accounting, and audit firm expense, $2 million loss from sales of other real estate owned, and $641 thousand expense associated with repossessed assets. Of the increase in FDIC insurance premiums year-to-date, $2.5 million is attributable to the second quarter asset-based special assessment.

The efficiency ratio (non-interest expense/net interest income plus non-interest income) was 52 percent for the first half of 2009 compared favorably to 54 percent for the first six months of 2008.

Allowance for Loan and Lease Losses

The provision for loan loss expense was $41 million for the first six months of 2009, an increase of $33 million, or 442 percent, from the same period in 2008. Net charged-off loans during the six months ended June 30, 2009 was $20 million, an increase of $19 million from the same period in 2008.

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FINANCIAL CONDITION ANALYSIS

As reflected in the following table, total assets at June 30, 2009 were $5.638 billion, which is $84 million, or 2 percent, greater than the total assets of $5.554 billion at December 31, 2008 and an increase of $611 million, or 12 percent, over the total assets of $5.028 billion at June 30, 2008.

ASSETS (DOLLARS IN THOUSANDS)	June 30, 2009 (unaudited)	December 31, 2008 (audited)	June 30, 2008 (unaudited)	$ change fr December 31 2008
Cash on hand and in banks	$ 100,773	125,123	123,545	(24,350)
Investment securities, interest bearing				

deposits, FHLB stock, FRB stock, and fed funds	1,081,160	1,000,224	800,206	80,936
Loans:				
Real estate	836,917	838,375	746,193	(1,458)
Commercial	2,591,149	2,575,828	2,396,098	15,321
Consumer and other	700,693	715,990	678,661	(15,297)
Total loans	4,128,759	4,130,193	3,820,952	(1,434)
Allowance for loan and lease losses	(97,374)	(76,739)	(60,807)	(20,635)
Total loans, net of allowance for loan and lease losses	4,031,385	4,053,454	3,760,145	(22,069)
Other assets	425,106	375,169	343,972	49,937
Total Assets	$5,638,424	5,553,970	5,027,868	84,454

At June 30, 2009, total loans were $4.129 billion, a decrease of $1 million, over total loans of $4.130 billion at December 31, 2008. Commercial loans increased $15 million, or 59 basis points, during the first six months of 2009. Consumer loans, which are primarily comprised of home equity loans, decreased by $15 million, or 2 percent, while real estate loans decreased $1 million, or 17 basis points, from the fourth quarter of 2008. Total loans increased $308 million, or 8 percent from June 30, 2008. Since June 30, 2008, commercial loans increased $195 million, or 8 percent, real estate loans grew by $91 million, or 12 percent, and consumer loans increased $22 million, or 3 percent.

Investment securities, including interest bearing deposits in other financial institutions and federal funds sold, have increased $281 million, or 35 percent, from June 30, 2008, and have increased $81 million, or 8 percent, from December 31, 2008. Investment securities represented 19 percent of total assets at June 30, 2009 versus 16 percent of total assets at June 30, 2008.

The Company typically sells a majority of long-term mortgage loans originated, retaining servicing only on loans sold to certain lenders. The sale of loans in the secondary mortgage market reduces the Company's risk of holding long-term fixed rate loans in the loan portfolio. Mortgage loans sold with servicing released for the six months ended June 30, 2009 and 2008 were $706 million and $356 million, respectively, and for the three months ended June 30, 2009 and 2008 were $393 million and $180 million, respectively. The Company has also been active in originating commercial SBA loans, some of which are sold to investors. The amount of loans sold and serviced for others at June 30, 2009 was approximately $171 million.

Allowance for Loan and Lease Losses

Determining the adequacy of the ALLL involves a high degree of judgment and is inevitably imprecise as the risk of loss is difficult to quantify. The ALLL methodology is designed to reasonably estimate the probable loan and lease losses within each bank subsidiary's loan and lease portfolios. Accordingly, the ALLL is maintained within a range of estimated losses. The determination of the ALLL and the related provision for credit losses is a critical accounting estimate that involves management's judgments about all known relevant internal and external environmental factors that affect loan losses, including the credit risk inherent in the loan and lease portfolios,

economic conditions nationally and in the local markets in which the community bank subsidiaries operate, changes in collateral values, delinquencies, non-performing assets and net charge-offs. Although the Company and the banks continue to actively monitor economic trends, a softening of economic conditions combined with declines in the values of real estate that collateralize most of the Company's loan and lease portfolios may adversely affect the credit risk and potential for loss to the Company.

The ALLL evaluation is well documented and approved by each bank subsidiary's Board of Directors and reviewed by the Parent's Board of Directors. In addition, the policy and procedures for determining the balance of the ALLL are reviewed annually by each bank subsidiary's Board of Directors, the Parent's Board of Directors, independent credit reviewer and state and federal bank regulatory agencies. Each of the Bank's ALLL is generally available to absorb losses from any segment of its loan and lease portfolio.

At the end of each quarter, each of the community bank subsidiaries analyzes its loan and lease portfolio and maintain an ALLL at a level that is appropriate and determined in accordance with accounting principles generally accepted in the United States of America. The ALLL balance covers estimated credit losses on individually evaluated loans, including those which are determined to be impaired, as well as estimated credit losses inherent in the remainder of the loan and lease portfolios.

The Company is committed to a conservative management of the credit risk within the loan and lease portfolios, including the early recognition of problem loans. The Company's credit risk management includes stringent credit policies, individual loan approval limits, limits on concentrations of credit, and committee approval of larger loan requests. Management practices also include regular internal and external credit examinations, identification and review of individual loans and leases experiencing deterioration of credit quality, procedures for the collection of non-performing assets, quarterly monitoring of the loan and lease portfolios, semi-annual review of loans by industry, and periodic stress testing of the loans secured by real estate.

The Company's model of ten wholly-owned, independent community banks, each with its own loan committee, chief credit officer and Board of Directors, provides substantial local oversight to the lending and credit management function. Unlike a traditional, single-bank holding company, the Company's decentralized business model affords multiple reviews of larger loans before credit is extended, a significant benefit in mitigating and managing the Company's credit risk. The geographic dispersion of the market areas in which the Company and the community bank subsidiaries operate further mitigates the risk of credit loss. While this process is intended to limit credit exposure, there can be no assurance that problem credits will not arise and loan losses incurred, particularly in periods of rapid economic downturns.

The primary responsibility for credit risk assessment and identification of problem loans rests with the loan officer of the account. This continuous process, utilizing each of the Bank's internal credit risk rating process, is necessary to support management's evaluation of the ALLL adequacy. An independent loan review function verifying credit risk ratings evaluates the loan officer and management's evaluation of the loan portfolio credit quality. The loan review function also assesses the evaluation process and provides an independent analysis of the adequacy of the ALLL.

The Company considers the ALLL balance of $97.4 million adequate to cover inherent losses in the loan and lease portfolios as of June 30, 2009. However, no assurance can be given that the Company will not, in any particular period, sustain losses that are significant relative to the amount reserved, or that subsequent evaluations of the loan and lease portfolios applying management's

judgment about then current factors, including economic and regulatory developments, will not require significant changes in the ALLL. Under such circumstances, this could result in enhanced provisions for credit losses. See additional risk factors in Part II - Other information, Item 1A - Risk Factors.

The following table summarizes the allocation of the ALLL:

(Dollars in thousands)	June 30, 2009		December 31, 2008		Jun
	Allowance for loan and lease losses (unaudited)	Percent of loans in category	Allowance for loan and lease losses (audited)	Percent of loans in category	Allowa for loan lease lo (unaudi
Real estate loans	$ 8,790	20.3%	7,233	20.3%	5,3
Commercial real estate loans	45,632	47.0%	35,305	46.8%	26,3
Other commercial loans	26,871	15.7%	21,590	15.6%	19,0
Consumer and other loans	16,081	17.0%	12,611	17.3%	10,0
Totals	$97,374	100.0%	76,739	100.0%	60,8

The following table summarizes ALLL experience:

(Dollars in thousands)	Six months ended June 30, 2009 (unaudited)	Year ended December 31, 2008 (audited)	Six months end June 30, 2008 (unaudited)
Balance at beginning of period	$ 76,739	54,413	54,413
Charge-offs:			
Real estate loans	(4,881)	(3,233)	(580)
Commercial loans	(14,002)	(4,957)	(570)
Consumer and other loans	(2,363)	(1,649)	(348)
Total charge-offs	$(21,246)	(9,839)	(1,498)
Recoveries:			
Real estate loans	287	23	44
Commercial loans	504	716	178
Consumer and other loans	235	321	128
Total recoveries	$ 1,026	1,060	350
Net (charge-offs) recoveries	(20,220)	(8,779)	(1,148)
Acquisition (1)	--	2,625	--
Provision	40,855	28,480	7,542
Balance at end of period	$ 97,374	76,739	60,807

Allowance for loan and lease losses as a

percentage of total loan and leases	2.36%	1.86%	1.59%
Net charge-offs as a percentage of total loans	0.490%	0.213%	0.030%

(1) Acquisition of Bank of the San Juans in 2008

The increase in the ALLL was primarily due to the increase in non-performing assets since December 31, 2008 and a downturn in global, national and local economies.

At June 30, 2009, the ALLL was $97.374 million, an increase of $37 million, or 60 percent, from a year ago. The allowance was 2.36 percent of total loans outstanding at June 30, 2009, up from 1.59 percent at the prior year quarter end, and up from 1.86 percent at December 31, 2008. Loan portfolio growth, composition, average loan

size, credit quality considerations, and other environmental factors will determine the level of additional provision expense.

Each of the bank subsidiaries' charge-off policy is consistent with bank regulatory standards. Consumer loans generally are charged off when the loan becomes over 120 days delinquent. Real estate acquired as a result of foreclosure or by deed-in-lieu of foreclosure is classified as real estate owned until such time as it is sold. When such property is acquired, it is recorded at estimated fair value, less estimated cost to sell. Any write-down at the time of recording real estate owned is charged to the ALLL. Any subsequent write-downs are charged to current expense.

Non-performing Assets

(Dollars in thousands)	At 6/30/2009 (unaudited)	At 12/31/2008 (audited)	At 6/30/2008 (unaudited)
Non-accrual loans:			
Real estate loans	$ 17,019	3,575	1,293
Commercial loans	93,305	58,454	17,788
Consumer and other loans	6,038	2,272	593
Total	$116,362	64,301	19,674
Accruing Loans 90 days or more overdue:			
Real estate loans	3,060	4,103	467
Commercial loans	6,219	2,897	3,006
Consumer and other loans	807	1,613	227
Total	$ 10,086	8,613	3,700
Real estate and other assets owned, net	47,424	11,539	6,523
Total non-performing loans and real estate and other assets owned, net	$173,872	84,453	29,897
Allowance for loan and lease losses as a percentage of non-performing assets	56%	91%	203%
Non-performing assets as a percentage of			

total bank assets	3.06%	1.46%	0.58%
Accruing Loans 30-89 days or more overdue	$ 62,637	54,787	35,017
Interest Income (1)	$ 3,459	4,434	707

(1) Amounts represent estimated interest income that would have been recognized on loans accounted for on a non-accrual basis for the six months ended June 30, 2009, year ended December 31, 2008

The allowance was 56 percent of non-performing assets at June 30, 2009, down from 91 percent for the prior year end and down from 203 percent a year ago. Non-performing assets as a percentage of total bank assets at June 30, 2009 were at 3.06 percent, up from 1.46 percent as of December 31, 2008, and up from .58 percent at June 30, 2008. Each bank subsidiary evaluates the level of its non-performing assets, the values of the underlying real estate and other collateral, and related trends in net charge-offs. Through pro-active credit administration, the Banks work closely with borrowers to seek favorable resolution to the extent possible, thereby attempting to minimize net charge-offs or losses to the Company.

Most of the Company's non-performing assets are secured by real estate. Based on the most current information available to management, including updated appraisals where appropriate, the Company believes the value of the underlying real estate collateral is adequate to minimize significant charge-offs or loss to the Company. For collateral dependent loans, impairment is measured by the fair value of the collateral.

Loans are reviewed on a regular basis and are placed on a non-accrual status when the collection of the contractual principal or interest is unlikely. The Company typically places loans on non-accrual when principal or interest is due and has remained unpaid for 90 days or more unless the loan is in process of collection and well-secured by collateral the fair value of which is sufficient to discharge the debt in full. When a loan is placed on non-accrual status, interest previously accrued but not collected is generally reversed against current period interest income. Subsequent payments are either applied to the outstanding principal balance or recorded as interest income, depending on the assessment of the ultimate repayment of the loan. 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.

A loan is considered impaired when, based upon current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. The amount of the impairment is measured using cash flows discounted at the loan's effective interest rate, except when it is determined that repayment of the loan is expected to be provided solely by the underlying collateral. For collateral dependent loans, impairment is measured by the fair value of the collateral less the cost to sell. When the ultimate collectability of the total principal of an impaired loan is in doubt, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the total principal on an impaired loan is not in doubt, contractual interest is generally credited to interest income when received under the cash basis method. Total interest income recognized for impaired loans under the cash basis for the three months ended June 30, 2009 and 2008 was not significant. Impaired loans, net of government guaranteed amounts, were $140.1 million and $23.7 million as of June 30, 2009 and 2008, respectively. The ALLL includes valuation allowances

of $9.0 million and $3.0 million specific to impaired loans as of June 30, 2009 and 2008, respectively.

LIABILITIES (DOLLARS IN THOUSANDS)	June 30, 2009 (unaudited)	December 31, 2008 (audited)	June 30, 2008 (unaudited)	$ change from December 31, 2008
Non-interest bearing deposits	$ 754,844	747,439	778,786	7,405
Interest bearing deposits	2,631,599	2,515,036	2,347,137	116,563
Advances from Federal Home Loan Bank	613,478	338,456	658,211	275,022
Federal Reserve Bank discount window	587,000	914,000	144,000	(327,000)
Securities sold under agreements to repurchase and other borrowed funds	197,971	196,731	387,648	1,240
Other liabilities	43,711	44,331	43,884	(620)
Subordinated debentures	120,157	121,037	118,559	(880)
Total liabilities	$4,948,760	4,877,030	4,478,225	71,730

As of June 30, 2009, non-interest bearing deposits decreased $24 million, or 3 percent, since June 30, 2008, and increased $7 million, or 1 percent, since December 31, 2008. Interest bearing deposits increased $117 million, or 5 percent from December 31, 2008. Since June 30, 2008, interest bearing deposits increased $284 million, or 12 percent, resulting from the banks' continued focus on attracting and retaining low cost deposits. Federal Home Loan Bank ("FHLB") advances at June 30, 2009 decreased $45 million, or 7 percent, from June 30, 2008, and increased $275 million, or 81 percent, from December 31, 2008. Federal Reserve Bank ("FRB") Discount Window borrowings decreased $327 million and increased $443 million from December 31, 2008 and June 30, 2008, respectively. Repurchase agreements and other borrowed funds were $198 million at June 30, 2009, a decrease of $190 million, or 49 percent, from June 30, 2008, and an increase of $1 million from December 31, 2008. Included in this latter category are U.S. Treasury Tax and Loan funds of $5 million at June 30, 2009, a decrease of $204 million from June 30, 2008, and a decrease of $947 thousand from December 31, 2008.

STOCKHOLDERS' EQUITY

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)	June 30, 2009 (unaudited)	December 31, 2008 (audited)	June 30, 2008 (unaudited)
Common equity	$ 692,046	678,183	551,718
Accumulated other comprehensive loss	(2,382)	(1,243)	(2,075)
Total stockholders' equity	689,664	676,940	549,643
Core deposit intangible, net, and goodwill	(157,736)	(159,765)	(152,717)
	$ 531,928	517,175	396,926

Stockholders' equity to total assets	12.23%	12.19%	10.93%
Tangible stockholders' equity to total tangible assets	9.71%	9.59%	8.14%
Book value per common share	$ 11.21	11.04	10.18
Tangible book value per common share	$ 8.65	8.43	7.35
Market price per share at end of quarter	$ 14.77	19.02	15.99

Total stockholders' equity and book value per share amounts have increased $140 million and $1.03 per share, respectively, from June 30, 2008, the result of earnings retention and exercised stock options, stock issued in connection with the Bank of the San Juans acquisition, and $94 million in net proceeds from the Company's November 2008 equity offering of 6,325,000 shares of common stock at a price of $15.50 per share. Tangible stockholders' equity has increased $135 million, or 34 percent since June 30, 2008, with tangible stockholders' equity at 9.71 percent of total tangible assets at June 30, 2009, up from 8.14 percent at June 30, 2008. Accumulated other comprehensive income (loss), representing net unrealized gains or losses (net of tax) on investment securities designated as available for sale, decreased $307 thousand from June 30, 2008.

On June 24, 2009, the Board of Directors declared a cash dividend of $.13 per share, payable July 16, 2009 to shareholders of record on July 7, 2009.

Pending Acquisition

On February 9, 2009, the Company announced a definitive agreement to acquire First Company and its subsidiary First National Bank & Trust, a community bank based in Powell, Wyoming. First National Bank & Trust has three branch locations in Powell, Cody, and Lovell, Wyoming. As of June 30, 2009, First National Bank & Trust had total assets of $272 million. Upon completion of the transaction, which is subject to regulatory approval and other customary conditions of closing, First National Bank & Trust will become a wholly-owned subsidiary of the Company. The agreement was recently extended to September 15, 2009. The transaction is now targeted to close in the third quarter. For additional information on the agreement see Part I, Item 2 "Financial Statements - Note 16, Subsequent Events."

Effect of inflation and changing prices

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

Lending Commitments

In the normal course of business, there are various outstanding commitments to extend credit, such as letters of credit and un-advanced loan commitments, which are not reflected in the accompanying condensed consolidated financial statements. Management does not anticipate any material losses as a result of these transactions.

Liquidity Risk

Liquidity risk is the possibility that the Company will not be able to fund present and future obligations. 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. The principal source of the Company's cash revenues are dividends received from the Company's bank subsidiaries. The payment of dividends is subject to government regulation, in that regulatory authorities may prohibit banks and bank holding companies from paying dividends which would constitute an unsafe or unsound banking practice. The bank subsidiaries' source of funds is generated by deposits, principal and interest payments on loans, sale of loans and securities, short and long-term borrowings, and net earnings. In addition, all of the bank subsidiaries are members of the FHLB. As of June 30, 2009, the bank subsidiaries had $761 million of available FHLB credit of which $613 million was utilized. The bank subsidiaries may also borrow funds from the FRB discount window or from the U.S. Treasury Tax and Loan program of which the banks have remaining borrowing availability of $708 million and $10 million, respectively. Management of the Company has a wide range of versatility in managing the liquidity and asset/liability mix for each bank subsidiary as well as the Company as a whole.

Capital Resources and Adequacy

Maintaining capital strength has been a long term objective. Ample capital is necessary to sustain growth, provide protection against unanticipated declines in asset values, and to safeguard the funds of depositors. Capital also is a source of funds for loan demand and enables the Company to effectively manage its assets and liabilities. Shareholders' equity increased $140 million since prior year, or 25 percent, the net result of earnings, a public offering of stock of $94 million, common stock issued for the acquisition of San Juans, stock options exercised, less cash dividend payments and a decrease of $307 thousand resulting from the net unrealized losses on available-for-sale investment securities. The FRB has adopted capital adequacy guidelines pursuant to which it assesses the adequacy of capital in supervising a bank holding company.

Other-Than-Temporary Loss on Securities Accounting Policy and Analysis

The Company views the determination of whether an investment security is temporarily or other-than-temporarily impaired as a critical accounting policy, as the estimate is susceptible to significant change from period to period because it requires management to make significant judgments, assumptions and estimates in the preparation of its consolidated financial statements. The Company assesses individual securities in its investment securities portfolio for impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant. An investment is impaired if the fair value of the security is less than its carrying value at the financial statement date. If impairment is determined to be other-than-temporary, an impairment loss is recognized by reducing the amortized cost only for the credit loss associated with an other-than-temporary loss with a corresponding charge to earnings for a like amount.

Management considers whether an investment security is other-than-temporarily impaired under the guidance promulgated in SFAS 115, Accounting for Certain Investments in Debt and Equity Securities, FSP SFAS 115-1 and SFAS 124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments, and the guidance from the Securities and Exchange Commission found in Staff Accounting Bulletin Topic 5M. The Company adopted FSP FAS 115-2 and FAS 124-2 effective for the interim period ending June 30, 2009 and determined there was not a material effect on the Company's financial position or results of operations. For further

information regarding the FSPs, see discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Impact of Recently Issued Standards".

The Company believes that macroeconomic conditions occurring in 2008 and the first half of 2009 have unfavorably impacted the fair value of certain debt securities in its investment portfolio. For debt securities with limited or inactive markets, the impact of these macroeconomic conditions upon fair value estimates includes higher risk-adjusted discount rates and downgrades in credit ratings provided by nationally recognized credit rating agencies, (e.g., Moody's, S&P, and Fitch).

In evaluating equity securities for other-than-temporary impairment losses, management assesses the Company's ability and intent to retain the equity securities for a period of time sufficient to allow for anticipated recovery in fair value. Equity securities owned at June 30, 2009 consisted of stock issued by the Federal Home Loan Bank and the Federal Reserve Bank, such shares measured at cost for fair value purposes in recognition of the transferability restrictions imposed by the issuers. In addition, the Company owns 150,000 shares of Series O preferred stock issued by Federal Home Loan Mortgage Corporation ("Freddie Mac") and 1,200 shares of common stock issued by the Federal National Mortgage Association ("Fannie Mae"). The Freddie Mac and Fannie Mae stock had a cost basis of $0 at year end due to the recognition of an other-than-temporary impairment charge against earnings at September 30, 2008 for the entire amount of the Company's investment therein. Hence, none of the equity securities were impaired as of June 30, 2009.

In evaluating debt securities for other-than-temporary impairment losses, management assesses whether the Company intends to sell or if it is more likely-than-not that it will be required to sell impaired debt securities. In so doing, management considers contractual constraints, liquidity, capital, asset / liability management and securities portfolio objectives. With respect to its impaired debt securities at June 30, 2009, management determined that it does not intend to sell and that there is no expected requirement to sell any of its impaired debt securities.

For fair value estimates provided by third party vendors, management also considered the models and methodology, for appropriate consideration of both observable and unobservable inputs, including appropriately adjusted discount rates and credit spreads for securities with limited or inactive markets, and whether the quoted prices reflect orderly transactions, The Company obtained independent estimates of inputs, including cash flows, in supplement to third party vendor provided information. The Company also reviewed financial statements of issuers, with follow up discussions with issuers' management for clarification and verification of information relevant to the Company's impairment analysis.

In analyzing the investment securities at June 30, 2009, a total of 214 investment (debt) securities were identified the fair values of which had declined below amortized cost by $24,128,124, or 10.64%, of the book value of impaired investment securities. Residential Mortgage-backed securities have the largest unrealized loss. The fair value of these securities, which have underlying collateral consisting of U.S. government sponsored enterprise guaranteed mortgages and non-guaranteed private label whole loan mortgages, decreased from $67,365,000 at December 31, 2008 to $54,991,000 at June 30, 2009, and the unrealized loss increased from 9.0 percent of fair value to 22.8 percent of fair value for those same years. The fair value of State and Local Government and other issued securities in an unrealized loss position increased from $119,928,000 at December 31, 2008 to $139,329,000 at June 30, 2009, and the

unrealized loss decreased from 7.5 percent of fair value to 4.7 percent of fair value for those same years. The fair value of Collateralized Debt Obligation securities in an unrealized loss position is $7,973,000 with unrealized losses of $5,094,000 or 63.9 percent of fair value at June 30, 2009; such investments had an unrealized gain position at December 31, 2008.

The Company stratified the 214 debt securities for both severity and duration of impairment. With respect to severity, 75 debt securities had impairment that exceeded 5 percent of the respective book values, of which 18 had impairment that exceeded 15 percent of the respective book values at June 30, 2009. 1 of the 214 debt

securities had impairment that exceeded 40 percent of the respective book values at June 30, 2009. The remaining 139 debt securities had impairment that was 5 percent or less of the respective book values as of June 30, 2009.

With respect to the duration of the impaired securities, the Company identified 44 securities which have been continuously impaired for the 12 months ending June 30, 2009. The valuation history of such securities in the prior year(s) was also reviewed to determine the number of months in prior year(s) in which the identified securities was in an unrealized loss position. 13 of these 44 securities are non-guaranteed, non-Agency CMOs with an aggregate unrealized loss of $12,271,986, the most notable of which had an unrealized loss of $2,085,002. 17 of the 44 securities are state and local tax-exempt securities with an unrealized loss of $1,457,301, the most notable of which had an unrealized loss of $409,446. 14 of the 44 securities are mortgage-backed securities issued by U.S. government sponsored agencies, i.e., GNMA, FNMA, FHLMC and SBA, the aggregate unrealized loss of which was $71,190.

Included in the 214 debt securities with impairment at June 30, 2009 are 15 of the 18 non-guaranteed, non-Agency issued CMOs tranches owned at such date. 8 of the 15 CMOs tranches are collateralized by 30 year fixed residential mortgages considered to be "Prime," and 7 are collateralized by 30 year fixed residential mortgages considered to be "ALT - A." Moreover, none of the underlying mortgage collateral is considered "subprime".

For impaired debt securities for which there was no intent or expected requirement to sell, management considers available evidence to assess whether it is more likely-than-not that all amounts due would not be collected In such assessment, management considers the severity and duration of the impairment, the credit ratings of the security, the overall deal and payment structure, including the Company's position within the structure, underlying obligors, financial condition and near term prospects of the issuer, delinquencies, defaults, loss severities, recoveries, prepayments, cumulative loss projections, discounted cash flows and fair value estimates. Based on the analysis of its impaired securities as of June 30, 2009, the Company determined that none of such securities had other-than-temporary impairment.

Fair Value Measurements

On January 1, 2008, the Company adopted SFAS 157, Fair Value Measurements, which defines fair value 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. SFAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

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

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

In April 2009, FASB issued FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. The Company adopted the FSP effective for the interim period ending June 30, 2009 and determined there was not a material effect on the Company's financial position or results of operations. For further information regarding the FSP, see discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Impact of Recently Issued Standards."

On a recurring basis, the Company measures investment securities in accordance with SFAS 157. The fair value of such investments is estimated by obtaining quoted market prices for identical assets, where available. If such prices are not available, fair value is based on independent asset pricing services and models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. For those securities where greater reliance on unobservable inputs occurs, such securities are classified as Level 3 within the hierarchy.

In performing due diligence reviews of the independent asset pricing services and models for investment securities, the Company reviewed the vendors' inputs for fair value estimates and the recommended assignments of levels within the fair value hierarchy. The Company's review included the extent to which markets for investment securities were determined to have limited or no activity, or was judged to be an active market. The Company reviewed the extent to which observable and unobservable inputs were 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 placed less reliance on quotes that were judged to not reflect orderly transactions, or were non-binding indications. The Company made independent inquires of other knowledgeable parties in testing the reliability of the inputs, including consideration for illiquidity, credit risk, and cash flow estimates. In assessing credit risk, the Company reviewed payment performance, collateral adequacy, credit rating histories, and issuers' financial statements with follow-up discussion with issuers. For those markets determined to be inactive, the valuation techniques used were models for which management verified that discount rates were appropriately adjusted to reflect illiquidity and credit risk. The Company independently obtained cash flow estimates that were stressed at levels that exceeded those used by independent third party pricing vendors. Based on the Company's due diligence review, investment securities are placed in the appropriate hierarchy levels with adjustment to vendors' recommendations made as necessary. Most notably, the Company determined that its collateralized debt obligation securities, i.e., trust preferred securities, were illiquid due to inactive markets (i.e., due to the absence of trade volume during 2008 and the

first half of 2009), the fair values of which had significant reliance on unobservable inputs, and therefore were classified as Level 3 within the hierarchy.

On a non-recurring basis, the Company measures real estate and other assets owned and impaired loans in accordance with SFAS 157. Real estate and other assets owned is carried at the lower of cost or estimated fair value, less estimated cost to sell. Estimated fair value of real estate and other assets owned is based on appraisals. The Company reviews the appraisals, giving consideration to the highest and best use of the collateral. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell. Real estate and other assets owned are classified within Level 3 of the fair value hierarchy. Allowable methods for estimating fair value of impaired loans include using the fair value of the collateral for collateral dependent loans or, where a loan is determined not to be collateral dependent, using the discounted cash flow method. Impaired loans are primarily collateral-dependent and the estimated fair value is based on the appraised fair value of the collateral. The Company reviews the appraisals, giving consideration to the highest and best use of the collateral. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell. Impaired loans are classified within Level 3 of the fair value hierarchy.

In addition to measuring certain financial assets and liabilities on a recurring or non-recurring basis, the Company discloses estimated fair value on financial assets and liabilities. The following is a description of the methods and inputs used to estimate the fair value of other financial instruments recognized at amounts other than fair value.

The fair value for unimpaired loans, net of ALLL, is estimated by discounting the future cash flows using the rates at which similar notes would be originated for the same remaining maturities. The market rates used are based on current rates the bank subsidiaries would impose for similar loans and reflect a market participant assumption about risks associated with non-performance, illiquidity, and the structure and term of the loans along with local economic and market conditions.

The 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 a knowledgeable independent third party and reviewed by the Company. The rates were the average of current rates offered by local competitors of the bank subsidiaries. The estimated fair value of demand, NOW, savings, and money market deposits is the book value since rates are regularly adjusted to market rates.

The fair value of the non-callable FHLB advances is estimated by discounting the future cash flows using rates of similar advances with similar maturities. These rates were obtained from current rates offered by FHLB. The estimated fair value of callable FHLB advances was obtained from FHLB and the model was reviewed by the Company through discussions with FHLB.

The fair value of FRB discount window borrowings is estimated based on borrowing rates currently available to the Company for FRB discount window borrowings with similar terms and maturities. The current outstanding borrowings are short term and current rates offered by FRB equal the rates on the outstanding borrowings, resulting in the estimated fair value being the same as the book value.

The fair value of term repurchase agreements is estimated based on current repurchase rates currently available to the Company for repurchases agreements with similar terms and maturities. The market rates used are based on current rates the bank subsidiaries would incur for similar borrowings. The estimated fair value for overnight repurchase agreements and other borrowings is book value.

The fair value of the subordinated debentures is estimated by discounting the estimated future cash flows using current estimated market rates for subordinated debt issuances with similar characteristics. The market rates used were based on an independent third party's judgment and include inputs such as implied yield curves and interest rate spreads.

For additional information on fair value measurements see Part I, Item 2 "Financial Statements - Note 13, Fair Value Measurements."

Impact of Recently Issued Accounting Standards

In June 2009, FASB issued SFAS No. 168, The FASB Accounting Standards Codification(TM) and Hierarchy of Generally Accepted Accounting Principals. The objective of this Statement is to replace Statement 162 and to establish the FASB Accounting Standards Codification(TM) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. This Statement shall be effective for the Company's financial statements issued for interim and annual periods ending after September 15, 2009. The Company is currently evaluating the impact of the adoption of this standard, but does not expect it to have a material effect on the Company's financial position or results of operations.

In June 2009, FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R). The objective of this Statement is to amend certain requirements of FASB No. 46 (revised December 2003), Consolidation of Variable Interest Entities, to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. This Statement shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company is currently evaluating the impact of the adoption of this standard, but does not expect it to have a material effect on the Company's financial position or results of operations.

In June 2009, FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets - an amendment of FASB Statement No. 140). The objective of this Statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred financial assets. This Statement shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company is currently evaluating the impact of the adoption of this standard, but does not expect it to have a material effect on the Company's financial position or results of operations.

In April 2009, FASB issued FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments. The objective of an other-than-temporary impairment analysis under existing U.S.

generally accepted accounting principles ("GAAP") is to determine whether the holder of an investment in a debt or equity security for which changes in fair value are not regularly recognized in earnings (such as securities classified as held-to-maturity or available-for-sale) should recognize a loss in earnings when the investment is impaired. An investment is impaired if the fair value of the investment is less than its amortized cost basis. This FSP amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. The FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company adopted the FSP effective for the interim period ending June 30, 2009 and determined there was not a material effect on the Company's financial position or results of operations.

In April 2009, FASB issued FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. This FSP provides additional guidance for estimating fair value in accordance with SFAS No. 157, Fair Value Measurements, when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. This FSP emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. Early adoption was permitted for periods ending after March 15, 2009. The Company adopted the FSP effective for the interim period ending June 30, 2009 and determined there was not a material effect on the Company's financial position or results of operations.

In April 2009, FASB issued FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments. This FSP amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. An entity shall disclose in the body or in the accompanying notes of its summarized financial information for interim reporting periods and in its financial statements for annual reporting periods the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position, as required by SFAS No. 107. Fair value information disclosed in the notes shall be presented together with the related carrying amount in a form that makes it clear whether the fair value and carrying amount represent assets or liabilities and how the carrying amount relates to what is reported in the statement of financial position. An entity also shall disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments and shall describe changes in method(s) and significant assumptions, if any, during the period. This FSP shall be

effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company adopted the FSP effective for the interim period ending June 30, 2009 and determined there was not a material effect on the Company's financial position or results of operations. For additional information on disclosures about fair value of financial instruments see Part I, Item 2 "Financial Statements - Note 13, Fair Value Measurements".

In December 2007, FASB issued SFAS No. 141(R), Business Combinations. The objective of this Statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. The Statement establishes principles and requirements for how the acquirer: a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and c) determines what

information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The Company is currently evaluating the impact of the adoption of this standard, but does not expect it to have a material effect on the Company's financial position or results of operations with any future business combinations.

Forward Looking Statements

This Form 10-Q may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about management's plans, objectives, expectations and intentions that are not historical facts, and other statements identified by words such as "expects," "anticipates," "intends," "plans," "believes," "should," "projects," "seeks," "estimates" or words of similar meaning. These forward-looking statements are based on current beliefs and expectations of management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations in the forward-looking statements, including those set forth in this Form 10-Q:

- the risks associated with lending and potential adverse changes in credit quality;

- increased loan delinquency rates;

- the risks presented by a continued economic slowdown, which could adversely affect credit quality, loan collateral values, investment values, liquidity levels, and loan originations;

- changes in market interest rates, which could adversely affect our net interest income and profitability;

- legislative or regulatory changes that adversely affect our business or our ability to complete pending or prospective future acquisitions;

- costs or difficulties related to the integration of acquisitions;

- reduced demand for banking products and services;

- the risks presented by public stock market volatility, which could adversely affect the Company's stock value and the ability to raise capital in the future;

- competition from other financial services companies in our markets;

- loss of services from the senior management team; and

- the Company's success in managing risks involved in the foregoing.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in Risk Factors in Item 1A. Please take into account that forward-looking statements speak only as of the date of this 10Q. The Company does not undertake any obligation to publicly correct or update any forward-looking statement if it later becomes aware that it is not likely to be achieved.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company believes that there have not been any material changes in information about the Company's market risk than was provided in the Form 10-K report for the year ended December 31, 2008.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures (as required by Exchange Act Rules 240.13a-15(b) and 15d-14(c)) as of the date of this quarterly report. Based on that evaluation, the Chief Executive Officer and

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

Changes in Internal Controls

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the second quarter 2009, to which this report relates that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no pending material legal proceedings to which the registrant or its

subsidiaries are a party.

ITEM 1A. RISK FACTORS

The Company and its ten wholly-owned, independent community bank subsidiaries are exposed to certain risks. The following is a discussion of the most significant risks and uncertainties that may affect the Company's business, financial condition and future results.

The effect of the national economic situation on the Company's future results of operations or stock trading price.

The national economy and the financial services sector in particular are currently facing challenges of a scope unprecedented in recent history. No one can predict the severity or duration of this downturn. The Company cannot accurately predict the severity or duration of the current economic downturn, which has adversely impacted the markets we serve. Any further deterioration in the economies of the nation as a whole or in our markets would have an adverse effect, which could be material, on our business, financial condition, results of operations and prospects, and could also cause the market price of our stock to decline. While it is impossible to predict how long these conditions may exist, the economic downturn could continue to present risks for some time for the industry and our company.

A further economic downturn in the market areas the Company serves may cause the Company to have lower earnings and could increase credit risk associated with the loan portfolio. The inability of borrowers to repay loans can erode earnings. The effects of the national economic downturn are significantly impacting the market areas the Company serves. A further deterioration in the market areas the Company serves could result in the following consequences, any of which could have an adverse impact, which could be material, on the Company's business, financial condition, results of operations and prospects:

- loan delinquencies may increase further;
- problem assets and foreclosures may increase;
- collateral for loans made may decline further in value, in turn reducing customers' borrowing power, reducing the value of assets and collateral associated with existing loans;
- demand for banking products and services may decline; and
- low cost or non-interest bearing deposits may decrease.

The allowance for loan and lease losses may not be adequate to cover actual loan losses, which could adversely affect earnings.

The Company maintains an ALLL in an amount that it believes is adequate to provide for losses inherent in the portfolio. While the Company strives to carefully manage and monitor credit quality and to identify loans that may become nonperforming, at any time there are loans included in the portfolio that will result in losses, but

that have not been identified as nonperforming or potential problem loans. By managing credit quality, the Company attempts to identify deteriorating loans before they become nonperforming assets and adjust the ALLL accordingly.

However, because future events are uncertain, and if the economy continues to deteriorate, there may be loans that deteriorate to a nonperforming status in an accelerated time frame. As a result, future additions to the ALLL may be necessary. Because the loan portfolio contains a number of loans with relatively large balances, the deterioration of one or a few of these loans may cause a significant increase in nonperforming loans, requiring an increase to the ALLL. Additionally, future significant additions to the ALLL may be required based on changes in the mix of loans comprising the portfolio, changes in the financial condition of borrowers, such as may result from changes in economic conditions, or as a result of incorrect assumptions by management in determining the ALLL. Additionally, federal banking regulators, as an integral part of their supervisory function, periodically review the Company's loan portfolio and the adequacy of the ALLL. These regulatory agencies may require the Company to recognize further loan loss provisions or charge-offs based upon their judgments, which may be different from the Company's judgments. Any increase in the ALLL could have a negative effect on the financial condition and results of operation.

The Company has a high concentration of loans secured by real estate.

The Company has a concentration of loans secured by real estate. While the Pacific Northwest economy typically lags the national economy, the effects of the economic downturn are now significantly impacting the Company's market area. Further downturn in the market areas the Company serves may cause the Company to have lower earnings and could increase credit risk associated with the loan portfolio, as the collateral securing those loans may decrease in value. A continued downturn in the local economy could have a material adverse effect both on the borrowers' ability to repay these loans, as well as the value of the real property held as collateral. The Company's ability to recover on defaulted loans by foreclosing and selling the real estate collateral would then be diminished and the Company would be more likely to suffer losses on defaulted loans.

A continued tightening of the credit markets may make it difficult to obtain adequate funding for loan growth, which could adversely affect earnings.

A continued tightening of the credit market and the inability to obtain or retain adequate money to fund continued loan growth may negatively affect the Company's asset growth and liquidity position and, therefore, earnings capability. In addition to core deposit growth, maturity of investment securities and loan payments, the Company also relies on alternative funding sources through correspondent banking, and borrowing lines with the FRB and FHLB to fund loans. In the event the current economic downturn continues, particularly in the housing market, these resources could be negatively affected, both as to price and availability, which would limit and or raise the cost of the funds available to the Company.

The FDIC has increased insurance premiums to rebuild and maintain the federal deposit insurance fund.

The FDIC recently adopted a final rule revising its risk-based assessment system, effective April 1, 2009. The changes to the assessment system involve adjustments to the risk-based calculation of an institution's unsecured debt, secured liabilities and brokered deposits. The revisions effectively result in a range of possible assessments under the risk-based system of 7 to 77.5 basis points. The potential increase in FDIC insurance premiums will add to our cost of operations and could have a significant impact on the Company. Depending on any future losses that the FDIC insurance fund may suffer due to failed institutions, there can be no assurance that there will not be additional significant premium increases in order to replenish the fund.

The FDIC has imposed a special Deposit Insurance assessment of 5 basis points on

all insured institutions. This emergency assessment was calculated based on the insured institution's assets at June 30, 2009, and collected on September 30, 2009. The FDIC has announced that an additional special assessment in 2009 of up to 5 basis points is probable.

The Company's loan portfolio mix could result in increased credit risk in an economic downturn.

The loan portfolio contains a high percentage of commercial, commercial real estate, real estate acquisition and development loans in relation to the total loans and total assets. These types of loans have historically been viewed as having more risk of default than residential real estate loans or certain other types of loans or investments. In fact, the FDIC has issued pronouncements alerting banks of its concern about banks with a heavy concentration of commercial real estate loans. These types of loans also typically are larger than residential real estate loans and other commercial loans. Because the Company's loan portfolio contains a significant number of commercial and commercial real estate loans with relatively large balances, the deterioration of one or more of these loans may cause a significant increase in non-performing loans. An increase in non-performing loans could result in a loss of earnings from these loans, an increase in the provision for loan losses, or an increase in loan charge-offs, which could have an adverse impact on results of operations and financial condition.

Nonperforming assets take significant time to resolve and adversely affect our results of operations and financial condition.

Nonperforming assets (which include foreclosed real estate) adversely affect the Company's net income in various ways. Until economic and market conditions improve, the Company expects to continue to incur additional losses relating to an increase in nonperforming loans. The Company does not record interest income on non-accrual loans or other real estate owned, thereby adversely affecting its income, and increasing loan administration costs. When the Company takes collateral in foreclosures and similar proceedings, it is required to mark the related asset to the then fair market value of the collateral, which may result in a loss. An increase in the level of nonperforming assets also increases the Company's risk profile and may impact the capital levels its regulators believe is appropriate in light of such risks. While the Company has reduced its problem assets through, workouts, restructurings and otherwise, decreases in the value of these assets, or the underlying collateral, or in these borrowers' performance or financial conditions, whether or not due to economic and market conditions beyond the Company's control, could adversely affect the Company's business, results of operations and financial condition. In addition, the resolution of nonperforming assets requires significant commitments of time from management and the Company's directors, which can be detrimental to performance of their other responsibilities. There can be no assurance that the Company will not experience further increases in nonperforming assets in the future.

The Company's ability to access markets for funding and acquire and retain customers could be adversely affected to the extent the financial service industry's reputation is damaged.

Reputation risk is the risk to liquidity, earnings and capital arising from negative publicity regarding the financial services industry. The financial services industry continues to be featured in negative headlines about the global and national credit crisis and the resulting stabilization legislation enacted by the U.S. federal government. These reports can be damaging to the

industry's image and potentially erode consumer confidence in insured financial institutions, such as the Company's bank subsidiaries.

Decline in the fair value of the Company's investment portfolio could adversely affect earnings

Investment securities fair value could decline as a result of factors including changes in market interest rate, credit quality and ratings, liquidity and other economic conditions. Investment securities are impaired if the fair value of the security is less than the carrying value. When a security is impaired, the Company determines whether an impairment is temporary or other-than-temporary. The Company adopted FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments, effective for the interim period ending June 30, 2009, and accordingly if an impairment is determined to be other-than temporary, an impairment loss is recognized by reducing the amortized cost only for the credit loss associated with an other-than-temporary loss with a corresponding charge to earnings for a like amount. For further information regarding the FSP see discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Impact of Recently Issued Standards".

Fluctuating interest rates can adversely affect profitability.

The Company's profitability is dependent to a large extent upon net interest income, which is the difference (or "spread") between the interest earned on loans, securities and other interest-earning assets and interest paid on deposits, borrowings, and other interest-bearing liabilities. Because of the differences in maturities and repricing characteristics of interest-earning assets and interest-bearing liabilities, changes in interest rates do not produce equivalent changes in interest income earned on interest-earning assets and interest paid on interest-bearing liabilities. Accordingly, fluctuations in interest rates could adversely affect the Company's interest rate spread, and, in turn, profitability. The Company seeks to manage its interest rate risk within well established guidelines. Generally, the Company seeks an asset and liability structure that insulates net interest income from large deviations attributable to changes in market rates.

If the goodwill recorded in connection with acquisitions becomes impaired, it could have an adverse impact on earnings and capital.

Accounting standards require that the Company account for acquisitions using the purchase method of accounting. Under acquisition accounting, if the purchase price of an acquired company exceeds the fair value of its net assets, the excess is carried on the acquiror's balance sheet as goodwill. In accordance with generally accepted accounting principles, goodwill is not amortized but rather is evaluated for impairment on an annual basis or more frequently if events or circumstances indicate that a potential impairment exists. Although at the current time the Company has not incurred an impairment of goodwill, there can be no assurance that future evaluations of goodwill will not result in findings of impairment and write-downs, which could be material.

The effect of recently enacted federal legislation.

In October 2008, Congress enacted the Emergency Economic Stabilization Act of 2008 ("EESA"), which provides the United States Treasury Department ("Treasury") with broad authority to implement action intended to help restore stability and liquidity to the US financial markets. Pursuant to the EESA, the Treasury has

the ability to purchase or insure up to $700 billion in troubled assets held by financial institutions under the Trouble Asset Relief Program "(TARP"). In October 2008, the Treasury announced it would initially purchase equity stakes in financial institutions under a Capital Purchase Program (the "CPP") of up to $350 billion of the $700 billion authorized under the TARP legislation. The EESA also increases the amount of deposit account insurance from $100,000 to $250,000 effective until December 31, 2013.

In early 2009, the Treasury also announced the Financial Stability Plan which, among other things, provides a new capital program called the Capital Assistance Program, establishing a public-private investment fund for the purchase of troubled assets, and expands the Term Asset-Backed Securities Loan Facility. The Treasury also recently announced plans to create a federal Consumer Financial Protection Agency. This legislation is in the early stages and it is not possible to predict whether such legislation will be enacted. Due to the condition of the national economy, it is possible that additional legislation affecting the banking industry may be enacted in the near future. The full effect of legislation recently enacted and broad legislation that may be enacted in the near future on the national economy and financial institutions, particularly on mid-sized institutions like the Company, cannot now be predicted.

Growth through future acquisitions, which could, in some circumstances, adversely affect profitability measures.

The Company has in recent years acquired other financial institutions. The Company may in the future engage in selected acquisitions of additional financial institutions, including transactions that may receive assistance from the FDIC. There are risks associated with any such acquisitions that could adversely affect profitability. These risks include, among other things, incorrectly assessing the asset quality of a financial institution being acquired, encountering greater than anticipated cost of incorporating acquired businesses into the Company's operations, and being unable to profitably deploy funds acquired in an acquisition.

The Company anticipates that it might issue capital stock in connection with future acquisitions. Acquisitions and related issuances of stock may have a dilutive effect on earnings per share and the percentage ownership of current shareholders. The Company currently does not have any definitive understandings or agreements for any acquisitions other than the agreement to acquire First Company and its subsidiary First National Bank & Trust, a community bank based in Powell, Wyoming.

Business would be harmed if the Company lost the services of any of the senior management team.

The Company believes its success to date has been substantially dependent on its Chief Executive Officer and other members of the executive management team, and on the Presidents of its bank subsidiaries. The loss of any of these persons could have an adverse affect on the Company's business and future growth prospects.

Competition in the Company's market areas may limit future success.

Commercial banking is a highly competitive business. The Company competes with other commercial banks, savings and loan associations, credit unions, finance, insurance and other non-depository companies operating in its market areas. The

Company is subject to substantial competition for loans and deposits from other financial institutions. Some of its competitors are not subject to the same degree of regulation and restriction as the Company is. Some of the Company's competitors have greater financial resources than the Company does. If the Company is unable to effectively compete in its market areas, the Company's business, results of operations and prospects could be adversely affected.

The Company operates in a highly regulated environment and may be adversely affected by changes in federal state and local laws and regulations.

The Company is subject to extensive regulation, supervision and examination by federal and state banking authorities. Any change in applicable regulations or federal, state or local legislation could have a substantial impact on the Company and its operations. Additional legislation and regulations that could significantly affect the Company's powers, authority and operations may be enacted or adopted in the future, which could have a material adverse effect on the Company's financial condition and results of operations. Further, regulators have significant discretion and authority to prevent or remedy unsafe or unsound practices or violations of laws or regulations by financial institutions and holding companies in the performance of their supervisory and enforcement duties. These powers recently have been utilized more frequently due to the serious national, regional and local economic conditions the Company is facing. The exercise of regulatory authority may have a negative impact on the Company's financial condition and results of operations.

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. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

(a) The Company's Annual Shareholders' Meeting was held April 29, 2009

(b) Not Applicable

(c) A brief description of each matter voted upon at the Annual Meeting and the number of votes cast for or withheld, including a separate tabulation with respect to each nominee to serve on the Board is presented below:

(1) Election of Directors for one-year terms expiring in 2010 and until their successors have been elected and have qualified.

Michael J. Blodnick
Votes Cast For: 51,344,044

Votes Cast Withheld: 648,537

James M. English
Votes Cast For: 42,957,480
Votes Cast Withheld: 9,035,101

Allen J. Fetscher
Votes Cast For: 43,516,699
Votes Cast Withheld: 8,475,882

Dallas I. Herron
Votes Cast For: 42,967,536
Votes Cast Withheld: 9,025,045

Jon W. Hippler
Votes Cast For: 51,285,872
Votes Cast Withheld: 706,709

Craig A. Langel
Votes Cast For: 42,960,976
Votes Cast Withheld: 9,031,605

L. Peter Larson
Votes Cast For: 42,950,085
Votes Cast Withheld: 9,042,496

Douglas McBride
Votes Cast For: 42,961,809
Votes Cast Withheld: 9,030,772

John W. Murdoch
Votes Cast For: 42,961,088
Votes Cast Withheld: 9,031,493

Everit A. Sliter
Votes Cast For: 41,083,135
Votes Cast Withheld: 10,909,446

(d) None

ITEM 5. OTHER INFORMATION

(a) Not Applicable

(b) Not Applicable

ITEM 6. EXHIBITS

Exhibit 31.1 - Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002

Exhibit 31.2 - Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002

Exhibit 32 - Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted

pursuant to Section 906 of the Sarbanes - Oxley Act of 2002

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.

August 7, 2009 /s/ Michael J. Blodnick

Michael J. Blodnick
President/CEO

August 7, 2009 /s/ Ron J. Copher

Ron J. Copher
Senior Vice President/CFO