BANNER CORP
Form 10-Q
May 08, 2015

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

FORM 10-Q
(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2015.

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ______________ to ______________

Commission File Number 0-26584

BANNER CORPORATION
(Exact name of registrant as specified in its charter)

Washington	91-1691604
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

10 South First Avenue, Walla Walla, Washington 99362
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (509) 527-3636

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [x] No [ ]

Indicate by check mark 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 [ ] Smaller reporting company [ ]

Yes [ ] No [x]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of class:	As of April 30, 2015
Common Stock, $.01 par value per share	20,975,823 shares *

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BANNER CORPORATION AND SUBSIDIARIES

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Special Note Regarding Forward-Looking Statements

Certain matters in this report on Form 10-Q contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our financial condition, liquidity, results of operations, plans, objectives, future performance or business. Forward-looking statements are not statements of historical fact, are based on certain assumptions and are generally identified by use of the words “believes,” “expects,” “anticipates,” “estimates,” “forecasts,” “intends,” “plans,” “targets,” “potentially,” “probably,” “projects,” “outlook” or similar or future or conditional verbs such as “may,” “will,” “should,” “would” and “could.” Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, assumptions and statements about future economic performance and projections of financial items. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated or implied by our forward-looking statements, including, but not limited to: expected revenues, cost savings, synergies and other benefits from the merger of Banner Bank and Siuslaw Bank and of the proposed merger of Banner Bank and AmericanWest Bank ("AmericanWest") might not be realized within the expected time frames or at all and costs or difficulties relating to integration matters, including but not limited to customers, systems and employee retention, might be greater than expected; the requisite regulatory approvals for the AmericanWest transaction might not be obtained; the credit risks of lending activities, including changes in the level and trend of loan delinquencies and write-offs and changes in our allowance for loan losses and provision for loan losses that may be impacted by deterioration in the housing and commercial real estate markets and may lead to increased losses and non-performing assets, and may result in our allowance for loan losses not being adequate to cover actual losses and require us to materially increase our reserves; changes in economic conditions in general and Washington, Idaho, Oregon, Utah and California in particular; changes in the levels of general interest rates and the relative differences between short and long-term interest rates, loan and deposit interest rates, our net interest margin and funding sources; fluctuations in the demand for loans, the number of unsold homes, land and other properties and fluctuations in real estate values in our market areas; secondary market conditions for loans and our ability to sell loans in the secondary market; results of examinations of us by the Board of Governors of the Federal Reserve System (the Federal Reserve Board) and of our bank subsidiaries by the Federal Deposit Insurance Corporation (the FDIC), the Washington State Department of Financial Institutions, Division of Banks (the Washington DFI) or other regulatory authorities, including the possibility that any such regulatory authority may, among other things, institute an informal or formal enforcement action against us or any of our bank subsidiaries which could require us to increase our reserve for loan losses, write-down assets, change our regulatory capital position or affect our ability to borrow funds, or maintain or increase deposits, or impose additional requirements and restrictions on us, any of which could adversely affect our liquidity and earnings; legislative or regulatory changes that adversely affect our business including changes in regulatory policies and principles, or the interpretation of regulatory capital or other rules, including changes related to Basel III; the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the implementing regulations; our ability to attract and retain deposits; increases in premiums for deposit insurance; our ability to control operating costs and expenses; the use of estimates in determining fair value of certain of our assets and liabilities, which estimates may prove to be incorrect and result in significant changes in valuation; difficulties in reducing risk associated with the loans on our balance sheet; staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our work force and potential associated charges; the failure or security breach of computer systems on which we depend; our ability to retain key members of our senior management team; costs and effects of litigation, including settlements and judgments; our ability to implement our business strategies; future goodwill impairment due to changes in our business, changes in market conditions, or other factors; our ability to manage loan delinquency rates; increased competitive pressures among financial services companies; changes in consumer spending, borrowing and savings habits; the availability of resources to address changes in laws, rules, or regulations or to respond to regulatory actions; our ability to pay dividends on our common stock and interest or principal payments on our junior subordinated debentures; adverse changes in the securities markets; inability of key third-party providers to perform their obligations to us; changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies or the Financial Accounting Standards Board including additional guidance and interpretation on accounting issues and details of the implementation of new accounting methods; the economic impact of war or any terrorist activities; other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services; and other risks detailed from time to time in our filings with the Securities and Exchange Commission. Any forward-looking statements are based upon management's beliefs and assumptions at the time they are made. We do not undertake and specifically disclaim any obligation to update any forward-looking statements included in this report or the reasons why actual results could differ from those contained in such statements whether as a result of new information, future events or otherwise. These risks could cause our actual results to differ materially from those expressed in any forward-looking statements by, or on behalf of, us. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this report might not occur, and you should not put undue reliance on any forward-looking statements.

As used throughout this report, the terms "we," "our," "us," or the "Company" refer to Banner Corporation and its consolidated subsidiaries, unless the context otherwise requires.

BANNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Unaudited) (In thousands, except shares)
March 31, 2015 and December 31, 2014

ASSETS	March 31 2015	December 31 2014
Cash and due from banks	$298,515	$126,072
Securities—trading, amortized cost $43,878 and $47,480, respectively	38,074	40,258
Securities—available-for-sale, amortized cost $393,831 and $411,424, respectively	395,607	411,021
Securities—held-to-maturity, fair value $140,499 and $137,608, respectively	133,649	131,258
Federal Home Loan Bank (FHLB) stock	25,544	27,036
Loans receivable:		
Held for sale	9,419	2,786
Held for portfolio	4,105,399	3,831,034
Allowance for loan losses	(75,365)	(75,907)
	4,039,453	3,757,913
Accrued interest receivable	16,873	15,279
Real estate owned (REO), held for sale, net	4,922	3,352
Property and equipment, net	98,728	91,185
Goodwill and other intangibles, net	27,258	2,831
Bank-owned life insurance (BOLI)	71,290	63,759
Deferred tax assets, net	22,289	23,871
Income tax receivable	2,462	—
Other assets	36,708	29,328
	$5,211,372	$4,723,163
LIABILITIES		
Deposits:		
Non-interest-bearing	$1,504,768	$1,298,866
Interest-bearing transaction and savings accounts	2,036,600	1,829,568
Interest-bearing certificates	778,049	770,516
	4,319,417	3,898,950
Advances from FHLB at fair value	250	32,250
Other borrowings	97,020	77,185
Junior subordinated debentures at fair value (issued in connection with Trust Preferred Securities)	84,326	78,001
Accrued expenses and other liabilities	38,164	37,082
Deferred compensation	20,882	16,807
	4,560,059	4,140,275
COMMITMENTS AND CONTINGENCIES (Note 15)		
STOCKHOLDERS' EQUITY		
Preferred stock - $0.01 par value per share, 500,000 shares authorized; no shares outstanding at March 31, 2015 and December 31, 2014	—	—
Common stock and paid in capital - $0.01 par value per share, 50,000,000 shares authorized; 20,976,641 shares issued and outstanding at March 31, 2015; 19,571,548 shares issued and outstanding at December 31, 2014	627,553	568,882
Common stock (not-voting) - $0.01 par value per share, 5,000,000 shares authorized; no shares issued and outstanding at March 31, 2015; no shares issued and outstanding at December 31, 2014	—	—
Retained earnings	22,623	14,264
Carrying value of shares held in trust for stock related compensation plans	(6,950)	(6,669)

Liability for common stock issued to deferred, stock related, compensation plans	6,950	6,669
Accumulated other comprehensive income (loss)	1,137	(258)
	651,313	582,888
	$5,211,372	$4,723,163

See Selected Notes to the Consolidated Financial Statements

BANNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited) (In thousands except for per share amounts)
For the Three Months Ended March 31, 2015 and 2014

	Three Months Ended March 31	
	2015	2014
INTEREST INCOME:		
Loans receivable	$46,365	$41,743
Mortgage-backed securities	1,027	1,471
Securities and cash equivalents	1,677	1,892
	49,069	45,106
INTEREST EXPENSE:		
Deposits	1,733	1,964
FHLB advances	17	38
Other borrowings	43	44
Junior subordinated debentures	740	721
	2,533	2,767
Net interest income before provision for loan losses	46,536	42,339
PROVISION FOR LOAN LOSSES	—	—
Net interest income	46,536	42,339
OTHER OPERATING INCOME:		
Deposit fees and other service charges	8,126	6,602
Mortgage banking operations	4,109	1,840
Miscellaneous	921	810
	13,156	9,252
Gain (loss) on sale of securities	(510)	35
Net change in valuation of financial instruments carried at fair value	1,050	(255)
Total other operating income	13,696	9,032
OTHER OPERATING EXPENSES:		
Salary and employee benefits	24,287	21,156
Less capitalized loan origination costs	(2,838)	(2,195)
Occupancy and equipment	6,006	5,696
Information/computer data services	2,253	1,935
Payment and card processing expenses	3,016	2,515
Professional services	814	1,006
Advertising and marketing	1,610	1,055
Deposit insurance	567	576
State/municipal business and use taxes	453	159
REO operations	24	39
Amortization of core deposit intangibles	616	479
Miscellaneous	3,458	3,115
	40,266	35,536
Acquisition-related costs	1,648	45
Total other operating expenses	41,914	35,581
Income before provision for income taxes	18,318	15,790
PROVISION FOR INCOME TAXES	6,184	5,241
NET INCOME	$12,134	$10,549
Earnings per common share:		

Basic	$0.61	$0.55
Diluted	$0.61	$0.54
Cumulative dividends declared per common share	$0.18	$0.18

See Selected Notes to the Consolidated Financial Statements

BANNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited) (In thousands)
For the Three Months Ended March 31, 2015 and 2014

	Three Months Ended March 31	
	2015	2014
NET INCOME	$12,134	$10,549
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAXES:		
Unrealized holding gains on available-for-sale securities arising during the period	2,283	2,506
Income tax expense related to available-for-sale securities unrealized holding gains	(822)	(902)
Reclassification for net gains on available-for-sale securities realized in earnings	(104)	(34)
Income tax benefit related to available-for-sale securities realized gains	38	12
Other comprehensive income	1,395	1,582
COMPREHENSIVE INCOME	$13,529	$12,131

See Selected Notes to the Consolidated Financial Statements

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BANNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited) (In thousands, except for shares)
For the Three Months Ended March 31, 2015 and the Year Ended December 31, 2014

	Common Stock and Paid in Capital		Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Unearned Restricted ESOP Shares	Stockholders' Equity
	Shares	Amount				
Balance, January 1, 2014	19,543,769	$569,028	$ (25,714)	$ (2,996)	$(1,987)	$ 538,331
Net income			54,070			54,070
Other comprehensive income, net of income tax				2,738		2,738
Accrual of dividends on common stock ($0.54/share cumulative)			(14,092)			(14,092)
Redemption of unallocated shares upon termination of ESOP	(34,340)	(1,987)			1,987	—
Repurchase of shares upon termination of ESOP	(13,550)	(555)				(555)
Proceeds from issuance of common stock for stockholder reinvestment program	3,170	127				127
Issuance of restricted stock and recognition of share-based compensation	72,499	2,269				2,269
BALANCE, December 31, 2014	19,571,548	$568,882	$ 14,264	$ (258)	$—	$ 582,888

Balance, January 1, 2015	19,571,548	$568,882	$14,264	$(258)	$—	$582,888
Net income			12,134			12,134
Other comprehensive income, net of income tax				1,395		1,395
Accrual of dividends on common stock ($0.18/share cumulative)			(3,775)			(3,775)
Proceeds from issuance of common stock for stockholder reinvestment program	84,429	538				538
Issuance of restricted stock and recognition of share-based compensation	810	33				33
Issuance of shares for acquisitions	1,319,854	58,100				58,100
BALANCE, March 31, 2015	20,976,641	$627,553	$22,623	$1,137	$—	$651,313

See Selected Notes to the Consolidated Financial Statements

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BANNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (In thousands)
For the Three Months Ended March 31, 2015 and 2014

	Three Months Ended March 31	
	2015	2014
OPERATING ACTIVITIES:		
Net income	$12,134	$10,549
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,002	2,059
Deferred income and expense, net of amortization	885	1,127
Amortization of core deposit intangibles	616	479
Loss (gain) on sale of securities	510	(35)
Net change in valuation of financial instruments carried at fair value	(1,050)	255
Purchases of securities—trading	—	(2,387)
Proceeds from sales of securities—trading	2,290	2,387
Principal repayments and maturities of securities—trading	679	4,055
Decrease in deferred taxes	1,344	1,159
Increase (decrease) in current taxes payable	(3,555)	8,566
Equity-based compensation	539	452
Increase in cash surrender value of BOLI	(432)	(425)
Gain on sale of loans, net of capitalized servicing rights	(2,692)	(981)
Gain on disposal of real estate held for sale and property and equipment	(122)	(159)
Provision for losses on real estate held for sale	—	37
Origination of loans held for sale	(137,290)	(68,388)
Proceeds from sales of loans held for sale	133,349	68,864
Net change in:		
Other assets	(4,703)	(4,366)
Other liabilities	776	(3,099)
Net cash provided from operating activities	5,280	20,149
INVESTING ACTIVITIES:		
Purchases of securities—available-for-sale	(22,622)	(28,846)
Principal repayments and maturities of securities—available-for-sale	29,255	7,868
Proceeds from sales of securities—available-for-sale	22,310	28,207
Purchases of securities—held-to-maturity	(7,664)	(7,269)
Principal repayments and maturities of securities—held-to-maturity	4,972	45
Loan originations, net of principal repayments	(1,805)	(52,247)
Purchases of loans and participating interest in loans	(41,684)	(53,978)
Proceeds from sales of other loans	15,000	1,319
Net cash received from acquisition	78,599	—
Purchases of property and equipment	(1,418)	(1,231)
Proceeds from sale of real estate held for sale, net	1,738	1,641
Proceeds from FHLB stock repurchase program	2,029	2,102
Other	37	(5)
Net cash provided from (used by) investing activities	78,747	(102,394)
FINANCING ACTIVITIES:		
Increase in deposits, net	104,061	64,609
Advances, net of repayments of FHLB borrowings	(32,002)	21,098
Increase in other borrowings, net	19,835	6,864

Cash dividends paid	(3,512)	(2,927)
Cash proceeds from issuance of stock for stockholder reinvestment plan	34	27
Net cash provided from financing activities	88,416	89,671
NET CHANGE IN CASH AND DUE FROM BANKS	172,443	7,426
CASH AND DUE FROM BANKS, BEGINNING OF PERIOD	126,072	137,349
CASH AND DUE FROM BANKS, END OF PERIOD	$298,515	$144,775

(Continued on next page)

BANNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(Unaudited) (In thousands)
For the Three Months Ended March 31, 2015 and 2014

	Three Months Ended March 31	
	2015	2014
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid in cash	$2,576	$2,821
Taxes paid, net of refunds received in cash	8,935	(3,785)
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Loans, net of discounts, specific loss allowances and unearned income, transferred to real estate owned and other repossessed assets	690	870
ACQUISITIONS (Note 4):		
Assets acquired	370,306	—
Liabilities assumed	327,548	—

See Selected Notes to the Consolidated Financial Statements

BANNER CORPORATION AND SUBSIDIARIES
SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: BASIS OF PRESENTATION AND CRITICAL ACCOUNTING POLICIES

The accompanying unaudited consolidated interim financial statements include the accounts of Banner Corporation (the Company or Banner), a bank holding company incorporated in the State of Washington and its wholly-owned subsidiaries, Banner Bank and Islanders Bank (the Banks).

These unaudited consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission (SEC). In preparing these condensed consolidated financial statements, the Company has evaluated events and transactions subsequent to March 31, 2015 for potential recognition or disclosure. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position and results of operations for the periods presented have been included. Certain information and disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. Certain reclassifications have been made to the 2014 Consolidated Financial Statements and/or schedules to conform to the 2015 presentation. These reclassifications may have affected certain ratios for the prior periods. The effect of these reclassifications is considered immaterial. All significant intercompany transactions and balances have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Various elements of the Company's accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. In particular, management has identified several accounting policies that, due to the judgments, estimates and assumptions inherent in those policies, are critical to an understanding of Banner's financial statements. These policies relate to (i) the methodology for the recognition of interest income, (ii) determination of the provision and allowance for loan and lease losses, (iii) the valuation of financial assets and liabilities recorded at fair value, including other-than-temporary impairment (OTTI) losses, (iv) the valuation of intangibles, such as goodwill, core deposit intangibles and mortgage servicing rights, (v) the valuation of or recognition of deferred tax assets and liabilities, and (vi) the application of acquisition accounting standards to business combinations including purchased credit-impaired loans. These policies and judgments, estimates and assumptions are described in greater detail in subsequent notes to the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations (Critical Accounting Policies) in our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC. There have been no significant changes in our application of accounting policies during the first three months of 2015.

The information included in this Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the SEC (2014 Form 10-K). Interim results are not necessarily indicative of results for a full year or any other interim period.

Note 2: RECENT DEVELOPMENTS AND SIGNIFICANT EVENTS

Proposed Acquisition of AmericanWest Bank

On November 5, 2014, we announced the execution of a definitive agreement to purchase Starbuck Bancshares, Inc. (Starbuck) the bank holding company of AmericanWest Bank (AmericanWest), a Washington state chartered commercial bank headquartered in Spokane, Washington, with 94 branches serving markets in Washington, Oregon, Idaho, California and Utah. The merger agreement provides that Starbuck will merge with and into a wholly-owned subsidiary of the Company. Immediately following the merger, Starbuck's wholly owned bank subsidiary, AmericanWest will merge with Banner Bank. At March 31, 2015, Starbuck had $4.6 billion in assets, $3.0 billion in net loans, $3.7 billion in deposits and equity of $586 million, including AmericanWest's recent acquisition of Greater Sacramento Bancorp which was completed on February 6, 2015. The merged banks will operate under the Banner Bank brand. Under the terms of the agreement, the aggregate consideration to be received by Starbuck equity holders will consist of a fixed amount of 13.23 million shares of Banner common stock and $130.0 million in cash. Upon completion of the transaction, such shares will represent an approximately 38.8% pro forma ownership interest in Banner. The merger is expected to close early in the third quarter of 2015 and is subject to approval by regulatory agencies as well as other customary closing conditions. Upon completion of the AmericanWest merger, Banner Bank will have more than 190 locations in five western states, a significantly expanded customer base and meaningfully increased business opportunities.

Acquisition of Siuslaw Financial Group, Inc.

As of the close of business on March 6, 2015, the Company completed its acquisition of Siuslaw Financial Group (Siuslaw) and its subsidiary, Siuslaw Bank, an Oregon state chartered commercial bank with ten branches in Lane County, Oregon, including Eugene, Oregon. On that date Siuslaw was merged into Banner Corporation and Siuslaw Bank was merged into Banner Bank. The operating results produced by the ten branches acquired in the Siuslaw acquisition are included in Banner Bank's financial results beginning March 7, 2015 and the combined banks are operating under the Banner Bank name and brand. (See Note 4, Business Combinations, below in this Form 10-Q for additional information regarding the acquisition).

Note 3: ACCOUNTING STANDARDS RECENTLY ISSUED OR ADOPTED

Investing in Qualified Affordable Housing Projects

In January 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-01, Accounting for Investments in Qualified Affordable Housing Projects. The objective of this ASU is to provide guidance on accounting for investments by a reporting entity in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. The amendments in this ASU modify the conditions that a reporting entity must meet to be eligible to use a method other than the equity or cost methods to account for qualified affordable housing project investments. If the modified conditions are met, the amendments permit an entity to amortize the initial cost of the investment in proportion to the amount of tax credits and other tax benefits received and recognize the net investment performance in the income statement as a component of income tax expense (benefit). Additionally, the amendments introduce new recurring disclosures about all investments in qualified affordable housing projects irrespective of the method used to account for the investments. The amendments in this ASU have been applied retrospectively to all periods presented. ASU No. 2014-01 is effective beginning after December 15, 2014 and did not have a material impact on the Company's consolidated financial statements.

Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure

In January 2014, FASB issued ASU No. 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. The amendments in this ASU clarify that an in-substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. ASU No. 2014-04 is effective for fiscal years and interim periods beginning after December 15, 2014 and did not have a material impact on the Company's consolidated financial statements.

Revenue from Contracts with Customers

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which creates Topic 606 and supersedes Topic 605, Revenue Recognition. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In general, the new guidance requires companies to use more judgment and make more estimates than under current guidance, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The standard is effective for public entities for interim and annual periods beginning after December 15, 2016 although FASB issued a proposed ASU on April 29, 2015 that would defer the effective date by one year (i.e. to reporting periods beginning after December 15, 2017); early adoption is not permitted. For financial reporting purposes, the standard allows for either full retrospective adoption, meaning the standard is applied to all of the periods presented, or modified retrospective adoption, meaning the standard is applied only to the most current period presented in the financial statements with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company is currently evaluating the provisions of ASU No. 2014-09 to determine the potential impact the standard will have on the Company’s consolidated financial statements.

Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure

In August 2014, FASB issued ASU No. 2014-14, Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure. The amendments in this ASU affect creditors that hold government-guaranteed mortgage loans, including those guaranteed by the FHA and the VA. The ASU provides specific guidance on how to classify or measure foreclosed mortgage loans that are government guaranteed. The amendments in this Update require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: 1) the loan has a government guarantee that is not separable from the loan before foreclosure, 2) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and creditor has the ability to recover under the claim and, 3) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. ASU No. 2014-14 is effective for fiscal years and interim periods beginning after December 15, 2014 and did not have a material impact on the Company's consolidated financial statements.

Income Statement - Extraordinary and Unusual Items (Subtopic 225-20)

In January 2015, FASB issued ASU No. 2015-01, Income Statement - Extraordinary and Unusual Items (Subtopic 225-20). The ASU eliminated from GAAP the concept of extraordinary items. Under subtopic 225-20, entities were required to separately classify, present, and disclose extraordinary events and transactions that were both unusual in nature and infrequent in occurrence. This amendment will save time and reduce costs for preparers, as well as alleviate uncertainty for auditors and regulators in evaluating potentially extraordinary items. The amendment is effective for fiscal years and interim reporting periods after December 15, 2015. It may be applied prospectively, and retrospectively to all reporting periods presented in the financial statements. The adoption of ASU No. 2015-01 did not have a material impact on the Company's consolidated financial statements.

Note 4: BUSINESS COMBINATIONS

Acquisition of Siuslaw Financial Group, Inc.

Effective as of the close of business on March 6, 2015, the Company completed the purchase of Siuslaw, the holding company of Siuslaw Bank. Siuslaw merged with and into the Company and, immediately following, Siuslaw Bank merged with and into Banner Bank. Siuslaw shareholders received 0.32231 shares of the Company's common stock and $1.41622 in cash in exchange for each share of Siuslaw common stock. The Company acquired 100% of Siuslaw's voting equity interests in the transaction. The acquisition provided $370 million in assets, $316 million in deposits and $247 million in loans.

The assets acquired and liabilities assumed in the purchase have been accounted for under the acquisition method of accounting and, accordingly, the assets and liabilities, both tangible and intangible, were recorded at their estimated fair value as of the acquisition date. The application of the acquisition method of accounting resulted in recognition of a core deposit intangible asset of $3.9 million and goodwill of $21.1 million. The acquired core deposit intangible has been determined to have a useful life of approximately eight years and will be amortized on an accelerated basis. Goodwill is not amortized but will be evaluated for impairment on an annual basis or more often if circumstances dictate to determine if the carrying value remains appropriate. Goodwill will not be deductible for income tax purposes as the acquisition is accounted for as a tax-free exchange for tax purposes.

The following table presents a summary of the consideration paid and the estimated fair values as of the acquisition date for each major class of assets acquired and liabilities assumed (in thousands):

	Siuslaw March 6, 2015	
Consideration to Siuslaw shareholders:		
Cash paid		$5,806
Fair value of common shares issued		58,100
Total consideration		63,906
Fair value of assets acquired:		
Cash and cash equivalents	$84,405	
Securities—available-for-sale	12,865	
Loans receivable (contractual amount of $252.2 million)	247,098	
Real estate owned, held for sale	2,525	
Property and equipment	8,127	
Core deposit intangible	3,895	
Other assets	11,391	
Total assets acquired	370,306	
Fair value of liabilities assumed:		
Deposits	316,406	
Junior subordinated debentures	5,959	
Other liabilities	5,183	
Total liabilities assumed	327,548	
Net assets acquired		42,758
Goodwill		$21,148

Acquired goodwill represents the premium the Company paid over the fair value of the net tangible and intangible assets acquired. The Company paid this premium for a number of reasons, including growing the Company's customer base, acquiring assembled workforces, and expanding its presence in new markets. See Note 9, Goodwill and Other Intangible Assets for the accounting for goodwill and other intangible assets.

Amounts recorded are preliminary estimates of fair value. Additional adjustments to the purchase price allocation may be required and would most likely involve loans or property and equipment. The primary reason for the acquisition was to continue the Company's growth strategy, including expanding our geographic footprint in markets throughout the Northwest. As of March 6, 2015, the unpaid principal balance on purchased non-credit-impaired loans was $244.2 million. The fair value of the purchased non-credit-impaired loans was $241.4 million, resulting in a discount of $2.8 million recorded on these loans.

The following table presents the acquired purchased credit-impaired loans as of the acquisition date (in thousands):

	Siuslaw March 6, 2015
Acquired purchased credit-impaired loans:	
Contractually required principal and interest payments	$11,134
Nonaccretable difference	(3,238)
Cash flows expected to be collected	7,896
Accretable yield	(2,239)
Fair value of purchased credit-impaired loans	$5,657

The following table presents certain unaudited pro forma information for illustrative purposes only, for the three months ended March 31, 2015 and 2014 as if Siuslaw had been acquired on January 1, 2014. This unaudited estimated pro forma financial information combines the historical results of Siuslaw with the Company’s consolidated historical results. The pro forma information is not indicative of what would have occurred had the acquisition occurred on January 1, 2014. In particular, no adjustments have been made to eliminate the impact of other-than-temporary impairment losses and losses recognized on the sale of securities that may not have been necessary had the investment securities been recorded at fair value as of January 1, 2014. The unaudited pro forma information does not consider any changes to the provision for credit losses resulting from recording loan assets at fair value. Additionally, Banner expects to achieve further operating cost savings and other business synergies, including revenue growth, as a result of the acquisition which are not reflected in the pro forma amounts that follow. As a result, actual amounts would have differed from the unaudited pro forma information presented. (in thousands except per share).

	Pro Forma Three Months Ended March 31,	
	2015	2014
Total revenues (net interest income plus non-interest income	$63,164	$55,829
Net income	$12,518	$11,413
Earnings per share - basic	$0.59	$0.55
Earnings per share - diluted	$0.59	$0.55

The operating results of the Company include the operating results produced by the acquired assets and assumed liabilities of Siuslaw for the period March 7, 2015 to March 31, 2015. Disclosure of the amount of Siuslaw’s revenue and net income (excluding integration costs) included in the Company’s consolidated income statement is impracticable due to the integration of the operations and accounting for this acquisition.

Acquisition of Six Oregon Branches

Effective as of the close of business on June 20, 2014, Banner Bank completed the purchase of six branches from Umpqua Bank, successor to Sterling Savings Bank (the Branch Acquisition). Five of the six branches are located in Coos County, Oregon and the sixth branch is located in Douglas County, Oregon. The purchase provided $212 million in deposit accounts, $88 million in loans, and $3 million in branch properties. Banner Bank received $128 million in cash from the transaction.

The assets acquired and liabilities assumed in the purchase have been accounted for under the acquisition method of accounting. The assets and liabilities, both tangible and intangible, were recorded at their estimated fair values as of the acquisition date. The application of the acquisition method of accounting resulted in recognition of a core deposit intangible asset of $2.4 million and an acquisition bargain purchase gain of $9.1 million. The bargain purchase gain represents the excess fair value of the net assets acquired over the purchase price, including fair value of liabilities assumed. The bargain purchase gain consisted primarily of a $7.0 million discount on the assets acquired in this required branch divestiture combined with a $2.4 million core deposit intangible, net of approximately $300,000 in other fair value adjustments. The acquired core deposit intangible was determined to have a useful life of approximately eight years and is being amortized on an accelerated basis.

The following table displays the fair value as of the acquisition date for each major class of assets acquired and liabilities assumed (in thousands):

	Branch Acquisition June 20, 2014	
Total consideration		$—
Fair value of assets acquired:		
Cash and cash equivalents	$127,557	
Loans receivable (contractual amount of $88.3 million)	87,923	
Property and equipment	3,079	
Core deposit intangible	2,372	
Other assets	275	
Total assets acquired	221,206	
Fair value of liabilities assumed:		
Deposits	212,085	
Other liabilities	42	
Total liabilities assumed	212,127	
Net assets acquired		$9,079
Acquisition bargain purchase gain		$(9,079)

The primary reason for the acquisition was to continue the Company's growth strategy, including expanding its geographic footprint in markets throughout the Northwest. As of June 20, 2014, the transaction had no remaining contingencies. The operating results of the Company include the operating results produced by the Branch Acquisition from June 21, 2014 to March 31, 2015. Pro forma results of operations for the three months ended March 31, 2015 and 2014, as if the Branch Acquisition had occurred on January 1, 2014, have not been presented because historical financial information was not available. There were not any purchased credit-impaired loans acquired in connection with the Branch Acquisition.

Acquisition Related Costs

The following table presents the key components of acquisition related costs in connection with the Branch Acquisition, the acquisition of Siuslaw, and the proposed acquisition of AmericanWest for the three months ended March 31, 2015 and 2014 (in thousands):

	Three Months Ended March 31	
	2015	2014
Acquisition-related costs recognized in other operating expenses:		
Non-capitalized equipment and repairs	$24	$—
Client communications	66	2
Information/computer data services	40	—
Payment and processing expenses	—	—
Professional services	1,280	32
Miscellaneous	238	11
	$1,648	$45

Note 5: INTEREST-BEARING DEPOSITS AND SECURITIES

The following table sets forth additional detail regarding our interest-bearing deposits and securities at the dates indicated (includes securities—trading, available-for-sale and held-to-maturity, all at carrying value) (in thousands):

	March 31, 2015	December 31, 2014
Interest-bearing deposits included in cash and due from banks	$215,114	$54,995
U.S. Government and agency obligations	26,242	33,421
Municipal bonds:		
Taxable	29,374	29,566
Tax exempt	154,853	141,853
Total municipal bonds	184,227	171,419
Corporate bonds	24,297	25,936
Mortgage-backed or related securities:		
One- to four-family residential agency guaranteed	57,966	58,825
One- to four-family residential other	575	713
Multifamily agency guaranteed	237,816	256,272
Multifamily other	10,650	10,497
Total mortgage-backed or related securities	307,007	326,307
Asset-backed securities:		
Student Loan Marketing Association (SLMA)	15,611	15,629
Other asset-backed securities	9,889	9,766
Total asset-backed securities	25,500	25,395
Equity securities (excludes FHLB stock)	57	59
Total securities	567,330	582,537
Total interest-bearing deposits and securities	$782,444	$637,532

Securities—Trading: The amortized cost and estimated fair value of securities—trading at March 31, 2015 and December 31, 2014 are summarized as follows (dollars in thousands):

	March 31, 2015				December 31, 2014			
	Amortized Cost	Fair Value	Percent of Total		Amortized Cost	Fair Value	Percent of Total	
U.S. Government and agency obligations	$1,340	$1,515	4.0	%	$1,340	$1,505	3.7	%
Municipal bonds:								
Tax exempt	1,404	1,432	3.8		1,405	1,440	3.6	
Corporate bonds	24,968	17,456	45.8		27,995	19,118	47.5	
Mortgage-backed or related securities:								
One- to four-family residential agency guaranteed	7,547	8,188	21.5		8,077	8,726	21.7	
Multifamily agency guaranteed	8,605	9,426	24.8		8,649	9,410	23.4	
Total mortgage-backed or related securities	16,152	17,614	46.3		16,726	18,136	45.1	
Equity securities	14	57	0.1		14	59	0.1	
	$43,878	$38,074	100.0	%	$47,480	$40,258	100.0	%

There was one sale of securities—trading totaling $2.3 million with a resulting net loss of $642,000 during the three months ended March 31, 2015. There were three sales of securities—trading totaling $2.4 million with a resulting net gain of $1,000 during the three months ended March 31, 2014. The Company did not recognize any OTTI charges or recoveries on securities—trading during the three months ended March 31, 2015 or 2014. There were no securities—trading on nonaccrual status at March 31, 2015 or 2014.

The amortized cost and estimated fair value of securities—trading at March 31, 2015 and December 31, 2014, by contractual maturity, are shown below (in thousands). Expected maturities will differ from contractual maturities because some securities may be called or prepaid with or without call or prepayment penalties.

	March 31, 2015		December 31, 2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Maturing in one year or less	$1,071	$1,087	$1,071	$1,094
Maturing after one year through five years	6,400	6,904	6,595	7,097
Maturing after five years through ten years	6,923	7,670	7,035	7,727
Maturing after ten years through twenty years	10,819	9,837	11,196	10,083
Maturing after twenty years	18,651	12,519	21,569	14,198
	43,864	38,017	47,466	40,199
Equity securities	14	57	14	59
	$43,878	$38,074	$47,480	$40,258

Securities—Available-for-Sale: The amortized cost and estimated fair value of securities—available-for-sale at March 31, 2015 and December 31, 2014 are summarized as follows (dollars in thousands):

	March 31, 2015				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Total
U.S. Government and agency obligations	$22,648	$12	$(69)	$22,591	5.7 %
Municipal bonds:					
Taxable	16,524	89	(10)	16,603	4.2
Tax exempt	43,608	169	(72)	43,705	11.0
Total municipal bonds	60,132	258	(82)	60,308	15.2
Corporate bonds	5,000	41	—	5,041	1.3
Mortgage-backed or related securities:					
One- to four-family residential agency guaranteed	47,569	893	(161)	48,301	12.2
One- to four-family residential other	544	31	—	575	0.1
Multifamily agency guaranteed	221,970	1,217	(546)	222,641	56.3
Multifamily other	10,480	170	—	10,650	2.7
Total mortgage-backed or related securities	280,563	2,311	(707)	282,167	71.3
Asset-backed securities:					
SLMA	15,440	171	—	15,611	4.0
Other asset-backed securities	10,048	—	(159)	9,889	2.5
Total asset-backed securities	25,488	171	(159)	25,500	6.5
	$393,831	$2,793	$(1,017)	$395,607	100.0 %

	December 31, 2014				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Total
U.S. Government and agency obligations	$29,973	$8	$(211)	$29,770	7.2 %
Municipal bonds:					
Taxable	16,565	65	(52)	16,578	4.0
Tax exempt	33,394	125	(69)	33,450	8.2
Total municipal bonds	49,959	190	(121)	50,028	12.2
Corporate bonds	5,000	18	—	5,018	1.2
Mortgage-backed or related securities:					
One- to four-family residential agency guaranteed	48,001	758	(240)	48,519	11.8
One- to four-family residential other	675	38	—	713	0.2
Multifamily agency guaranteed	241,800	627	(1,346)	241,081	58.7
Multifamily other	10,503	6	(12)	10,497	2.5
Total mortgage-backed or related securities	300,979	1,429	(1,598)	300,810	73.2
Asset-backed securities:					
SLMA	15,462	167	—	15,629	3.8
Other asset-backed securities	10,051	—	(285)	9,766	2.4
Total asset-backed securities	25,513	167	(285)	25,395	6.2
	$411,424	$1,812	$(2,215)	$411,021	100.0 %

At March 31, 2015 and December 31, 2014, an aging of unrealized losses and fair value of related securities—available-for-sale was as follows (in thousands):

	March 31, 2015					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government and agency obligations	$909	$(10)	$9,941	$(59)	$10,850	$(69)
Municipal bonds:						
Taxable	1,766	(3)	2,240	(7)	4,006	(10)
Tax exempt	8,076	(65)	1,212	(7)	9,288	(72)
Total municipal bonds	9,842	(68)	3,452	(14)	13,294	(82)
Mortgage-backed or related securities:						
One- to four-family residential agency guaranteed	14,341	(77)	3,401	(84)	17,742	(161)
Multifamily agency guaranteed	29,888	(23)	87,584	(523)	117,472	(546)
Total mortgage-backed or related securities	44,229	(100)	90,985	(607)	135,214	(707)
Asset-backed securities:						
Other asset-backed securities	—	—	9,889	(159)	9,889	(159)
	$54,980	$(178)	$114,267	$(839)	$169,247	$(1,017)

	December 31, 2014					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government and agency obligations	$15,983	$(58)	$9,847	$(153)	$25,830	$(211)
Municipal bonds:						
Taxable	7,247	(23)	3,461	(29)	10,708	(52)
Tax exempt	9,075	(38)	3,668	(31)	12,743	(69)
Total municipal bonds	16,322	(61)	7,129	(60)	23,451	(121)
Mortgage-backed or related securities:						
One- to four-family residential agency guaranteed	6,287	(57)	11,744	(183)	18,031	(240)
Multifamily agency guaranteed	76,309	(167)	95,522	(1,179)	171,831	(1,346)
Multifamily other	8,450	(12)	—	—	8,450	(12)
Total mortgage-backed or related securities	91,046	(236)	107,266	(1,362)	198,312	(1,598)
Asset-backed securities:						
Other asset-backed securities	—	—	9,765	(285)	9,765	(285)
	$123,351	$(355)	$134,007	$(1,860)	$257,358	$(2,215)

There were 42 sales of securities—available-for-sale totaling $22.3 million with a resulting net gain of $103,000 during the three months ended March 31, 2015. There were six sales of securities—available-for-sale totaling $28.2 million with a resulting net gain of $34,000 during the three months ended March 31, 2014. At March 31, 2015, there were 59 securities—available for sale with unrealized losses, compared to 94 securities at December 31, 2014. Management does not believe that any individual unrealized loss as of March 31, 2015 represents OTTI. The decline in fair market values of these securities was generally due to changes in interest rates and changes in market-desired spreads subsequent to their purchase. There were no securities—available-for-sale on nonaccrual status at March 31, 2015 or 2014.

The amortized cost and estimated fair value of securities—available-for-sale at March 31, 2015 and December 31, 2014, by contractual maturity, are shown below (in thousands). Expected maturities will differ from contractual maturities because some securities may be called or prepaid with or without call or prepayment penalties.

	March 31, 2015		December 31, 2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Maturing in one year or less	$9,300	$9,324	$9,334	$9,364
Maturing after one year through five years	255,299	255,522	278,629	277,439
Maturing after five years through ten years	48,963	49,436	45,425	45,610
Maturing after ten years through twenty years	17,921	17,987	13,846	13,879
Maturing after twenty years	62,348	63,338	64,190	64,729
	$393,831	$395,607	$411,424	$411,021

Securities—Held-to-Maturity: The amortized cost and estimated fair value of securities—held-to-maturity at March 31, 2015 and December 31, 2014 are summarized as follows (dollars in thousands):

	March 31, 2015				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Total Amortized Cost
U.S. Government and agency obligations	$2,136	$2	$—	$2,138	1.6 %
Municipal bonds:					
Taxable	12,771	428	—	13,199	9.6
Tax exempt	109,716	6,295	(82)	115,929	82.1
Total municipal bonds	122,487	6,723	(82)	129,128	91.7
Corporate bonds	1,800	—	—	1,800	1.3
Mortgage-backed or related securities:					
One- to four-family residential agency guaranteed	1,477	18	(3)	1,492	1.1
Multifamily agency guaranteed	5,749	192	—	5,941	4.3
Total mortgage-backed or related securities	7,226	210	(3)	7,433	5.4
	$133,649	$6,935	$(85)	$140,499	100.0 %

	December 31, 2014				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Total Amortized Cost
U.S. Government and agency obligations	$2,146	$—	$(19)	$2,127	1.6 %
Municipal bonds:					
Taxable	12,988	371	(1)	13,358	9.9
Tax exempt	106,963	5,948	(47)	112,864	81.5
Total municipal bonds	119,951	6,319	(48)	126,222	91.4
Corporate bonds	1,800	—	—	1,800	1.4
Mortgage-backed or related securities:					
One- to four-family residential agency guaranteed	1,580	1	(7)	1,574	1.2
Multifamily agency guaranteed	5,781	104	—	5,885	4.4
Total mortgage-backed or related securities	7,361	105	(7)	7,459	5.6

$131,258	$6,424	$(74)	$137,608	100.0	%

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At March 31, 2015 and December 31, 2014, an age analysis of unrealized losses and fair value of related securities—held-to-maturity was as follows (in thousands):

	March 31, 2015					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Municipal bonds:						
Tax exempt	$6,892	$(82)	$—	$—	$6,892	$(82)
Mortgage-backed or related securities:						
One- to four-family residential agency guaranteed	371	(3)	—	—	371	(3)
	$7,263	$(85)	$—	$—	$7,263	$(85)

	December 31, 2014					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government and agency obligations	$—	$—	$1,127	$(19)	$1,127	$(19)
Municipal bonds:						
Taxable	724	(1)	—	—	724	(1)
Tax exempt	9,097	(43)	592	(4)	9,689	(47)
Total municipal bonds	9,821	(44)	592	(4)	10,413	(48)
Mortgage-backed or related securities:						
One- to four-family residential agency guaranteed	1,018	(7)	—	—	1,018	(7)
	$10,839	$(51)	$1,719	$(23)	$12,558	$(74)

There were no sales of securities—held-to-maturity during the three months ended March 31, 2015 and 2014. At March 31, 2015, there were ten securities—held-to-maturity with unrealized losses, compared to 25 securities at December 31, 2014. Management does not believe that any individual unrealized loss as of March 31, 2015 represents OTTI. The decline in fair market value of these securities was generally due to changes in interest rates and changes in market-desired spreads subsequent to their purchase. There were no securities—held-to-maturity on nonaccrual status at March 31, 2015 or 2014.

The amortized cost and estimated fair value of securities—held-to-maturity at March 31, 2015 and December 31, 2014, by contractual maturity, are shown below (in thousands). Expected maturities will differ from contractual maturities because some securities may be called or prepaid with or without call or prepayment penalties.

	March 31, 2015		December 31, 2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Maturing in one year or less	$516	$519	$767	$771
Maturing after one year through five years	15,666	15,885	14,962	15,184
Maturing after five years through ten years	24,473	25,104	24,233	24,678
Maturing after ten years through twenty years	76,633	82,101	76,029	81,361
Maturing after twenty years	16,361	16,890	15,267	15,614
	$133,649	$140,499	$131,258	$137,608

Pledged Securities: The following table presents, as of March 31, 2015, investment securities and interest-bearing deposits which were pledged to secure borrowings, public deposits or other obligations as permitted or required by law (in thousands):

	Carrying Value	Amortized Cost	Fair Value
Purpose or beneficiary:			
State and local governments public deposits	$105,891	$105,831	$112,123
Interest rate swap counterparties	13,383	12,786	13,383
Retail repurchase agreements	113,680	112,900	113,680
Other	248	248	248
Total pledged securities and interest-bearing deposits	$233,202	$231,765	$239,434

Note 6: FHLB STOCK

The Banks' investments in Federal Home Loan Bank of Seattle stock are carried at cost, which is its par value ($100 per share) and which reasonably approximates its fair value. As members of the FHLB system, the Banks are required to maintain a minimum level of investment in FHLB stock based on specific percentages of their outstanding FHLB advances. At March 31, 2015 and December 31, 2014, respectively, the Company had recorded $25.5 million and $27.0 million in investments in FHLB stock. This stock is generally viewed as a long-term investment and it does not have a readily determinable fair value. Ownership of FHLB stock is restricted to the FHLB and member institutions and can only be purchased and redeemed at par. For the three months ended March 31, 2015 and 2014, the Banks received dividend income of $7,000 and $9,000, respectively, on FHLB stock.

Management periodically evaluates FHLB stock for impairment. Management's determination of whether these investments are impaired is based on its assessment of the ultimate recoverability of cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of cost is influenced by criteria such as (1) the significance of any decline in net assets of the FHLB as compared to the capital stock amount for the FHLB and the length of time this situation has persisted, (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, (3) the impact of legislative and regulatory changes on institutions and, accordingly, the customer base of the FHLB, and (4) the liquidity position of the FHLB.

The FHLB repurchased $2.0 million of the Banks' stock during the quarter ending March 31, 2015. On September 25, 2014, the FHLB of Seattle entered into an Agreement and Plan of Merger with and into the FHLB of Des Moines. The merger was approved by the members of both the Seattle and Des Moines Federal Home Loan Banks on February 27, 2015 and the merger is expected to be completed by mid-year 2015. Based on the above, the Company has determined there was no impairment on its FHLB stock investment as of March 31, 2015.

Note 7: LOANS RECEIVABLE AND THE ALLOWANCE FOR LOAN LOSSES

The Banks originate residential mortgage loans for both portfolio investment and sale in the secondary market. At the time of origination, mortgage loans are designated as held for sale or held for investment. Loans held for sale are stated at the lower of cost or estimated market value determined on an aggregate basis. Net unrealized losses on loans held for sale are recognized through a valuation allowance by charges to income. The Banks also originate construction, land and land development, commercial and multifamily real estate, commercial business, agricultural business and consumer loans for portfolio investment. Loans receivable not designated as held for sale are recorded at the principal amount outstanding, net of deferred fees and origination costs, and discounts and premiums. Loans acquired in business combinations are recorded at their fair value at the date of acquisition. Premiums, discounts and deferred loan fees and origination costs are amortized to maturity using the level-yield methodology.

Interest is accrued as earned unless management doubts the collectability of the loan or the unpaid interest. Interest accruals are generally discontinued when loans become 90 days past due for scheduled interest payments. All previously accrued but uncollected interest is deducted from interest income upon transfer to nonaccrual status. Future collection of interest is included in interest income based upon an assessment of the likelihood that the loans will be repaid or recovered. A loan may be put on nonaccrual status sooner than this policy would dictate if, in management's judgment, the loan may be uncollectable. Such interest is then recognized as income only if it is ultimately collected.

Loans receivable, including loans held for sale, at March 31, 2015 and December 31, 2014 are summarized as follows (dollars in thousands):

	March 31, 2015		December 31, 2014	
	Amount	Percent of Total	Amount	Percent of Total
Commercial real estate:				
Owner-occupied	$627,531	15.3 %	$546,783	14.3 %
Investment properties	936,693	22.8	856,942	22.3
Multifamily real estate	208,687	5.1	167,524	4.4
Commercial construction	30,434	0.7	17,337	0.4
Multifamily construction	56,201	1.4	60,193	1.6
One- to four-family construction	228,224	5.5	219,889	5.7
Land and land development:				
Residential	98,930	2.4	102,435	2.7
Commercial	17,174	0.4	11,152	0.3
Commercial business	776,579	18.9	723,964	18.9
Agricultural business, including secured by farmland	208,635	5.1	238,499	6.2
One- to four-family residential	552,423	13.4	539,894	14.1
Consumer:				
Consumer secured by one- to four-family	233,643	5.7	222,205	5.8
Consumer-other	139,664	3.3	127,003	3.3
Total loans outstanding	4,114,818	100.0 %	3,833,820	100.0 %
Less allowance for loan losses	(75,365)		(75,907)	
Net loans	$4,039,453		$3,757,913	

Loan amounts are net of unearned loan fees in excess of unamortized costs of $10.6 million as of March 31, 2015 and $5.8 million as of December 31, 2014. Net loans include net discounts on acquired loans of $5.0 million and $148,000 as of March 31, 2015 and December 31, 2014, respectively.

The Company’s total loans by geographic concentration at March 31, 2015 were as follows (dollars in thousands):

	Washington	Oregon	Idaho	Other	Total
Commercial real estate:					
Owner-occupied	$392,416	$158,137	$56,696	$20,282	$627,531
Investment properties	527,257	184,038	60,160	165,238	936,693
Multifamily real estate	119,166	74,536	14,672	313	208,687
Commercial construction	26,783	1,663	1,988	—	30,434
Multifamily construction	47,857	6,990	1,354	—	56,201
One- to four-family construction	130,366	95,262	2,596	—	228,224
Land and land development:					
Residential	53,476	43,737	1,042	675	98,930
Commercial	6,194	8,164	2,816	—	17,174
Commercial business	429,680	144,751	82,825	119,323	776,579
Agricultural business, including secured by farmland	108,464	59,837	40,292	42	208,635
One- to four-family residential	336,332	189,572	25,778	741	552,423
Consumer:					
Consumer secured by one- to four-family	142,461	74,669	15,499	1,014	233,643
Consumer—other	83,021	50,042	6,222	379	139,664
Total loans	$2,403,473	$1,091,398	$311,940	$308,007	$4,114,818
Percent of total loans	58.4 %	26.5 %	7.6 %	7.5 %	100.0 %

The geographic concentrations of the Company's land and land development loans by state at March 31, 2015 were as follows (dollars in thousands):

	Washington	Oregon	Idaho	Other	Total
Residential:					
Acquisition and development	$29,923	$25,033	$910	$—	$55,866
Improved land and lots	20,511	15,114	141	675	36,441
Unimproved land	3,034	3,589	—	—	6,623
Commercial:					
Improved land and lots	3,414	5,865	1,781	—	11,060
Unimproved land	2,780	2,299	1,035	—	6,114
Total land and land development loans	$59,662	$51,900	$3,867	$675	$116,104
Percent of land and land development loans	51.4 %	44.7 %	3.3 %	0.6 %	100.0 %

The Company originates both adjustable- and fixed-rate loans. The maturity and repricing composition of those loans, less undisbursed amounts and deferred fees and origination costs, at March 31, 2015 and December 31, 2014 were as follows (in thousands):

	March 31, 2015	December 31, 2014
Fixed-rate (term to maturity):		
Maturing in one year or less	$145,752	$115,571
Maturing after one year through three years	193,168	184,707
Maturing after three years through five years	192,141	180,449
Maturing after five years through ten years	251,516	240,742
Maturing after ten years	611,185	572,793
Total fixed-rate loans	1,393,762	1,294,262
Adjustable-rate (term to rate adjustment):		
Maturing or repricing in one year or less	1,509,680	1,468,316
Maturing or repricing after one year through three years	527,346	416,433
Maturing or repricing after three years through five years	595,531	566,371
Maturing or repricing after five years through ten years	87,572	87,506
Maturing or repricing after ten years	927	932
Total adjustable-rate loans	2,721,056	2,539,558
Total loans	$4,114,818	$3,833,820

The adjustable-rate loans have interest rate adjustment limitations and are generally indexed to various prime or London Inter-bank Offering Rate (LIBOR) rates, One to Five Year Constant Maturity Treasury Indices or FHLB advance rates. Future market factors may affect the correlation of the interest rate adjustment with the rates the Banks pay on the short-term deposits that were primarily utilized to fund these loans.

Impaired Loans and the Allowance for Loan Losses. A loan is considered impaired when, based on current information and circumstances, the Company determines it is probable that it will be unable to collect all amounts due according to the contractual terms of the loan agreement, including scheduled interest payments. Impaired loans are comprised of loans on nonaccrual, troubled debt restructurings (TDRs) that are performing under their restructured terms, and loans that are 90 days or more past due, but are still on accrual.

Troubled Debt Restructures. Some of the Company's loans are reported as TDRs. Loans are reported as TDRs when the bank grants one or more concessions to a borrower experiencing financial difficulties that it would not otherwise consider. Examples of such concessions include forgiveness of principal or accrued interest, extending the maturity date(s) or providing a lower interest rate than would be normally available for a transaction of similar risk. Our TDRs have generally not involved forgiveness of amounts due, but almost always include a modification of multiple factors;

the most common combination includes interest rate, payment amount and maturity date. As a result of these concessions, restructured loans are impaired as the Company will not collect all amounts due, both principal and interest, in accordance with the terms of the original loan agreement. Loans identified as TDRs are accounted for in accordance with the Company's impaired loan accounting policies.

Purchased loans, including loans acquired in business combinations, are recorded at their fair value at the acquisition date. Credit discounts are included in the determination of fair value; therefore, an allowance for loan and lease losses is not recorded at the acquisition date. Acquired loans are evaluated upon acquisition and classified as either purchased credit-impaired or purchased non-credit-impaired. Purchased credit-impaired loans reflect credit deterioration since origination such that it is probable at acquisition that the Company will be unable to collect all contractually required payments. The outstanding contractual unpaid principal balance of purchased credit-impaired loans, excluding acquisition accounting adjustments, was $9.1 million at March 31, 2015. The carrying balance of purchased credit-impaired loans was $5.7 million at March 31, 2015. There were no purchased credit-impaired loans at December 31, 2014 or March 31, 2014.
The following table presents the changes in the accretable yield for purchased credit-impaired loans for the three months ended March 31, 2015 and 2014 (in thousands):

	Three Months Ended March 31	
	2015	2014
Balance, beginning of period	$—	$—
Additions	2,239	—
Accretion to interest income	(35)	—
Disposals	—	—
Reclassifications from non-accretable difference	—	—
Balance, end of period	$2,204	$—

As of March 31, 2015, the non-accretable difference between the contractually required payments and cash flows expected to be collected was $3.2 million.

The amount of impaired loans, including purchased credit-impaired loans, and the related allocated reserve for loan losses as of March 31, 2015 and December 31, 2014 were as follows (in thousands):

	March 31, 2015		December 31, 2014	
	Loan Amount	Allocated Reserves	Loan Amount	Allocated Reserves
Impaired loans:				
Nonaccrual loans				
Commercial real estate:				
Owner-occupied	$3,734	$35	$1,365	$20
Investment properties	407	66	32	5
Multifamily real estate	578	—	—	—
One- to four-family construction	1,388	—	—	—
Land and land development:				
Residential	1,265	—	1,275	—
Commercial	4,870	—	—	—
Commercial business	418	44	537	46
Agricultural business, including secured by farmland	1,566	66	1,597	26
One- to four-family residential	7,111	15	8,507	35
Consumer:				
Consumer secured by one- to four-family	951	38	838	47
Consumer—other	892	—	411	—
Total nonaccrual loans	23,180	264	14,562	179
Loans 90 days or more past due and still accruing				
Commercial real estate:				
One- to four-family residential	1,548	10	2,095	10
Consumer:				
Consumer secured by one- to four-family	6	—	80	—
Consumer—other	1	—	—	—
Total loans 90 days or more past due and still accruing	1,555	10	2,175	10
Troubled debt restructuring on accrual status:				
Commercial real estate:				
Owner-occupied	183	4	184	4
Investment properties	5,981	640	6,021	724
Multifamily real estate	781	83	786	86
One- to four-family construction	2,772	454	3,923	640
Land and land development:				
Residential	1,279	354	1,279	346
Commercial business	724	78	739	82
Agricultural business, including secured by farmland	289	3	—	—
One- to four-family residential	15,127	916	15,792	987
Consumer:				
Consumer secured by one- to four-family	232	24	233	28
Consumer—other	190	6	197	6
Total troubled debt restructurings on accrual status	27,558	2,562	29,154	2,903

Total impaired loans	$52,293	$2,836	$45,891	$3,092

As of March 31, 2015 and December 31, 2014, the Company had commitments to advance funds related to TDRs up to additional amounts of $587,000 and $2.1 million, respectively.

The following tables provide additional information on impaired loans with and without specific allowance reserves at or for the three months ended March 31, 2015 and at or for the year ended December 31, 2014 (in thousands):

	At or For the Three Months Ended March 31, 2015				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Without a specific allowance reserve (1)					
Commercial real estate:					
Owner-occupied	$940	$990	$34	$946	$—
Investment properties	407	407	66	495	—
Commercial business	418	631	44	443	—
Agricultural business/farmland	1,566	2,192	66	2,032	—
One- to four-family residential	7,750	8,407	16	7,764	6
Consumer:					
Consumer secured by one- to four-family	824	899	3	842	—
Consumer—other	303	313	—	307	—
	12,208	13,839	229	12,829	6
With a specific allowance reserve (2)					
Commercial real estate:					
Owner-occupied	2,977	2,977	3	1,752	3
Investment properties	5,981	6,386	641	5,995	77
Multifamily real estate	1,359	1,359	84	975	11
One- to-four family construction	4,160	4,197	454	3,097	31
Land and land development:					
Residential	2,543	3,698	354	2,547	16
Commercial	4,870	5,445	—	1,624	—
Commercial business	725	725	78	729	9
Agricultural business/farmland	289	289	3	285	5
One- to four-family residential	16,036	16,799	925	16,261	198
Consumer:					
Consumer secured by one- to four-family	365	365	59	367	3
Consumer—other	780	915	6	466	4
	40,085	43,155	2,607	34,098	357
Total					
Commercial real estate:					
Owner-occupied	3,917	3,967	37	2,698	3
Investment properties	6,388	6,793	707	6,490	77
Multifamily real estate	1,359	1,359	84	975	11
One- to four-family construction	4,160	4,197	454	3,097	31
Land and land development:					
Residential	2,543	3,698	354	2,547	16
Commercial	4,870	5,445	—	1,624	—
Commercial business	1,143	1,356	122	1,172	9
Agricultural business/farmland	1,855	2,481	69	2,317	5
One- to four-family residential	23,786	25,206	941	24,025	204
Consumer:					
Consumer secured by one- to four-family	1,189	1,264	62	1,209	3
Consumer—other	1,083	1,228	6	773	4
	$52,293	$56,994	$2,836	$46,927	$363

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	At or For the Year Ended December 31, 2014				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Without a specific allowance reserve [1]					
Commercial real estate:					
Owner-occupied	$399	$449	$20	$526	$—
Investment properties	32	32	5	44	—
Commercial business	537	763	46	566	—
Agricultural business/farmland	853	853	26	1,122	—
One- to four-family residential	8,546	9,244	18	7,284	29
Consumer:					
Consumer secured by one- to four-family	783	888	11	838	3
Consumer—other	295	305	—	270	—
	11,445	12,534	126	10,650	32
With a specific allowance reserve [2]					
Commercial real estate:					
Owner-occupied	1,149	1,149	4	1,315	12
Investment properties	6,022	6,426	724	6,101	315
Multifamily real estate	786	786	86	795	45
One- to-four family construction	3,923	3,923	640	2,655	118
Land and land development:					
Residential	2,554	3,710	346	2,872	89
Commercial business	739	739	82	762	41
Agricultural business/farmland	744	744	—	744	—
One- to four-family residential	17,848	18,611	1,014	18,809	841
Consumer:					
Consumer secured by one- to four-family	368	368	64	410	16
Consumer—other	313	329	6	327	19
	34,446	36,785	2,966	34,790	1,496
Total					
Commercial real estate					
Owner-occupied	1,548	1,598	24	1,841	12
Investment properties	6,054	6,458	729	6,145	315
Multifamily real estate	786	786	86	795	45
One- to four-family construction	3,923	3,923	640	2,655	118
Land and land development					
Residential	2,554	3,710	346	2,872	89
Commercial business	1,276	1,502	128	1,328	41
Agricultural business/farmland	1,597	1,597	26	1,866	—
One- to four-family residential	26,394	27,855	1,032	26,093	870
Consumer					
Consumer secured by one- to four-family	1,151	1,256	75	1,248	19
Consumer—other	608	634	6	597	19
	$45,891	$49,319	$3,092	$45,440	$1,528

(1) Loans without a specific allowance reserve have not been individually evaluated for impairment, but have been included in pools of homogeneous loans for evaluation of related allowance reserves.

(2) Loans with a specific allowance reserve have been individually evaluated for impairment using either a discounted cash flow analysis or, for collateral dependent loans, current appraisals less costs to sell to establish realizable

value. These analyses may identify a specific impairment amount needed or may conclude that no reserve is needed. Any specific impairment that is identified is included in the category's Related Allowance column.

The following tables present TDRs at March 31, 2015 and December 31, 2014 (in thousands):

	March 31, 2015		
	Accrual Status	Nonaccrual Status	Total TDRs
Commercial real estate:			
Owner-occupied	$183	$108	$291
Investment properties	5,981	26	6,007
Multifamily real estate	781	—	781
One- to four-family construction	2,772	—	2,772
Land and land development:			
Residential	1,279	514	1,793
Commercial business	724	82	806
Agricultural business, including secured by farmland	289	—	289
One- to four-family residential	15,127	1,404	16,531
Consumer:			
Consumer secured by one- to four-family	232	115	347
Consumer—other	190	116	306
	$27,558	$2,365	$29,923

	December 31, 2014		
	Accrual Status	Nonaccrual Status	Total TDRs
Commercial real estate:			
Owner-occupied	$183	$109	$292
Investment properties	6,021	32	6,053
Multifamily real estate	786	—	786
One- to four-family construction	3,923	—	3,923
Land and land development:			
Residential	1,279	525	1,804
Commercial business	739	87	826
One- to four-family residential	15,793	1,363	17,156
Consumer:			
Consumer secured by one- to four-family	233	117	350
Consumer—other	197	116	313
	$29,154	$2,349	$31,503

The following tables present new TDRs that occurred during the three months ended March 31, 2015 and 2014 (dollars in thousands):

	Three Months Ended March 31, 2015		
	Number of Contracts	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Recorded Investment [(1) (2)]			
One- to four-family construction	2	592	592
Agricultural business/farmland	2	288	288
	4	$ 880	$ 880

	Three Months Ended March 31, 2014		
	Number of Contracts	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Recorded Investment [(1) (2)]			
Commercial real estate			
Owner-occupied	1	$ 94	$ 94
Commercial business	1	100	100
	2	$ 194	$ 194

(1) Since these loans were already considered classified and/or on nonaccrual status prior to restructuring, the modifications did not have a material effect on the Company’s determination of the allowance for loan losses.

(2) The majority of these modifications do not fit into one separate type, such as rate, term, amount, interest-only or payment, but instead are a combination of multiple types of modifications; therefore, they are disclosed in aggregate.

There were no TDRs which incurred a payment default within twelve months of the restructure date during the three-month periods ended March 31, 2015 and 2014. A default on a TDR results in either a transfer to nonaccrual status or a partial charge-off.

Credit Quality Indicators: To appropriately and effectively manage the ongoing credit quality of the Company's loan portfolio, management has implemented a risk-rating or loan grading system for its loans. The system is a tool to evaluate portfolio asset quality throughout each applicable loan's life as an asset of the Company. Generally, loans and leases are risk rated on an aggregate borrower/relationship basis with individual loans sharing similar ratings. There are some instances when specific situations relating to individual loans will provide the basis for different risk ratings within the aggregate relationship. Loans are graded on a scale of 1 to 9. A description of the general characteristics of these categories is shown below:

Overall Risk Rating Definitions: Risk-ratings contain both qualitative and quantitative measurements and take into account the financial strength of a borrower and the structure of the loan or lease. Consequently, the definitions are to be applied in the context of each lending transaction and judgment must also be used to determine the appropriate risk rating, as it is not unusual for a loan or lease to exhibit characteristics of more than one risk-rating category. Consideration for the final rating is centered in the borrower's ability to repay, in a timely fashion, both principal and interest. There were no material changes in the risk-rating or loan grading system in the three months ended March 31, 2015.

Risk Rating 1: Exceptional
A credit supported by exceptional financial strength, stability, and liquidity. The risk rating of 1 is reserved for the Company's top quality loans, generally reserved for investment grade credits underwritten to the standards of institutional credit providers.

Risk Rating 2: Excellent
A credit supported by excellent financial strength, stability and liquidity. The risk rating of 2 is reserved for very strong and highly stable customers with ready access to alternative financing sources.

Risk Rating 3: Strong
A credit supported by good overall financial strength and stability. Collateral margins are strong; cash flow is stable although susceptible to cyclical market changes.

Risk Rating 4: Acceptable
A credit supported by the borrower's adequate financial strength and stability. Assets and cash flow are reasonably sound and provide for orderly debt reduction. Access to alternative financing sources will be more difficult to obtain.

Risk Rating 5: Watch
A credit with the characteristics of an acceptable credit which requires, however, more than the normal level of supervision and warrants formal quarterly management reporting. Credits in this category are not yet criticized or classified, but due to adverse events or aspects of underwriting require closer than normal supervision. Generally, credits should be watch credits in most cases for six months or less as the impact of stress factors are analyzed.

Risk Rating 6: Special Mention
A credit with potential weaknesses that deserves management's close attention is risk rated a 6. If left uncorrected, these potential weaknesses will result in deterioration in the capacity to repay debt. A key distinction between Special Mention and Substandard is that in a Special Mention credit, there are identified weaknesses that pose potential risk(s) to the repayment sources, versus well defined weaknesses that pose risk(s) to the repayment sources. Assets in this category are expected to be in this category no more than 9-12 months as the potential weaknesses in the credit are resolved.

Risk Rating 7: Substandard
A credit with well defined weaknesses that jeopardize the ability to repay in full is risk rated a 7. These credits are inadequately protected by either the sound net worth and payment capacity of the borrower or the value of pledged

collateral. These are credits with a distinct possibility of loss. Loans headed for foreclosure and/or legal action due to deterioration are rated 7 or worse.

Risk Rating 8: Doubtful
A credit with an extremely high probability of loss is risk rated 8. These credits have all the same critical weaknesses that are found in a substandard loan; however, the weaknesses are elevated to the point that based upon current information, collection or liquidation in full is improbable. While some loss on doubtful credits is expected, pending events may strengthen a credit making the amount and timing of any loss indeterminable. In these situations taking the loss is inappropriate until it is clear that the pending event has failed to strengthen the credit and improve the capacity to repay debt.

Risk Rating 9: Loss
A credit that is considered to be currently uncollectible or of such little value that it is no longer a viable Bank asset is risk rated 9. Losses should be taken in the accounting period in which the credit is determined to be uncollectible. Taking a loss does not mean that a credit has absolutely no recovery or salvage value but, rather, it is not practical or desirable to defer writing off the credit, even though partial recovery may occur in the future.

The following table shows the Company's portfolio of risk-rated loans and non-risk-rated loans by grade or other characteristics as of March 31, 2015 and December 31, 2014 (in thousands):

	March 31, 2015							
	Commercial Real Estate	Multifamily Real Estate	Construction and Land	Commercial Business	Agricultural Business	One- to Four-Family Residential	Consumer	Total Loans
Risk-rated loans:								
Pass (Risk Ratings 1-5) (1)	$1,533,181	$206,791	$410,039	$742,040	$199,436	$540,693	$369,465	$4,001,645
Special mention	5,156	—	—	26,776	818	691	219	33,660
Substandard	25,887	1,896	20,924	7,763	8,381	11,039	3,611	79,501
Doubtful	—	—	—	—	—	—	12	12
Total loans	$1,564,224	$208,687	$430,963	$776,579	$208,635	$552,423	$373,307	$4,114,818
Performing loans	$1,560,083	$208,109	$423,441	$776,161	$207,069	$543,764	$371,456	$4,090,083
Non-performing loans (2)	4,141	578	7,522	418	1,566	8,659	1,851	24,735
Total loans	$1,564,224	$208,687	$430,963	$776,579	$208,635	$552,423	$373,307	$4,114,818

	December 31, 2014							
	Commercial Real Estate	Multifamily Real Estate	Construction and Land	Commercial Business	Agricultural Business	One- to Four-Family Residential	Consumer	Total Loans
Risk-rated loans:								
Pass (Risk Ratings 1-5) (1)	$1,375,885	$166,712	$395,356	$691,143	$234,101	$527,384	$346,456	$3,737,037
Special mention	3,717	—	—	27,453	1,055	63	140	32,428
Substandard	24,123	812	15,650	5,368	3,343	12,447	2,601	64,344
Doubtful	—	—	—	—	—	—	11	11
Total loans	$1,403,725	$167,524	$411,006	$723,964	$238,499	$539,894	$349,208	$3,833,820
Performing loans	$1,402,328	$167,524	$409,731	$723,427	$236,902	$529,292	$347,879	$3,817,083
Non-performing loans (2)	1,397	—	1,275	537	1,597	10,602	1,329	16,737
Total loans	$1,403,725	$167,524	$411,006	$723,964	$238,499	$539,894	$349,208	$3,833,820

(1) The Pass category includes some performing loans that are part of homogenous pools which are not individually risk-rated. This includes all consumer loans, all one- to four-family residential loans and, as of March 31, 2015 and December 31, 2014, in the commercial business category, $120 million and $115 million, respectively, of credit-scored small business loans. As loans in these pools become non-performing, they are individually risk-rated.

(2) Non-performing loans include non-accrual loans and loans past due greater than 90 days and on accrual status.

The following tables provide additional detail on the age analysis of the Company's past due loans as of March 31, 2015 and December 31, 2014 (in thousands):

	March 31, 2015						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Loans 90 Days or More Past Due and Accruing
Commercial real estate:							
Owner-occupied	$2,254	$1,589	$815	$4,658	$622,873	$627,531	$—
Investment properties	—	—	910	910	935,783	936,693	—
Multifamily real estate	—	—	578	578	208,109	208,687	—
Commercial construction	—	—	—	—	30,434	30,434	—
Multifamily construction	—	—	—	—	56,201	56,201	—
One-to-four-family construction	1,494	—	—	1,494	226,730	228,224	—
Land and land development:							
Residential	—	—	750	750	98,180	98,930	—
Commercial	—	—	1,225	1,225	15,949	17,174	—
Commercial business	350	63	—	413	776,166	776,579	—
Agricultural business, including secured by farmland	803	395	1,021	2,219	206,416	208,635	—
One- to four-family residential	897	943	5,279	7,119	545,304	552,423	1,548
Consumer:							
Consumer secured by one- to four-family	431	103	121	655	232,988	233,643	6
Consumer—other	378	86	697	1,161	138,503	139,664	1
Total	$6,607	$3,179	$11,396	$21,182	$4,093,636	$4,114,818	$1,555

	December 31, 2014						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Loans 90 Days or More Past Due and Accruing
Commercial real estate:							
Owner-occupied	$—	$1,984	$—	$1,984	$544,799	$546,783	$—
Investment properties	639	—	—	639	856,303	856,942	—
Multifamily real estate	—	—	—	—	167,524	167,524	—
Commercial construction	—	—	—	—	17,337	17,337	—
Multifamily construction	—	—	—	—	60,193	60,193	—
One-to-four-family construction	840	—	—	840	219,049	219,889	—
Land and land development:							
Residential	759	—	750	1,509	100,926	102,435	—
Commercial	—	—	—	—	11,152	11,152	—
Commercial business	775	35	100	910	723,054	723,964	—
Agricultural business, including secured by farmland	597	466	744	1,807	236,692	238,499	—
One-to four-family residential	877	1,623	7,526	10,026	529,868	539,894	2,095
Consumer:							
Consumer secured by one- to four-family	59	60	139	258	221,947	222,205	80
Consumer—other	491	88	293	872	126,131	127,003	—
Total	$5,037	$4,256	$9,552	$18,845	$3,814,975	$3,833,820	$2,175

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The following tables provide additional information on the allowance for loan losses and loan balances individually and collectively evaluated for impairment at or for the three months ended March 31, 2015 and 2014 (in thousands):

	For the Three Months Ended March 31, 2015								
	Commercial Real Estate	Multifamily Real Estate	Construction and Land	Commercial Business	Agricultural Business	One- to Four-Family Residential	Consumer	Unallocated	Total
Allowance for loan losses:									
Beginning balance	$18,784	$ 4,562	$ 23,545	$ 12,043	$ 2,821	$ 8,447	$483	$ 5,222	$75,907
Provision for loan losses	305	(161)	745	778	1,434	(237)	245	(3,109)	—
Recoveries	14	—	108	178	295	6	46	—	647
Charge-offs	—	—	—	(107)	(818)	(75)	(189)	—	(1,189)
Ending balance	$19,103	$ 4,401	$ 24,398	$ 12,892	$ 3,732	$ 8,141	$585	$ 2,113	$75,365

	March 31, 2015								
	Commercial Real Estate	Multifamily Real Estate	Construction and Land	Commercial Business	Agricultural Business	One- to Four-Family Residential	Consumer	Unallocated	Total
Allowance individually evaluated for impairment	$643	$ 84	$ 808	$ 78	$ 3	$ 925	$65	$ —	$2,606
Allowance collectively evaluated for impairment	18,460	4,317	23,590	12,814	3,729	7,216	520	2,113	72,759
Total allowance for loan losses	$19,103	$ 4,401	$ 24,398	$ 12,892	$ 3,732	$ 8,141	$585	$ 2,113	$75,365
Loan balances:									
Loans individually evaluated for impairment	$8,958	$1,359	$11,573	$725	$289	$16,036	$1,145	$—	$40,085
Loans collectively evaluated for impairment	1,550,691	207,328	419,390	775,854	208,346	535,295	372,155	—	4,069,059
Loans acquired with deteriorated credit quality	4,575	—	—	—	—	1,092	7	—	5,674
Total loans	$1,564,224	$208,687	$430,963	$776,579	$208,635	$552,423	$373,307	$—	$4,114,818

	For the Three Months Ended March 31, 2014								
	Commercial Real Estate	Multifamily Real Estate	Construction and Land	Commercial Business	Agricultural Business	One- to Four-Family Residential	Consumer	Unallocated	Total
Allowance for loan losses:									
Beginning balance	$16,759	$ 5,306	$ 17,640	$ 11,773	$ 2,841	$ 11,486	$1,335	$ 7,118	$74,258
Provision for loan losses	595	346	748	35	(555)	(382)	(532)	(255)	—
Recoveries	296	—	232	293	350	188	282	—	1,641
Charge-offs	(238)	—	—	(738)	—	(379)	(173)	—	(1,528)
Ending balance	$17,412	$ 5,652	$ 18,620	$ 11,363	$ 2,636	$ 10,913	$912	$ 6,863	$74,371

	March 31, 2014								
	Commercial Real Estate	Multifamily Real Estate	Construction and Land	Commercial Business	Agricultural Business	One- to Four-Family Residential	Consumer	Unallocated	Total