

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

GLACIER BANCORP INC
Form 10-Q
August 08, 2008

=====

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

FORM 10-Q

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

For the quarterly period ended June 30, 2008

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

49 Commons Loop, Kalispell, Montana

59901

(Address of principal executive offices)

(Zip Code)

(406) 756-4200

Registrant's telephone number, including area code

Not Applicable

(Former name, former address, and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant 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. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer
(Do not check if a smaller reporting company)

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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 21, 2008 was 53,992,982. No preferred shares are issued or outstanding.

=====

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

INDEX

PART I. FINANCIAL INFORMATION

Item 1 - Financial Statements

Condensed Consolidated Statements of Financial Condition - Unaudited
June 30, 2008, June 30, 2007 and audited December 31, 2007.....

Condensed Consolidated Statements of Operations - Unaudited three and six
months ended June 30, 2008 and 2007.....

Condensed Consolidated Statements of Stockholders' Equity and Comprehensive
Income - audited year ended December 31, 2007 and unaudited six months
ended June 30, 2008.....

Condensed Consolidated Statements of Cash Flows - Unaudited six months
ended June 30, 2008 and 2007.....

Notes to Condensed Consolidated Financial Statements - Unaudited

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of
Operations.....

Item 3 - Quantitative and Qualitative Disclosure about Market Risk

Item 4 - Controls and Procedures.....

PART II. OTHER INFORMATION.....

Item 1 - Legal Proceedings.....

Item 1A - Risk Factors.....

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds.....

Item 3 - Defaults Upon Senior Securities.....

Item 4 - Submission of Matters to a Vote of Security Holders

Item 5 - Other Information.....

Item 6 - Exhibits.....

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Signatures.....

GLACIER BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands, except per share data)	JUNE 30, 2008	December 2007
	(UNAUDITED)	(audited)
ASSETS:		
Cash on hand and in banks	\$ 123,545	145,6
Federal funds sold	135	1
Interest bearing cash deposits	26,654	81,7
	-----	-----
Cash and cash equivalents	150,334	227,6
Investment securities	773,417	700,3
Loans receivable, net	3,717,373	3,516,9
Loans held for sale	42,772	40,1
Premises and equipment, net	125,398	123,7
Real estate and other assets owned, net	6,523	2,0
Accrued interest receivable	28,128	26,1
Deferred tax asset	3,624	
Core deposit intangible, net	12,416	13,9
Goodwill	140,301	140,3
Other assets	27,582	26,0
	-----	-----
Total assets	\$ 5,027,868	4,817,3
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Non-interest bearing deposits	\$ 778,786	788,0
Interest bearing deposits	2,347,137	2,396,3
Advances from Federal Home Loan Bank of Seattle	658,211	538,9
Securities sold under agreements to repurchase	176,211	178,0
Other borrowed funds	355,437	223,5
Accrued interest payable	11,922	13,2
Deferred tax liability	--	4
Subordinated debentures	118,559	118,5
Other liabilities	31,962	31,3
	-----	-----
Total liabilities	4,478,225	4,288,7
	-----	-----
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	540	5
Paid-in capital	380,161	374,7
Retained earnings - substantially restricted	171,017	150,1
Accumulated other comprehensive (loss) income	(2,075)	3,1
	-----	-----
Total stockholders' equity	549,643	528,5
	-----	-----
Total liabilities and stockholders' equity	\$ 5,027,868	4,817,3

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

	=====	=====
Number of shares outstanding	53,985,813	53,646,4
Book value per share	\$ 10.18	9.

See accompanying notes to condensed consolidated financial statements.

3

GLACIER BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED - dollars in thousands, except per share data)	THREE MONTHS ENDED JUNE 30,	
	2008	2007
-----	-----	-----
INTEREST INCOME:		
Real estate loans	\$ 12,399	15,201
Commercial loans	41,100	38,170
Consumer and other loans	11,790	11,870
Investment securities and other	9,284	10,052
	-----	-----
Total interest income	74,573	75,293
	-----	-----
INTEREST EXPENSE:		
Deposits	13,474	20,530
Federal Home Loan Bank of Seattle advances	4,821	4,050
Securities sold under agreements to		
repurchase	808	1,724
Subordinated debentures	1,853	1,816
Other borrowed funds	1,317	1,977
	-----	-----
Total interest expense	22,273	30,097
	-----	-----
NET INTEREST INCOME	52,300	45,196
Provision for loan losses	5,042	1,210
	-----	-----
Net interest income after provision for		
loan losses	47,258	43,986
	-----	-----
NON-INTEREST INCOME:		
Service charges and other fees	10,599	9,483
Miscellaneous loan fees and charges	1,624	2,275
Gains on sale of loans	4,245	3,708
Gain (Loss) on sale of investments	--	--
Other income	913	945
	-----	-----
Total non-interest income	17,381	16,411
	-----	-----
NON-INTEREST EXPENSE:		
Compensation, employee benefits and		

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

related expense	20,967	20,594
Occupancy and equipment expense	5,116	4,812
Advertising and promotions expense	1,833	1,581
Outsourced data processing expense	647	680
Core deposit intangibles amortization.....	767	809
Other expense	7,113	6,598
	-----	-----
Total non-interest expense	36,443	35,074
	-----	-----
EARNINGS BEFORE INCOME TAXES	28,196	25,323
Federal and state income tax expense	9,737	8,598
	-----	-----
NET EARNINGS	\$ 18,459	16,725
	=====	=====
Basic earnings per share	\$ 0.35	0.31
Diluted earnings per share	\$ 0.34	0.31
Dividends declared per share	\$ 0.13	0.12
Return on average assets (annualized)	1.51%	1.47%
Return on average equity (annualized)	13.51%	13.79%
Average outstanding shares - basic	53,971,220	53,164,813
Average outstanding shares - diluted	54,151,290	53,601,696

See accompanying notes to condensed consolidated financial statements.

4

GLACIER BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2007 AND UNAUDITED SIX MONTHS ENDED JUNE 30, 2008

(Dollars in thousands, except per share data)	Common Stock		Paid-in	Retained earnings substantially
	Shares	Amount		
Balance at December 31, 2006	52,302,820	\$ 523	344,265	108
Comprehensive income:				
Net earnings	--	--	--	68
Unrealized gain on securities, net of reclassification adjustment and taxes ...	--	--	--	
Total comprehensive income				
Cash dividends declared (\$.50 per share)	--	--	--	(26)
Stock options exercised	550,080	6	6,148	
Stock issued in connection with acquisition ...	793,580	7	18,993	
Stock based compensation and tax benefit	--	--	5,322	
	-----	-----	-----	-----
Balance at December 31, 2007	53,646,480	\$ 536	374,728	150

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Comprehensive income:				
Net earnings	--	--	--	35
Unrealized loss on securities, net of reclassification adjustment and taxes ...	--	--	--	
Total comprehensive income				
Cash dividends declared (\$.26 per share)	--	--	--	(14)
Stock options exercised	339,333	4	3,417	
Cumulative effect of a change in principle	--	--	--	
Stock based compensation and tax benefit	--	--	2,016	
Balance at June 30, 2008 (unaudited)	53,985,813	\$ 540	380,161	171
	=====	=====	=====	=====

See accompanying notes to condensed consolidated financial statements.

5

GLACIER BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	SIX MONTHS ENDED JUNE 30	
(UNAUDITED - dollars in thousands)	2008	2007

OPERATING ACTIVITIES:		
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 38,467	31,588
	-----	-----
INVESTING ACTIVITIES:		
Proceeds from sales, maturities and prepayments of investments available-for-sale	211,647	165,111
Purchases of investments available-for-sale	(293,751)	(22,499)
Principal collected on installment and commercial loans	563,086	584,900
Installment and commercial loans originated or acquired	(752,164)	(737,311)
Principal collections on mortgage loans	176,482	270,277
Mortgage loans originated or acquired	(195,321)	(262,833)
Net purchase of FHLB and FRB stock	(138)	(3,455)
Net cash paid for sale of Western's Lewistown branch	--	(6,844)
Net cash received from North Side State Bank acquisition	--	9,333
Net addition of premises and equipment	(6,226)	(1,222)
NET CASH USED IN INVESTING ACTIVITIES	(296,385)	(4,533)
	-----	-----
FINANCING ACTIVITIES:		
Net (decrease) increase in deposits	(58,555)	72,999
Net increase in FHLB advances and other borrowed funds	251,119	17,911
Net decrease in securities sold under repurchase agreements ..	(1,830)	(13,422)
Cash dividends paid	(14,039)	(12,744)
Excess tax benefits from stock options	527	1,399
Proceeds from exercise of stock options and other stock issued	3,421	4,733
	-----	-----

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

NET CASH USED IN FINANCING ACTIVITIES	180,643	70,87
	-----	-----
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(77,275)	97,93
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	227,609	173,01
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 150,334	270,94
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	\$ 51,020	54,36
Income taxes	\$ 22,265	14,00

The following schedule summarizes the acquisition of North Side State Bank in 2007

	NORTH SIDE STATE BANK

	April 30, 2007
Acquired	
Fair Value of assets acquired	\$ 127,258
Cash paid for the capital stock	8,854
Capital stock issued	19,000
Liabilities assumed	99,967

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, 2008 and 2007, stockholders' equity for the six months ended June 30, 2008, the results of operations for the three and six months ended June 30, 2008 and 2007, and cash flows for the six months ended June 30, 2008 and 2007. The condensed consolidated statement of financial condition and statement of stockholders' equity and comprehensive income of the Company as of December 31, 2007 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, 2007. Operating results for the six months ended June 30, 2008 are not necessarily indicative of the results anticipated for the year ending December 31, 2008. Certain

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

reclassifications have been made to the 2007 financial statements to conform to the 2008 presentation.

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. As of June 30, 2008, 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 First National Bank of Morgan ("Morgan") located in Utah.

On April 30, 2008, Glacier Bank of Whitefish ("Whitefish") merged into Glacier with 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 purchase accounting.

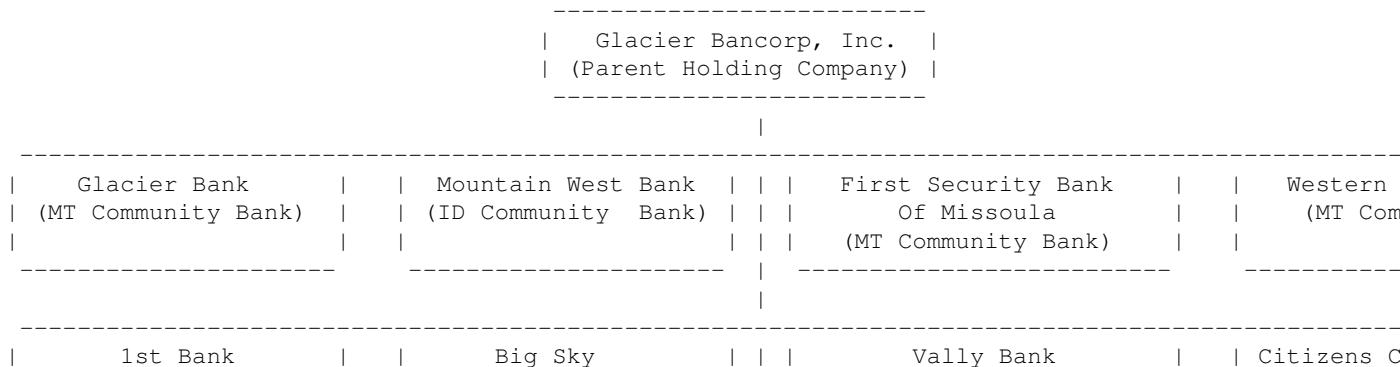
In addition, the Company owns four trust subsidiaries, Glacier Capital Trust II ("Glacier Trust II"), Glacier Capital Trust III ("Glacier Trust III"), Glacier Capital Trust IV ("Glacier Trust IV"), and Citizens (ID) Statutory Trust I ("Citizens Trust I") for the purpose of issuing trust preferred securities and, in accordance with Financial Accounting Standards Board ("FASB") Interpretation 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 was \$5 billion at June 30, 2008, eight of the ten community banks had total assets of less than \$1 billion. Morgan, the smallest community bank subsidiary had \$99.5 million in total

7

assets, while Glacier Bank, the largest community bank subsidiary, had \$1.2 billion in total assets at June 30, 2008.

The following abbreviated organizational chart illustrates the various relationships as of June 30, 2008:



Edgar Filing: GLACIER BANCORP INC - Form 10-Q

(WY Community Bank)	Western Bank	Of Helena	(ID Comm
(MT Community Bank)	(MT Community Bank)	(MT Community Bank)	
First Bank of Montana	First National Bank	Glacier Capital Trust II	Glacier Ca
(MT Community Bank)	of Morgan		
(UT Community Bank)			
Glacier Capital Trust IV	Citizens (ID) Statutory		
	Trust I		

8

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, 2008

(Dollars in thousands)	Weighted Yield	Amortized Cost	Gross U Gains
AVAILABLE-FOR-SALE:			
GOVERNMENT-SPONSORED ENTERPRISES:			
maturing within one year	3.27%	400	1
maturing one year through five years	0.00%	--	--
maturing five years through ten years	4.64%	262	--
maturing after ten years	4.03%	81	1
	3.84%	743	2
STATE AND LOCAL GOVERNMENTS AND OTHER ISSUES:			
maturing within one year	3.91%	1,383	3
maturing one year through five years	4.47%	4,287	49
maturing five years through ten years	5.09%	15,858	752
maturing after ten years	5.09%	248,389	6,608
	5.07%	269,917	7,412
MORTGAGE-BACKED SECURITIES	4.82%	438,118	773
FHLMC AND FNMA STOCK	5.73%	7,593	--
TOTAL MARKETABLE SECURITIES	4.93%	716,371	8,187
OTHER INVESTMENTS:			
Certificates of Deposits with over 90 day maturity, at cost	5.25%	99	--

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

FHLB and FRB stock, at cost	1.73%	59,952	--
Other stock, at cost	3.07%	416	--
TOTAL INVESTMENTS	4.68%	\$ 776,838	8,187
		=====	=====

9

INVESTMENTS AS OF DECEMBER 31, 2007

(Dollars in thousands)	Weighted Yield	Amortized Cost	Gross Unrealized Gains	Unrealized Losses
-----	-----	-----	-----	-----
AVAILABLE-FOR-SALE:				
U.S. GOVERNMENT AND FEDERAL AGENCIES:				
maturing within one year	3.66%	\$ 2,550	3	
GOVERNMENT-SPONSORED ENTERPRISES:				
maturing within one year	4.86%	947	--	
maturing one year through five years	0.00%	--	--	
maturing five years through ten years	7.06%	280	--	
maturing after ten years	6.47%	87	1	
		-----	-----	-----
	5.43%	1,314	1	
		-----	-----	-----
STATE AND LOCAL GOVERNMENTS AND OTHER ISSUES:				
maturing within one year	4.03%	1,328	5	
maturing one year through five years	4.30%	3,928	45	
maturing five years through ten years	4.96%	16,847	932	
maturing after ten years	5.09%	255,109	8,999	(3,417)
		-----	-----	-----
	5.06%	277,212	9,981	(3,417)
		-----	-----	-----
MORTGAGE-BACKED SECURITIES	4.55%	346,085	693	(3,417)
FHLMC AND FNMA STOCK	5.74%	7,593	--	(1,817)
		-----	-----	-----
TOTAL MARKETABLE SECURITIES	4.79%	634,754	10,678	(5,517)
		-----	-----	-----
OTHER INVESTMENTS:				
Certificates of Deposits with over				
90 day maturity, at cost	5.06%	199	--	
FHLB and FRB stock, at cost	1.72%	59,815	--	
Other stock, at cost	3.09%	413	--	
		-----	-----	-----
TOTAL INVESTMENTS	4.52%	\$ 695,181	10,678	(5,517)
		=====	=====	=====

Interest income includes tax-exempt interest for the six months ended June 30, 2008 and 2007 of \$6,348,000 and \$6,928,000, respectively, and for the three months ended June 30, 2008 and 2006 of \$3,174,000 and \$3,476,000,

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

respectively.

Gross proceeds from sale of marketable securities for the six months ended June 30, 2008 and 2007 were \$97,002,000 and \$55,798,000, respectively, resulting in gross gains of \$0 and \$1,000, respectively, and gross losses of \$0 and \$9,000, respectively. The gross proceeds and gross gains for the sale of other stock was \$248,000 and \$0 for the six months ended June 30, 2008 and 2007, respectively. The Company realized a gain of \$130,000 from the 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.

The investments in the Federal Home Loan Bank ("FHLB") of Seattle stock are required investments related to the Company's borrowings from FHLB of Seattle. FHLB of Seattle obtains their 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.

10

4) Loans and Leases

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

TYPE OF LOAN (Dollars in thousands)	At 6/30/08		At 12/31/2007	
	Amount	Percent	Amount	Percent
Real Estate Loans:				
Residential real estate	\$ 706,815	18.8%	\$ 689,238	19.4%
Loans held for sale	42,772	1.1%	40,123	1.1%
Total	749,587	19.9%	729,361	20.5%
Commercial Loans:				
Real estate	1,736,784	46.2%	1,617,076	45.4%
Other commercial	664,558	17.7%	636,351	17.9%
Total	2,401,342	63.9%	2,253,427	63.3%
Consumer and other Loans:				
Consumer	207,595	5.6%	206,724	5.8%
Home equity	471,398	12.5%	432,217	12.2%
Total	678,993	18.1%	638,941	18.0%
Net deferred loan fees, premiums and discounts	(8,970)	-0.3%	(10,194)	-0.3%
Allowance for loan and lease losses	(60,807)	-1.6%	(54,413)	-1.5%
Total	559,216	16.2%	524,544	15.3%
Loan receivable, net	\$ 3,760,145	100.0%	\$ 3,557,122	100.0%

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

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

(Dollars in thousands)	June 30, 2008	December 31, 2007
	-----	-----
Real estate and other assets owned	\$ 6,523	2,043
Accruing Loans 90 days or more overdue	3,700	2,685
Non-accrual loans	19,674	8,560
	-----	-----
Total non-performing assets	\$ 29,897	13,288
	=====	=====
Non-performing assets as a percentage of total bank assets	0.58%	0.27%

Impaired loans, net of government guaranteed amounts, were \$23,707,000, \$12,152,000 and \$5,235,000 as of June 30, 2008, December 31, 2007 and June 30, 2007, respectively. The allowance for loan and lease loss includes valuation allowances of \$3,030,000, \$2,827,000 and \$0 specific to certain impaired loans as of June 30, 2008, December 31, 2007, and June 30, 2007, respectively.

11

The following table illustrates the loan and lease loss experience:

(Dollars in thousands)	June 30, 2008	December 31, 2007
	-----	-----
Balance at the beginning of the period	\$ 54,413	49,259
Charge-offs	(1,498)	(3,387)
Recoveries	350	1,222
	-----	-----
Net (charge-offs) recoveries	\$ (1,148)	(2,165)
Acquisition (1)	-	639
Provision	7,542	6,680
	-----	-----
Balance at the end of the period	\$ 60,807	54,413
	=====	=====
Net (charge-offs) recoveries as a percentage of loans	(0.030%)	(0.060%)

(1) Increase attributable to the April 30, 2007 acquisition of North Side State Bank ("North Side") of Rock Springs, Wyoming, which was merged into 1st Bank, the Company's subsidiary bank in Evanston, Wyoming.

5) Intangible Assets

The following table sets forth information regarding the Company's core deposit intangible and mortgage servicing rights as of June 30, 2008:

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

(Dollars in thousands)	Core Deposit Intangible -----	Mortgage Servicing Rights (1) -----
Gross carrying value	\$ 25,706	
Accumulated Amortization	(13,290)	

Net carrying value	\$ 12,416	1,268
	=====	
WEIGHTED-AVERAGE AMORTIZATION PERIOD		
(Period in years)	10.0	9.7
AGGREGATE AMORTIZATION EXPENSE		
For the three months ended June 30, 2008	\$ 767	53
For the six months ended June 30, 2008	1,546	92
ESTIMATED AMORTIZATION EXPENSE		
For the year ended December 31, 2008	\$ 3,032	135
For the year ended December 31, 2009	2,738	85
For the year ended December 31, 2010	2,369	83
For the year ended December 31, 2011	1,662	80
For the year ended December 31, 2012	1,300	78

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

Acquisitions are accounted for using the purchase accounting method as prescribed by Statement of Financial Accounting Standard ("SFAS") No. 141, Business Combinations. Purchase accounting requires the total purchase price to be allocated to the estimated fair values of assets acquired and

12

liabilities assumed, including certain intangible assets. Goodwill is recorded for the residual amount in excess of the net fair value.

Adjustment of the allocated purchase price may be related to fair value estimates for which all information has not been obtained or required for pre-acquisition contingencies 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, 2008 according to the time remaining to maturity. Included in the certificates of deposit ("CD") maturities are brokered CDs in the amount of \$1,015,000.

(Dollars in thousands)	Certificates of Deposit -----	Non-Maturity Deposits -----
------------------------	-------------------------------------	-----------------------------------

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Within three months	\$ 120,148	1,303,609
Three to six months	85,336	-
Seven to twelve months	100,861	-
Over twelve months	47,338	-
	-----	-----
Totals	\$ 353,683	1,303,609
	=====	=====

7) Advances and Other Borrowings

The following chart illustrates the average balances and the maximum outstanding month-end balances for FHLB of Seattle advances, repurchase agreements and U.S. Treasury, Tax and Loan borrowings:

(Dollars in thousands)	As of and for the six months ended June 30, 2008 -----	As of and for the year ended December 31, 2007 -----
FHLB advances:		
Amount outstanding at end of period	\$ 658,211	538,949
Average balance	\$ 648,296	382,243
Maximum outstanding at any month-end	\$ 815,860	538,949
Weighted average interest rate	3.26%	4.94%
Repurchase agreements:		
Amount outstanding at end of period	\$ 176,211	178,041
Average balance	\$ 184,892	171,290
Maximum outstanding at any month-end	\$ 192,216	193,421
Weighted average interest rate	2.33%	4.35%
U.S. Treasury, Tax and Loan:		
Amount outstanding at end of period	\$ 209,298	221,409
Average balance	\$ 173,434	120,188
Maximum outstanding at any month-end	\$ 299,477	244,012
Weighted average interest rate	2.74%	5.03%

13

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, 2008.

CONSOLIDATED (Dollars in thousands)	Tier 1 (Core) Capital -----	Tier 2 (Tot) Capital -----
Total stockholder's equity	\$ 549,643	549,
Less: Goodwill and intangibles	(152,717)	(152,
Other adjustments	(2,322)	(2,

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Plus: Allowance for loan and lease losses	-	52,
Accumulated other comprehensive		
Unrealized loss on AFS securities	2,075	2,
Subordinated debentures	115,000	115,
	-----	-----
Regulatory capital computed	\$ 511,679	563,
	=====	=====
Risk weighted assets	\$ 4,172,360	4,172,
Total average assets		
	=====	=====
Capital as % of risk weighted assets	12.26%	13
Regulatory "well capitalized" requirement	6.00%	10
	-----	-----
Excess over "well capitalized" requirement	6.26%	3
	=====	=====

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, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008
	-----	-----	-----
Net earnings available to common stockholders	\$ 18,459,000	16,725,000	35,858,000
Average outstanding shares - basic	53,971,220	53,164,813	53,910,414
Add: Dilutive stock options	180,070	436,883	173,779
	-----	-----	-----
Average outstanding shares - diluted	54,151,290	53,601,696	54,084,193
	=====	=====	=====
Basic earnings per share	\$ 0.35	0.31	0.67
	=====	=====	=====
Diluted earnings per share	\$ 0.34	0.31	0.66
	=====	=====	=====

14

There were approximately 1,567,573 and 436,130 average shares excluded from the diluted average outstanding share calculation for the six months ended June 30, 2008 and 2007, 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

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

earnings is the unrealized gains and losses on available-for-sale securities.

Dollars in thousands	For the three months ended June 30,	
	2008	2007
	-----	-----
Net earnings	\$ 18,459	16,725
Unrealized holding loss arising during the period	(10,492)	(7,092)
Tax benefit	4,134	2,794
	-----	-----
Net after tax	(6,358)	(4,298)
Reclassification adjustment for (gain) losses included in net earnings	-	-
Tax expense (benefit)	-	-
	-----	-----
Net after tax	-	-
	-----	-----
Net unrealized loss on securities	(6,358)	(4,298)
	-----	-----
Total comprehensive income	\$ 12,101	12,427
	=====	=====

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 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, 2005, 2006 and 2007 remain subject to examination by federal, Montana, Idaho and Utah tax authorities and income tax returns for the years ended December 31, 2003 and 2004 remain subject to examination by the state of Montana and Idaho.

On January 1, 2007, the Company adopted FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes. There was no cumulative effect recognized in retained earnings as a result of adopting FIN 48. The Company determined its unrecognized tax benefit to be \$152,000 as of June 30, 2008.

If the unrecognized tax benefit amount was recognized, it would decrease the Company's effective tax rate from 34.8 percent to 34.5 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.

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, 2008 and 2007, the Company recognized \$0 interest expense and recognized \$0 penalty with respect to income tax liabilities. The Company had approximately \$37,000 and \$50,000 accrued for the payment of interest at June 30, 2008 and 2007, respectively. The Company had accrued liabilities of \$0 for the payment of penalties at June 30, 2008 and 2007.

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

15

12) Segment Information

The Company defines operating segments and evaluates segment performance internally based on individual bank charters. The following schedule provides selected financial data for the Company's operating segments. Centrally provided services to the banks are allocated based on estimated usage of those services. The operating segment identified as "Other" includes limited partnership interests that operate residential rental real estate properties which have been allocated low income housing tax credits. 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.

(Dollars in thousands)	Six months ended and as of J				
	Glacier	Mountain West	First Security	Western	1
Revenues from external customers	\$ 42,359	43,550	27,909	18,484	
Intersegment revenues	82	25	935	644	
Expenses	(32,167)	(37,647)	(21,754)	(15,074)	
Net Earnings	\$ 10,274	5,928	7,090	4,054	
Total Assets	\$ 1,156,216	1,114,885	847,406	567,473	

(Dollars in thousands)	Six months ended and as of Jun				
	Citizens	First Bank of MT	Morgan	Parent	Other
Revenues from external customers	\$ 7,007	4,548	2,715	229	116
Intersegment revenues	165	124	233	44,798	15
Expenses	(6,230)	(3,547)	(2,675)	(9,169)	(142)
Net Earnings	\$ 942	1,125	273	35,858	(11)
Total Assets	\$ 203,816	153,124	99,488	680,379	3,362

(Dollars in thousands)	Six months ended and as of Jun			
	Glacier	Mountain West	First Security	Western

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Revenues from external customers	\$ 38,538	42,446	29,187	20,455
Intersegment revenues	78	24	920	713
Expenses	(30,418)	(35,521)	(23,497)	(16,903)
	-----	-----	-----	-----
Net Earnings	\$ 8,198	6,949	6,610	4,265
	-----	-----	-----	-----
Total Assets	\$ 1,030,238	996,119	834,762	553,387
	-----	-----	-----	-----

	Citizens	First Bank of MT	Morgan	Parent	Other
	-----	-----	-----	-----	-----
Revenues from external customers	\$ 7,549	4,604	2,427	110	
Intersegment revenues	-	316	632	41,190	
Expenses	(6,461)	(3,969)	(2,602)	(8,482)	(1,000)
	-----	-----	-----	-----	-----
Net Earnings	\$ 1,088	951	457	32,818	(1,000)
	-----	-----	-----	-----	-----
Total Assets	\$ 181,250	143,093	91,560	634,276	3,400
	-----	-----	-----	-----	-----

16

	Three months ended and as of June 30,				
(Dollars in thousands)	Glacier	Mountain West	First Security	Western	1
	-----	-----	-----	-----	-----
Revenues from external customers	\$ 21,121	21,846	13,681	9,255	
Intersegment revenues	41	25	469	259	
Expenses	(15,954)	(18,809)	(10,561)	(7,418)	
	-----	-----	-----	-----	-----
Net Earnings	\$ 5,208	3,062	3,589	2,096	
	-----	-----	-----	-----	-----
Total Assets	\$ 1,156,216	1,114,885	847,406	567,473	
	-----	-----	-----	-----	-----

	Citizens	First Bank of MT	Morgan	Parent	Other
	-----	-----	-----	-----	-----
Revenues from external customers	\$ 3,580	2,334	1,340	91	600
Intersegment revenues	33	23	82	22,910	
Expenses	(3,088)	(1,796)	(1,286)	(4,542)	(700)
	-----	-----	-----	-----	-----
Net Earnings	\$ 525	561	136	18,459	(100)
	-----	-----	-----	-----	-----
Total Assets	\$ 203,816	153,124	99,488	680,379	3,300
	-----	-----	-----	-----	-----

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

(Dollars in thousands)	Three months ended and as of June 30,				
	Glacier	Mountain West	First Security	Western	1
Revenues from external customers	\$ 19,700	22,140	14,764	9,407	
Intersegment revenues	39	13	643	549	
Expenses	(15,515)	(18,399)	(12,066)	(8,361)	
Net Earnings	\$ 4,224	3,754	3,341	1,595	
Total Assets	\$ 1,030,238	996,119	834,762	553,387	

		Citizens	First Bank of MT	Morgan	Parent	Other
Revenues from external customers	\$	3,820	2,379	1,221	56	3
Intersegment revenues		-	101	327	20,959	1
Expenses		(3,259)	(1,985)	(1,339)	(4,290)	(4
Net Earnings	\$	561	495	209	16,725	
Total Assets	\$	181,250	143,093	91,560	634,276	3,42

13) Fair Value Measurement

On January 1, 2008, the Company adopted Financial Accounting Standards Board ("FASB") issued SFAS No. 157, Fair Value Measurements, which is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. FASB issued Staff Position ("FSP") SFAS 157-2, Effective Date of SFAS No. 157, which delays 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). SFAS 157 has been applied prospectively as of January 1, 2008.

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. FAS 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

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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, 2008.

(Dollars in thousands)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Signi Unobs In (Lev
-----	-----	-----	-----
Available-for-sale securities	\$ -	695,619	-----
Total assets at fair value	\$ -	695,619	=====

The valuation techniques for available-for-sale securities include 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, and prepayments. There have been no significant changes in the valuation techniques during the period.

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 period ended June 30, 2008.

(Dollars in thousands)	Significant Unobservable Inputs (Level 3)
-----	-----
Balance as of January 1, 2008	\$ 17,041
Total unrealized gains included in other comprehensive income	295
Amortization, accretion, or principal payments	(5)
-----	-----
Balance as of June 30, 2008	\$ 17,331
	=====

The change in unrealized losses related to available-for-sale securities are reported in the accumulated other comprehensive income (loss).

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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.

(Dollars in thousands)	Six Months Ended June 30, 2008 vs. 2007 Increase (Decrease) due to:		
	Volume	Rate	Net
	-----	-----	-----
INTEREST INCOME			
Residential real estate loans	\$ (2,409)	(2,242)	(4,651)
Commercial loans	17,766	(8,955)	8,811
Consumer and other loans	2,495	(1,782)	713
Investment securities and other	(1,540)	43	(1,497)
	-----	-----	-----
Total Interest Income	16,312	(12,936)	3,376
INTEREST EXPENSE			
NOW accounts	45	(788)	(743)
Savings accounts	11	(345)	(334)
Money market accounts	1,104	(4,439)	(3,335)
Certificates of deposit	(2,770)	(1,812)	(4,582)
FHLB advances	6,886	(5,439)	1,447
Other borrowings and repurchase agreements	2,681	(4,400)	(1,719)
	-----	-----	-----
Total Interest Expense	7,957	(17,223)	(9,266)
	-----	-----	-----
NET INTEREST INCOME	\$ 8,355	4,287	12,642
	=====	=====	=====

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.

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

AVERAGE BALANCE SHEET	For the Three months ended 6-30-08			For the
(Dollars in thousands)	Average Balance	Interest and Dividends	Average Yield/ Rate	Average Balance
ASSETS				
Residential real estate loans	\$ 728,127	12,399	6.81%	\$ 723,
Commercial loans	2,351,722	41,100	7.01%	2,313,
Consumer and other loans	659,960	11,790	7.17%	649,
Total Loans	3,739,809	65,289	7.00%	3,686,
Tax - exempt investment securities (1)	255,227	3,174	4.97%	257,
Other investment securities	537,735	6,110	4.55%	530,
Total Earning Assets	4,532,771	74,573	6.58%	4,474,
Goodwill and core deposit intangible	153,157			153,
Other non-earning assets	229,029			234,
TOTAL ASSETS	\$ 4,914,957			\$ 4,862,
LIABILITIES AND STOCKHOLDERS' EQUITY				
NOW accounts	\$ 467,852	698	0.60%	\$ 465,
Savings accounts	272,941	446	0.66%	270,
Money market accounts	763,838	3,904	2.05%	781,
Certificates of deposit	854,667	8,426	3.95%	857,
FHLB advances	701,324	4,821	2.76%	648,
Repurchase agreements and other borrowed funds	521,139	3,978	3.06%	512,
Total Interest Bearing Liabilities	3,581,761	22,273	2.49%	3,536,
Non-interest bearing deposits	735,953			735,
Other liabilities	47,641			46,
Total Liabilities	4,365,355			4,317,
Common stock	540			
Paid-in capital	379,265			377,
Retained earnings	166,307			161,
Accumulated other Comprehensive income	3,490			4,
Total Stockholders' Equity	549,602			544,
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,914,957			\$ 4,862,
Net interest income		\$ 52,300		
Net interest spread			4.09%	
Net Interest Margin			4.63%	
Net Interest Margin (Tax Equivalent)			4.75%	
Return on average assets (annualized)			1.51%	
Return on average equity (annualized)			13.51%	

(1) Excludes tax effect of \$2,810 and \$1,405 on non-taxable investment security income for the year and quarter ended June 30, 2008,

respectively.

20

16) Change in Accounting Principle

In September 2006, FASB ratified the consensus reached by the Emerging Issues Task Force ("EITF") for Issue 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangement. Effective for fiscal years beginning after December 15, 2007, the EITF requires policy holders of split dollar life insurance arrangements to recognize a liability for future benefits to the employee with the option to recognize the change in accounting principle through either a cumulative-effective adjustment to beginning retained earnings or through retrospective application to all periods.

The Company has split-dollar life insurance policies that required recording a liability for future benefits. The Company opted to recognize a cumulative-effect adjustment of \$997,000 to retained earnings as of January 1, 2008 due to the impracticality of obtaining prior years information.

In February 2007, FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of SFAS No. 115. SFAS 159 allows companies to report selected financial assets and liabilities at fair value. The changes in fair value are recognized in earnings and the assets and liabilities measured under this methodology are required to be displayed separately in the balance sheet. While SFAS 159 is effective beginning January 1, 2008, the Company has not elected the fair value option that is offered by this statement.

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

RESULTS OF OPERATIONS - THE THREE MONTHS ENDED JUNE 30, 2008 COMPARED TO MARCH 31, 2008 AND JUNE 30, 2007

Performance Summary

The Company reported net earnings of \$18.459 million for the second quarter, an increase of \$1.734 million, or 10 percent, over the \$16.725 million for the second quarter of 2007. Diluted earnings per share of \$.34 for the quarter is an increase of 10 percent over the diluted earnings per share of \$.31 for the same quarter of 2007. Annualized return on average assets and return on average equity for the second quarter were 1.51 percent and 13.51 percent, respectively, which compares with prior year returns for the second quarter of 1.47 percent and 13.79 percent, respectively. The increase in earnings is primarily due to an improvement in the net interest margin and a steady increase in loans as well as a \$1 million increase in non-interest income.

21

REVENUE SUMMARY
(UNAUDITED - \$ IN THOUSANDS)

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

	Three months ended		
	June 30, 2008 (unaudited)	March 31, 2008 (unaudited)	June 30, 2007 (unaudited)
Net interest income			
Interest income	\$ 74,573	\$ 76,016	\$ 75,000
Interest expense	22,273	27,387	30,000
Net interest income	52,300	48,629	45,000
Non-interest income			
Service charges, loan fees, and other fees	12,223	10,961	11,000
Gain on sale of loans	4,245	3,880	3,000
Gain on sale of investments	-	248	-
Other income	913	1,173	-
Total non-interest income	17,381	16,262	16,000
	\$ 69,681	\$ 64,891	\$ 61,000
Tax equivalent net interest margin	4.75%	4.54%	4.00%

	\$ change from March 31, 2008	\$ change from June 30, 2007	% change from March 31, 2008
Net interest income			
Interest income	\$ (1,443)	\$ (720)	-2%
Interest expense	\$ (5,114)	\$ (7,824)	-19%
Net interest income	3,671	7,104	8%
Non-interest income			
Service charges, loan fees, and other fees	1,262	465	12%
Gain on sale of loans	365	537	9%
Gain on sale of investments	(248)	-	-100%
Other income	(260)	(32)	-22%
Total non-interest income	1,119	970	7%
	\$ 4,790	\$ 8,074	7%

n/m - not measurable

Net Interest Income

Net interest income for the quarter increased \$4 million, or 8 percent, from the prior quarter, and increased \$7 million, or 16 percent, over the same period in 2007. While total interest income has decreased by \$1 million, or 1 percent,

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

from the same period last year, total interest expense has decreased by \$8 million, or 26 percent, from the same period last year. 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 4.75 percent which is 21 basis points higher than the 4.54 percent achieved for the prior quarter and 24 basis points higher than the 4.51 percent result for the second quarter of 2007.

Provision for Loan Losses

The Company recorded a provision for loan losses of \$5.0 million, an increase of \$3.8 million from the same quarter in 2007. Such increase is primarily attributable to higher reserves for certain commercial real estate loans in Western Montana and Idaho, most notably in the Coeur d'Alene, Sandpoint and Boise markets, and the

22

increase in non-performing assets at June 30, 2008 compared to June 30, 2007. Net charged-off loans during the three months ended June 30, 2008 was \$915 thousand.

The determination of the allowance for loan and lease losses ("ALLL") 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.

Non-interest Income

Non-interest income for the quarter increased \$1 million, or 7 percent, from the prior quarter, and also increased \$1 million, or 6 percent, over the same period in 2007. Fee income increased \$1.3 million, or 12 percent, during the quarter, compared to the \$465 million, or 4 percent, increase over the same period last year. The fee income increases are attributable to the continued growth in the number of checking accounts. Gain on sale of loans for the quarter increased \$365 thousand, or 9 percent, and increased \$537 thousand, or 14 percent, over the same period last year, such increases resulting from a greater volume of real estate and other loans sold. There were no sales of investments in the quarter, unlike the first quarter which included \$248 thousand in gain from the sale of shares in Principal Financial Group (PFG) and a mandatory redemption of a portion of Visa, Inc. shares from its initial public offering. For the quarter, other income decreased by \$260 thousand, or 22 percent, compared to a decrease of \$32 thousand, or 3 percent, over the same period last year.

NON-INTEREST EXPENSE SUMMARY (UNAUDITED - \$ IN THOUSANDS)

	Three months ended		
	June 30, 2008 (unaudited)	March 31, 2008 (unaudited)	June 30, 2007 (unaudited)
	-----	-----	-----
Compensation and employee benefits	\$ 20,967	\$ 21,097	\$ 20,594
Occupancy and equipment expense	5,116	5,133	4,812

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Advertising and promotion expense	1,833	1,539	1,582
Outsourced data processing	647	667	680
Core deposit intangibles amortization	767	779	809
Other expenses	7,113	6,398	6,597
	-----	-----	-----
Total non-interest expense	\$ 36,443	\$ 35,613	\$ 35,074
	=====	=====	=====

	\$ change from March 31, 2008	\$ change from June 30, 2007	% change from March 31, 2008	% ch Ju
	-----	-----	-----	-----
Compensation and employee benefits	\$ (130)	\$ 373	-1%	
Occupancy and equipment expense	(17)	304	0%	
Advertising and promotion expense	294	251	19%	
Outsourced data processing	(20)	(33)	-3%	
Core deposit intangibles amortization	(12)	(42)	-2%	
Other expenses	715	516	11%	
	-----	-----		
Total non-interest expense	\$ 830	\$ 1,369	2%	
	=====	=====		

23

Non-interest Expense

Non-interest expense increased by \$830 thousand, or 2 percent, from the prior quarter and increased by \$1.4 million, or 4 percent, from the same quarter of 2007. Compensation and benefit expense decreased \$130 thousand, or 1 percent, over the prior quarter, and increased \$373 thousand, or 2 percent, over the same quarter of 2007. The year-over-year increase is primarily attributable to increased staffing levels, including new branches, as well as increased compensation, including commissions tied to increased production, and benefits, including health insurance. The number of full-time-equivalent employees has increased from 1,469 to 1,537, a 5 percent increase since June 30, 2007.

Occupancy and equipment expense increased \$304 thousand, or 6 percent, while other expenses increased \$516 thousand, or 8 percent, since June 30, 2007, reflecting the cost of additional branch locations, facility upgrades, and other general and administrative costs. Advertising and promotion expense increased \$294 thousand, or 19 percent, from the prior quarter, and increased \$251 thousand, or 16 percent, from the same quarter of 2007, such increases primarily attributable to new branch promotions, and the banks continuing focus on attracting and retaining non-interest bearing deposits.

The efficiency ratio (non-interest expense/net interest income plus non-interest income) was 52 percent for the 2008 second quarter, compared to 57 percent for the 2007 second quarter, a five percentage point improvement.

RESULTS OF OPERATIONS - THE SIX MONTHS ENDED JUNE 30, 2008 COMPARED
TO THE SIX MONTHS ENDED JUNE 30, 2007

Performance Summary

Net earnings of \$35.858 million for the first half of 2008 is an increase of

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

\$3.040 million, or 9 percent over the first half of the prior year. Diluted earnings per share of \$0.66 versus \$0.61 for the same period last year is an increase of 8 percent. Included in first half of 2007 earnings is a nonrecurring \$1.0 million gain (\$1.6 million pre-tax) from the sale of Western Security Bank's Lewistown, Montana branch, which was partially offset by approximately \$500 thousand of nonrecurring expenses from the merger of three of the acquired Citizens Development Company's ("CDC") five subsidiaries into the Company's subsidiaries.

REVENUE SUMMARY

(UNAUDITED - \$ IN THOUSANDS)

	Six months ended June 30,			
	2008	2007	\$ change	% change
Interest income	\$ 150,589	\$ 147,213	\$ 3,376	2
Interest expense	49,660	58,926	(9,266)	-16
Net interest income	100,929	88,287	12,642	14
Non-interest income				
Service charges, loan fees, and other fees	23,184	21,843	1,341	6
Gain on sale of loans	8,125	6,750	1,375	20
Gain (loss) on sale of investments	248	(8)	256	-3200
Other income	2,086	3,518	(1,432)	-41
Total non-interest income	33,643	32,103	1,540	5
	\$ 134,572	\$ 120,390	\$ 14,182	12
Tax equivalent net interest margin	4.65%	4.49%		

Net Interest Income

Net interest income for the six months increased \$13 million, or 14 percent, over the same period in 2007. Total interest income increased \$3 million, or 2 percent, while total interest expense decreased \$9 million, or 16

24

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 4.65 percent, an increase of 16 basis points from the 4.49 percent for the same period in 2007.

Provision for Loan Losses

The provision for loan loss expense was \$8 million for the first six months of 2008, an increase of \$5 million, or 214 percent, from the same period in 2007. The increase in the provision reflects an increase in non-performing loans since December 31, 2007, as well as reserves for certain commercial real estate loans in western Montana and Idaho. Net charged-off loans during the six months ended June 30, 2008 was \$1.148 million.

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Non-interest Income

Total non-interest income increased \$1.5 million, or 5 percent in 2008. Fee income for the first half of 2008 increased \$1 million, or 6 percent, over the first half of 2007, driven primarily by an increased number of loan and deposit accounts, and additional customer products and services offered. Gain on sale of loans increased \$1.4 million, or 20 percent, from the first six months of last year. 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 (PFG). Other income for the six months decreased \$1.4 million, or 41 percent, over the same period in 2007. Such decrease is attributable to a gain of \$1.6 million from the January 19, 2007 sale of Western Security Bank's Lewistown branch, a regulatory requirement imposed to complete the acquisition of CDC.

NON-INTEREST EXPENSE SUMMARY (UNAUDITED - \$ IN THOUSANDS)

	Six months ended June 30,			
	2008	2007	\$ change	% change
Compensation and employee benefits	\$ 42,064	\$ 40,100	\$ 1,964	5%
Occupancy and equipment expense	10,249	9,270	979	11%
Advertising and promotion expense	3,372	3,021	351	12%
Outsourced data processing	1,314	1,492	(178)	-12%
Core deposit intangibles amortization	1,546	1,589	(43)	-3%
Other expenses	13,511	12,785	726	6%
	-----	-----	-----	
Total non-interest expense	\$ 72,056	\$ 68,257	\$ 3,799	6%
	=====	=====	=====	

Non-interest Expense

Non-interest expense increased by \$4 million, or 6 percent, from the same six months of 2007. The first half of 2007 included approximately \$500,000 of non-recurring expenses and costs, including overtime, associated with the January 26, 2007 merger of three of the five CDC subsidiaries into Glacier Bancorp, Inc.'s subsidiaries, and related operating system conversions. Compensation and employee benefit expense increased \$2 million, or 5 percent, from the first half of 2007, due largely to the increased number of employees added since June 30, 2007. Occupancy and equipment expense increased \$979 thousand, or 11 percent, while other expenses increased \$726 thousand, or 6 percent, since June 30, 2007, reflecting the cost of additional locations and facility upgrades. Advertising and promotion expense increased \$351 thousand, or 12 percent, from the first half of 2007, due primarily to new branch promotions, and the banks continuing focus on attracting and retaining non-interest bearing deposits. The efficiency ratio (non-interest expense/net interest income plus non-interest income) was 54 percent for the first half of 2008 compared favorably to 57 percent for the first six months of 2007.

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

As reflected in the table below, total assets at June 30, 2008 were \$5.028 billion, which is \$211 million, or 4 percent greater than total assets of \$4.817 billion at December 31, 2007, and \$355 million, or 8 percent, greater than the June 30, 2007 total assets of \$4.673 billion.

ASSETS (\$ IN THOUSANDS)	June 30, 2008 (unaudited)	December 31, 2007 (audited)	June 30, 2007 (unaudited)
Cash on hand and in banks	\$ 123,545	145,697	134,000
Investment securities, interest bearing deposits, FHLB stock, FRB stock, and fed funds	800,206	782,236	873,000
Loans:			
Real estate	746,193	725,854	819,000
Commercial	2,396,098	2,247,303	1,951,000
Consumer and other	678,661	638,378	612,000
Total loans	3,820,952	3,611,535	3,384,000
Allowance for loan and lease losses	(60,807)	(54,413)	(52,000)
Total loans net of allowance for loan and lease losses	3,760,145	3,557,122	3,332,000
Other assets	343,972	332,275	333,000
Total Assets	\$ 5,027,868	4,817,330	4,672,000

At June 30, 2008, total loans were \$3.821 billion, an increase of \$139 million, or 3.8 percent (15 percent annualized) over total loans of \$3.682 billion at March 31, 2008, and an increase of \$209 million, or 6 percent (12 percent annualized) over total loans of \$3.612 billion at December 31, 2007. Over the first half of 2008, commercial loans increased the most with an increase of \$149 million, or 7 percent, followed by consumer loans, which are primarily comprised of home equity loans, increasing by \$40 million, or 6 percent, while real estate loans increased \$20 million, or 3 percent from the fourth quarter of 2007. Since June 30, 2007, total loans have increased \$437 million, or 13 percent, of which commercial loans increased \$444 million, or 23 percent, consumer loans grew by \$66 million, or 11 percent, while real estate loans decreased \$73 million, or 9 percent.

Investment securities, including interest bearing deposits in other financial institutions and federal funds sold, have increased \$18 million, or 2 percent, from December 31, 2007 and have decreased \$73 million, or 8 percent, from June 30, 2007. Investment securities at June 30, 2008 represented 16 percent of total assets at June 30, 2008 and at December 31, 2007 compared to 19 percent at June 30, 2007.

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, 2008 and 2007 were \$356 million and \$310 million, respectively, and for the three months ended June 30, 2008 and 2007 were \$180 million and \$168 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, 2008 was

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

approximately \$185 million.

Allowance for Loan and Lease Losses

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 interest rate shock testing.

26

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 subsidiary bank'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 banks operate, changes in collateral values, delinquencies, non-performing assets and net charge-offs. Relative to national economic developments, the local market areas in which the banks operate largely continue to have economies that foster the above-average job and population growth achieved over the course of 2007. Although the Company and the banks continue to actively monitor national and local 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 Company considers the ALLL balance of \$60.807 million adequate to cover inherent losses in the loan and lease portfolios as of June 30, 2008. 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 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 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. Loan relationships exceeding a bank's loan approval limit up to \$10 million are subject to approval by the Executive Loan Committee consisting of the ten banks' chief credit officers and the Company's Credit Administrator. Loans exceeding \$10 million are subject to approval by the Company's Board of Directors. 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

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

of rapid economic downturns.

At the end of each quarter, each of the subsidiary community banks analyzes its loan and lease portfolio and maintain an ALLL at a level that is appropriate and determined in accordance with accounting principals 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 ALLL evaluation is well documented and approved by each subsidiary bank's Board of Directors and reviewed by the Company's Board of Directors. In addition, the policy and procedures for determining the balance of the ALLL are reviewed annually by each subsidiary bank's Board of Directors and the Company's Board of Directors.

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 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.

27

The following table summarizes the allocation of the ALLL:

(Dollars in thousands)	June 30, 2008		December 31, 2007	
	Allowance for loan and lease Losses	Percent of loans in category	Allowance for loan and lease Losses	Percent of loans in category
Real estate loans	\$ 5,391	19.6%	4,755	20.2%
Commercial real estate loans	26,310	45.3%	23,010	44.6%
Other commercial loans	19,063	17.4%	17,453	17.6%
Consumer and other loans	10,043	17.7%	9,195	17.6%
Totals	\$ 60,807	100.0%	54,413	100.0%

Each bank's ALLL is generally available to absorb losses from any segment of its loan and lease portfolio.

The increase in the ALLL for commercial real estate loans was primarily due to increases in reserves for certain commercial real estate loans in the high growth areas of Western Montana and Idaho, most notably in the Coeur d'Alene, Sandpoint and Boise markets, and the increase in non-performing assets since June 30, 2007.

Six months ended June 30, Year ended December 31, Six months e June 30,

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

(Dollars in thousands)	2008	2007	2007
	-----	-----	-----
Balance at beginning of period	\$ 54,413	49,259	49
Charge-offs:			
Real estate loans	(580)	(306)	
Commercial loans	(570)	(2,367)	
Consumer and other loans	(348)	(714)	
	-----	-----	-----
Total charge-offs	\$ (1,498)	(3,387)	
	-----	-----	-----
Recoveries:			
Real estate loans	44	208	
Commercial loans	178	656	
Consumer and other loans	128	358	
	-----	-----	-----
Total recoveries	\$ 350	1,222	
	-----	-----	-----
Net (charge-offs) recoveries	(1,148)	(2,165)	
Acquisition (1)	-	639	
Provision	7,542	6,680	2
	-----	-----	-----
Balance at end of period	\$ 60,807	54,413	52
	=====	=====	=====
Ratio of net (charge-offs) recoveries to average loans outstanding during the period	(0.030%)	(0.060%)	0
Allowance for loan and lease losses as a percentage of total loan and leases	1.59%	1.51%	

(1) Increase attributable to the April 30, 2007 acquisition of North Side State Bank ("North Side") of Rock Springs, Wyoming, which was merged into 1st Bank, the Company's subsidiary bank in Evanston, Wyoming.

The ALLL has increased \$8.4 million, or 16 percent, from a year ago. The ALLL of \$60.807 million is 1.59 percent of June 30, 2008 total loans outstanding, up from 1.51 percent at prior year end, and up from 1.55 percent in the second quarter last year. The first six months provision for loan and lease loss expense was \$7.5 million, an

increase of \$5.1 million from the same period in 2007. Net loans and lease charge-offs were \$1.1 million, or .030 percent of average loans and leases in the first six months of 2008, compared to net recoveries of \$119 thousand, or .004 percent of average loans and leases in the first six months of 2007.

The banks' 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 the lower of the unpaid principal balance or estimated fair value, not to exceed estimated net realizable value. 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.

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Non-performing Assets (Dollars in thousands)	At 6/30/2008	At 12/31/2007	At 6/30/2007
Non-accrual loans:			
Real estate loans	\$ 1,293	934	977
Commercial loans	17,788	7,192	3,799
Consumer and other loans	593	434	459
Total	\$ 19,674	8,560	5,235
Accruing Loans 90 days or more overdue:			
Real estate loans	467	840	659
Commercial loans	3,006	1,216	3,791
Consumer and other loans	227	629	142
Total	\$ 3,700	2,685	4,592
Real estate and other assets owned, net	6,523	2,043	2,153
Total non-performing loans and real estate and other assets owned, net	\$ 29,897	13,288	11,980
As a percentage of total bank assets	0.58%	0.27%	0.25%
Interest Income (1)	\$ 707	683	206
Allowance for loan and lease losses as a percentage of non-performing assets	203%	409%	438%

(1) Amounts represent interest income that would have been recognized on loans accounted for on a non-accrual basis for the six months ended June 30, 2008, year ended December 31, 2007 and six months ended June 30, 2007 had such loans performed pursuant to contractual terms.

Non-performing assets as a percentage of total bank assets at June 30, 2008 were at .58 percent, up from .57 percent as of March 31, 2008, and up from .25 percent at June 30, 2007. These ratios compare favorably to the Federal Reserve Bank Peer Group average of 1.06 percent at March 31, 2008, the most recent information available. The ALLL was 203 percent of non-performing assets at June 30, 2008, down from 409 percent for the prior year end and down from 438 percent a year ago. Each of the subsidiary banks 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 in most instances the value of the underlying real estate collateral is adequate to minimize any significant charge-offs or loss to the Company.

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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. When the ultimate collectibility 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 collectibility 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 and six months ended June 30, 2008 and 2007 was not significant. Impaired loans, net of government guaranteed amounts, were \$23.707 million and \$5.235 million as of June 30, 2008 and 2007, respectively. The ALLL includes valuation allowances of \$3.030 million and \$0 specific to certain impaired loans as of June 30, 2008 and 2007, respectively.

LIABILITIES (\$ IN THOUSANDS)	June 30, 2008 (unaudited)	December 31, 2007 (audited)	June 30, 2007 (unaudited)	\$
Non-interest bearing deposits	\$ 778,786	788,087	820,728	
Interest bearing deposits	2,347,137	2,396,391	2,533,957	
Advances from Federal Home Loan Bank	658,211	538,949	260,224	
Securities sold under agreements to repurchase and other borrowed funds	531,648	401,621	390,780	
Other liabilities	43,884	45,147	49,036	
Subordinated debentures	118,559	118,559	118,559	
Total liabilities	\$ 4,478,225	4,288,754	4,173,284	

Non-interest bearing deposits increased \$8 million, or 1 percent, since March 31, 2008, decreased \$9 million, or 1 percent, since December 31, 2007, and decreased \$42 million, or 5 percent, since June 30, 2007. Interest bearing deposits decreased \$49 million from December 31, 2007. The decrease of \$187 million in interest bearing deposits since June 30, 2007 includes a \$226 million decrease in higher cost brokered CD's in favor of lower cost interest bearing

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

deposits. FHLB of Seattle advances increased \$398 million from June 30, 2007 and increased \$119 million from December 31, 2007. Repurchase agreements and other borrowed funds were \$532 million at June 30, 2008, an increase of \$141 million from June 30, 2007, and an increase of \$130 million from December 31, 2007. Included in this latter category are U.S. Treasury Tax and Loan funds of \$199 million at June 30, 2008, a decrease of \$17 million from December 31, 2007, and a decrease of \$27 million from June 30, 2007.

30

STOCKHOLDERS' EQUITY (\$ IN THOUSANDS EXCEPT PER SHARE DATA)	June 30, 2008 (unaudited)	December 31, 2007 (audited)	June 30, 2007 (unaudited)
Common equity	\$ 551,718	525,459	500,179
Accumulated other comprehensive (loss) income	(2,075)	3,117	(508)
Total stockholders' equity	549,643	528,576	499,671
Core deposit intangible, net, and goodwill	(152,717)	(154,264)	(155,593)
	\$396,926	374,312	344,078
Stockholders' equity to total assets	10.93%	10.97%	10.69%
Tangible stockholders' equity to total tangible assets	8.14%	8.03%	7.62%
Book value per common share	\$ 10.18	9.85	9.34
Market price per share at end of quarter	\$ 15.99	18.74	20.35

Total stockholders' equity and book value per share amounts have increased \$50 million and \$.84 per share, respectively, from June 30, 2007, the result of earnings retention and exercised stock options. Tangible stockholders equity has increased \$53 million, or 15 percent since June 30, 2007, with tangible stockholders' equity at 8.14 percent of total tangible assets at June 30, 2008, up from 7.62 percent at June 30, 2007. Accumulated other comprehensive income, representing net unrealized gains or losses on investment securities designated as available for sale, decreased \$2 million from June 30, 2007.

Cash dividend

On June 25, 2008, the board of directors declared a cash dividend of \$.13 payable July 17, 2008 to shareholders of record on April 8, 2008, which is an increase of 8 percent over the \$.12 dividend declared in the first quarter of last year.

Liquidity and Capital Resources

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 banking 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 subsidiaries' source of funds is generated by deposits, principal and

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

interest payments on loans, sale of loans and securities, short and long-term borrowings, and net earnings. In addition, all of the banking subsidiaries are members of the FHLB of Seattle. As of June 30, 2008, the Company had \$951 million of available FHLB of Seattle credit of which \$658 million was utilized. Accordingly, management of the Company has a wide range of versatility in managing the liquidity and asset/liability mix for each individual institution as well as the Company as a whole.

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.

Impact of Recently Issued Accounting Standards

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

31

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.

Merger of Bank Subsidiaries

Effective April 30, 2008, Whitefish merged into Glacier with the combined operations conducted under the Glacier charter. In connection with the merger, Russ Porter, President of Whitefish, has joined Mountain West as President and Chief Operating Officer.

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.

Forward Looking Statements

This Form 10-Q includes forward looking statements, which describe management's expectations regarding future events and developments such as future operating results, growth in loans and deposits, continued success of the Company's style

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

of banking and the strength of the local economies in which it operates. Future events are difficult to predict, and the expectations described above are necessarily subject to risk and uncertainty that may cause actual results to differ materially and adversely. In addition to discussions about risks and uncertainties set forth from time to time in the Company's public filings, factors that may cause actual results to differ materially from those contemplated by such forward looking statements include, among others, the following possibilities: (1) local, national and international economic conditions are less favorable than expected or have a more direct and pronounced effect on the Company than expected and adversely affect the company's ability to continue its internal growth at historical rates and maintain the quality of its earning assets; (2) changes in interest rates reduce interest margins more than expected and negatively affect funding sources; (3) projected business increases following strategic expansion or opening or acquiring new banks and/or branches are lower than expected; (4) costs or difficulties related to the integration of acquisitions are greater than expected; (5) competitive pressure among financial institutions increases significantly; (6) legislation or regulatory requirements or changes adversely affect the businesses in which the Company is engaged.

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, 2007.

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.

32

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 2008, 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 the community bank subsidiaries are exposed to certain risks. The following is a discussion of the most significant risks and uncertainties

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

that may affect the Company's business, financial condition and future results.

Fluctuating interest rates can adversely affect our 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 our 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, the profitability. The Company cannot provide assurance that it can minimize interest rate risk. In addition, interest rates also affect the amount of money the Company can lend. When interest rates rise, the cost of borrowing also increases. Accordingly, changes in levels of market interest rates could materially and adversely affect the net interest spread, asset quality, loan origination volume, business and prospects.

A tightening of the credit market may make it difficult to obtain available money to fund loan growth, which could adversely affect our earnings

A tightening of the credit market and the inability to obtain adequate money to fund continued loan growth may negatively affect asset growth and, therefore, earnings capability. In addition to any deposit growth, maturity of investment securities and loan payments, the Company also relies on alternative funding sources through correspondent banking and a borrowing line with the FHLB of Seattle to fund loans. In the event of a downturn in the economy, particularly in the housing market, these resources could be negatively affected, which would limit the funds available to the Company.

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 is believed adequate to provide for losses inherent in the portfolio. While the Company strives to carefully monitor credit quality and to identify loans that may become non-performing, at any time there are loans included in the portfolio that will result in losses that have not been identified as non-performing or potential problem loans. The Company cannot be sure that it will be able to identify deteriorating loans before they become non-performing assets, or that it will be able to limit losses on those loans that are identified. As a result, future significant additions to the ALLL may be necessary. Additionally, future additions to the ALLL may be required based on changes in the composition of the loans comprising the portfolio and 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

33

the Company's ALLL. These regulatory agencies may require the Company to increase the ALLL which could have a negative effect on the Company's financial condition and results of operation. A critical element in determining the adequacy of the ALLL is the maintenance of the underlying collateral values, most of which are in real estate.

Concentration in Real Estate Market

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

The Company has a high concentration of loans secured by real estate and a downturn in the real estate market, for any reason, could hurt business and prospects. In particular, if the nationwide economic decline migrates further to the markets the Company serves, the Company could be exposed to additional risk of losses from real estate related loans. Business activities and credit exposure are concentrated in loans secured by real estate. A decline in the real estate market could negatively affect the business because the collateral securing those loans may decrease in value. A downturn in the economics of the markets the Company serves 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 ability to recover on defaulted loans by foreclosing and selling the real estate collateral would then be diminished and the Company would more likely to suffer losses on defaulted loans.

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 generally are 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 a pronouncement alerting banks 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 loan portfolio contains a significant number of commercial and commercial real estate loans with relatively large balances, the deterioration of one or a few 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 the results of operations and financial condition.

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

The FDIC likely will increase insurance premiums to rebuild and maintain the federal deposit insurance fund

Based on recent events and the state of the economy, it is likely that the FDIC may increase federal deposit insurance premiums as early as September 2008. Depending on the circumstances, this increase may be relatively significant and will add to the Company's cost of operations. It is too soon to predict the exact amount of any premium increase or the impact on the Company.

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 30, 2008
- (b) Not Applicable
- (c) A brief description of each matter voted upon at the Annual Meeting and the number of votes cast for, against, or withheld, including a separate tabulation with respect to each nominee to serve on the Board is presented below:

- (1) Election of Directors for three-year terms expiring in 2011 and until their successors have been elected and have qualified.

Michael J. Blodnick		
	Votes Cast For:	45,528,380
	Votes Cast Withheld:	484,097

Allen J. Fetscher		
	Votes Cast For:	45,463,750
	Votes Cast Withheld:	548,727

John W. Murdoch		
	Votes Cast For:	45,307,712
	Votes Cast Withheld:	704,766

- (2) To approve an amendment to the Company's Articles of Incorporation to eliminate the current staggered terms of the board of directors and instead provide for the annual election of all directors.

	Votes Cast For:	37,835,271
	Votes Cast Withheld:	951,514

- (d) None

ITEM 5. OTHER INFORMATION

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

ITEM 6. EXHIBITS

- Exhibit 3.i. - Amended and Restated Articles of Incorporation
- Exhibit 3.ii.- Amended and Restated Bylaws

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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 8, 2008

/s/ Michael J. Blodnick

Michael J. Blodnick
President/CEO

August 8, 2008

/s/ Ron J. Copher

Ron J. Copher
Senior Vice President/CFO