

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

GLACIER BANCORP INC
Form 10-Q
May 12, 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 MARCH 31, 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

(State or other jurisdiction of incorporation or organization)

(I

49 Commons Loop, Kalispell, Montana

59

(Address of principal executive offices)

(Z

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

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer 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 April 21, 2008 was 53,950,559. No preferred shares are issued or outstanding.

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

INDEX

	Page

PART I. FINANCIAL INFORMATION	
Item 1 - Financial Statements	
Condensed Consolidated Statements of Financial Condition - Unaudited March 31, 2008, March 31, 2007 and audited December 31, 2007.....	3
Condensed Consolidated Statements of Operations - Unaudited three months ended March 31, 2008 and 2007.....	4
Condensed Consolidated Statements of Stockholders' Equity and Comprehensive Income - Year ended December 31, 2007 and unaudited three months ended March 31, 2008.....	5
Condensed Consolidated Statements of Cash Flows - Unaudited three months ended March 31, 2008 and 2007.....	6
Notes to Condensed Consolidated Financial Statements - Unaudited.....	7
Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations	20
Item 3 - Quantitative and Qualitative Disclosure about Market Risk	30
Item 4 - Controls and Procedures.....	30
PART II. OTHER INFORMATION	31
Item 1 - Legal Proceedings.....	31
Item 1A - Risk Factors	31
Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds.....	32
Item 3 - Defaults Upon Senior Securities.....	32
Item 4 - Submission of Matters to a Vote of Security Holders.....	33
Item 5 - Other Information.....	33
Item 6 - Exhibits	33

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Signatures..... 33

GLACIER BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands, except per share data)	MARCH 31, 2008	Decemb 20
	(UNAUDITED)	(audi
ASSETS:		
Cash on hand and in banks	\$ 113,016	1
Federal funds sold	135	
Interest bearing cash deposits	72,662	
	-----	-----
Cash and cash equivalents	185,813	2
Investment securities	691,270	7
Loans receivable, net	3,585,847	3,5
Loans held for sale	39,341	
Premises and equipment, net	124,183	1
Real estate and other assets owned, net	2,098	
Accrued interest receivable	25,900	
Core deposit intangible, net	13,184	
Goodwill	140,301	1
Other assets	26,935	
	-----	-----
Total assets	\$ 4,834,872	4,8
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Non-interest bearing deposits	\$ 770,456	7
Interest bearing deposits	2,388,483	2,3
Advances from Federal Home Loan Bank of Seattle	472,761	5
Securities sold under agreements to repurchase	191,369	1
Other borrowed funds	300,820	2
Accrued interest payable	11,116	
Deferred tax liability	932	
Subordinated debentures	118,559	1
Other liabilities	37,428	
	-----	-----
Total liabilities	4,291,924	4,2
	-----	-----
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	539	
Paid-in capital	378,547	3
Retained earnings - substantially restricted	159,579	1
Accumulated other comprehensive income	4,283	
	-----	-----
Total stockholders' equity	542,948	5
	-----	-----
Total liabilities and stockholders' equity	\$ 4,834,872	4,8
	=====	=====

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Number of shares outstanding	53,918,813	53,6
Book value per share	\$ 10.07	

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 MARCH 31,	
	2008	2007
INTEREST INCOME:		
Real estate loans	\$ 12,592	14,441
Commercial loans	42,533	36,652
Consumer and other loans	12,107	11,314
Investment securities and other	8,784	9,513
Total interest income	76,016	71,920
INTEREST EXPENSE:		
Deposits	16,869	18,807
Federal Home Loan Bank of Seattle advances	5,718	5,042
Securities sold under agreements to repurchase	1,341	1,887
Subordinated debentures	1,873	1,814
Other borrowed funds	1,586	1,279
Total interest expense	27,387	28,829
NET INTEREST INCOME	48,629	43,091
Provision for loan losses	2,500	1,195
Net interest income after provision for loan losses	46,129	41,896
NON-INTEREST INCOME:		
Service charges and other fees	9,471	8,263
Miscellaneous loan fees and charges	1,490	1,822
Gains on sale of loans	3,880	3,042
Gain (Loss) on sale of investments	248	(8)
Other income	1,173	2,573
Total non-interest income	16,262	15,692
NON-INTEREST EXPENSE:		
Compensation, employee benefits and related expense....	21,097	19,506
Occupancy and equipment expense	5,133	4,458
Advertising and promotions expense	1,539	1,440
Outsourced data processing expense	667	812
Core deposit intangibles amortization	779	780

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Other expense	6,398	6,187
	-----	-----
Total non-interest expense	35,613	33,183
	-----	-----
EARNINGS BEFORE INCOME TAXES	26,778	24,405
Federal and state income tax expense	9,379	8,312
	-----	-----
NET EARNINGS	\$ 17,399	16,093
	=====	=====
Basic earnings per share	\$ 0.32	0.31
Diluted earnings per share	\$ 0.32	0.30
Dividends declared per share	\$ 0.13	0.12
Return on average assets (annualized)	1.46%	1.48%
Return on average equity (annualized)	12.98%	14.02%
Average outstanding shares - basic	53,849,608	52,500,395
Average outstanding shares - diluted	54,034,186	53,239,346

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 THREE MONTHS ENDED MARCH 31, 2008

(Dollars in thousands, except per share data)	Common Stock		Paid-in capital	Re ea subst res
	Shares	Amount		
Balance at December 31, 2006	52,302,820	\$ 523	344,265	
Comprehensive income:				
Net earnings	--	--	--	
Unrealized gain on securities, net of reclassification adjustment and taxes	--	--	--	
Total comprehensive income				
Cash dividends declared (\$.50 per share)	--	--	--	
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	
Comprehensive income:				
Net earnings	--	--	--	
Unrealized gain on securities, net of reclassification adjustment and taxes	--	--	--	

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Total comprehensive income			
Cash dividends declared (\$.13 per share)	--	--	--
Stock options exercised	272,333	3	2,614
Cumulative effect of a change in accounting principle	--	--	--
Stock based compensation and tax benefit	--	--	1,205
	-----	-----	-----
Balance at March 31, 2008 (unaudited)	53,918,813	\$ 539	378,547
	=====	=====	=====

See accompanying notes to condensed consolidated financial statements.

5

GLACIER BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED - dollars in thousands)	THREE MONTHS ENDED MARCH 31,	
	2008	2007
-----	-----	-----
OPERATING ACTIVITIES:		
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 26,640	25,755
	-----	-----
INVESTING ACTIVITIES:		
Proceeds from sales, maturities and prepayments of investments available-for-sale	171,558	61,768
Purchases of investments available-for-sale	(160,771)	(7,481)
Principal collected on installment and commercial loans	240,504	262,076
Installment and commercial loans originated or acquired	(316,583)	(299,714)
Principal collections on mortgage loans	83,509	123,188
Mortgage loans originated or acquired	(78,778)	(103,330)
Net purchase of FHLB and FRB stock	(31)	(1,693)
Net cash paid for sale of Western's Lewistown branch.....	-	(6,846)
Net addition of premises and equipment	(2,685)	(5,295)
	-----	-----
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(63,277)	22,673
	-----	-----
FINANCING ACTIVITIES:		
Net (decrease) increase in deposits	(25,539)	16,970
Net increase (decrease) in FHLB advances and other borrowed funds	11,052	(14,737)
Net increase (decrease) in securities sold under repurchase agreements	13,328	(7,724)
Cash dividends paid	(7,019)	(6,325)
Excess tax benefits from stock options	402	1,217
Proceeds from exercise of stock options and other stock issued	2,617	3,715
	-----	-----
NET CASH USED IN FINANCING ACTIVITIES	(5,159)	(6,884)
	-----	-----
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ...	(41,796)	41,544
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	227,609	173,017
	-----	-----

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 185,813	214,561
	=====	=====

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the period for:

Interest	\$ 29,552	26,891
Income taxes	\$ 1,295	2,400

See accompanying notes to condensed consolidated financial statements.

6

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 March 31, 2008 and 2007, stockholders' equity for the three months ended March 31, 2008, the results of operations for the three months ended March 31, 2008 and 2007, and cash flows for the three months ended March 31, 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 three months ended March 31, 2008 are not necessarily indicative of the results anticipated for the year ending December 31, 2008. Certain 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 March 31, 2008, the Company is the parent holding company for eleven 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"), Glacier Bank of Whitefish ("Whitefish"), 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, Whitefish merged into Glacier with operations conducted under the Glacier charter. Prior period activity of Whitefish will be combined and included in Glacier's historical results. The merger was accounted for as a combination of two wholly-owned subsidiaries without purchase accounting.

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

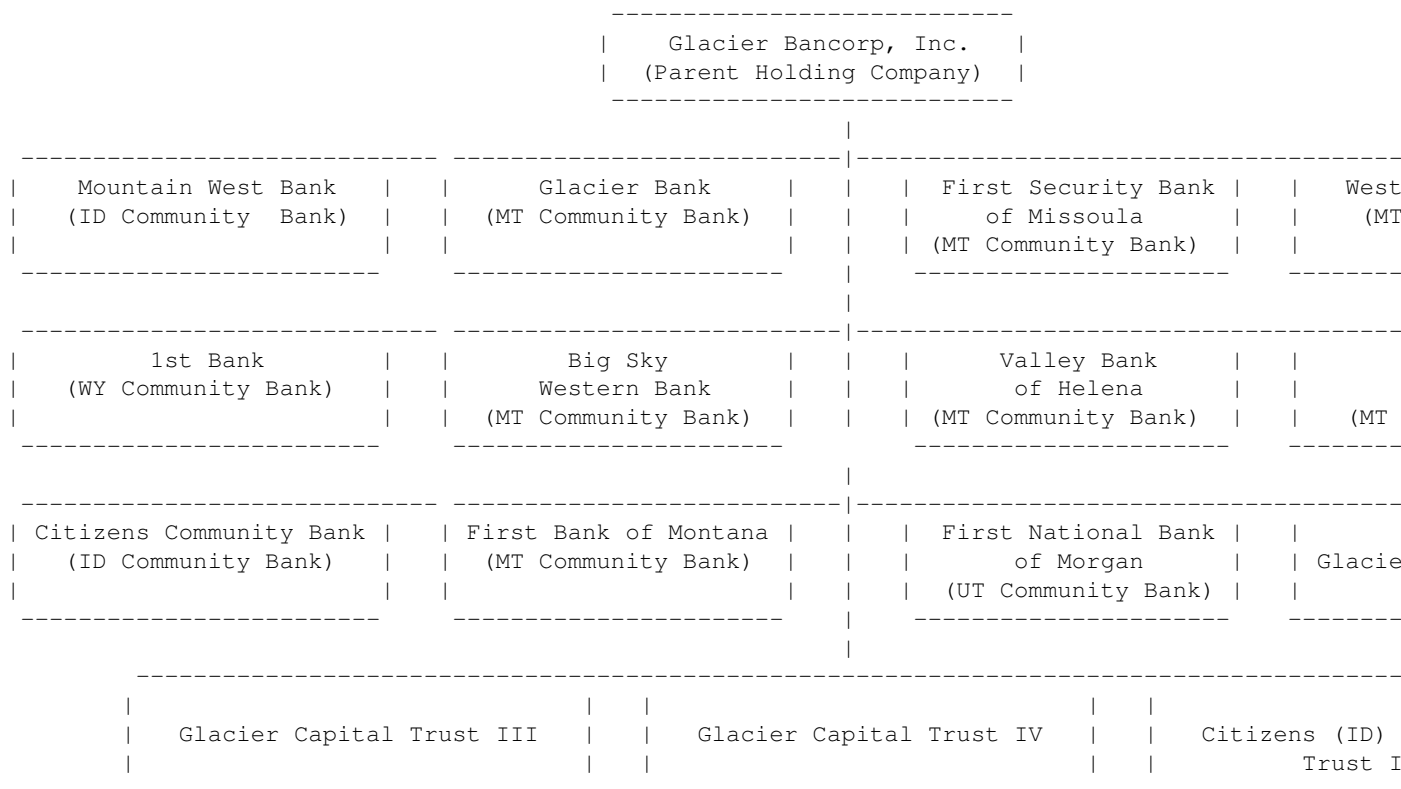
In addition, the Company owns four trust subsidiaries, Glacier Capital Trust II ("Glacier Trust II"), Glacier Capital Trust III ("Glacier Trust III"), Glacier Capital Trust IV ("Glacier Trust IV"), and Citizens (ID) Statutory Trust I ("Citizens Trust I") for the purpose of issuing trust preferred securities 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 \$4.8 billion at March 31, 2008, ten of the eleven community banks had total assets of less than \$1 billion. Morgan, the smallest community bank subsidiary had \$95.1 million in

7

total assets, while Mountain West, the largest community bank subsidiary, had \$1.049 billion in total assets at March 31, 2008.

The following abbreviated organizational chart illustrates the various relationships as of March 31, 2008:



8

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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 MARCH 31, 2008

(Dollars in thousands)	Weighted Yield	Amortized Cost	Gros Gain

AVAILABLE-FOR-SALE:			
U.S. GOVERNMENT AND FEDERAL AGENCIES:			
maturing within one year	2.21%	\$ 269	
GOVERNMENT-SPONSORED ENTERPRISES:			
maturing within one year	3.41%	698	
maturing one year through five years	0.00%	-	
maturing five years through ten years	6.21%	274	
maturing after ten years	5.98%	82	
	4.33%	1,054	
STATE AND LOCAL GOVERNMENTS AND OTHER ISSUES:			
maturing within one year	4.08%	1,484	
maturing one year through five years	4.49%	4,289	
maturing five years through ten years	5.08%	15,600	1,
maturing after ten years	5.16%	252,245	8,
	5.14%	273,618	9,
MORTGAGE-BACKED SECURITIES			
	4.54%	341,309	2,
FHLMC AND FNMA STOCK			
	5.74%	7,593	
TOTAL MARKETABLE SECURITIES			
	4.82%	623,843	12,

OTHER INVESTMENTS:			
Certificates of Deposits with over 90 day maturity, at cost	5.25%	99	
FHLB and FRB stock, at cost	1.73%	59,846	
Other stock, at cost	3.09%	413	
TOTAL INVESTMENTS			
	4.54%	\$ 684,201	12,
=====			

INVESTMENTS AS OF DECEMBER 31, 2007

Weighted Amortized Gros

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

(Dollars in thousands)	Yield	Cost	Gains

AVAILABLE-FOR-SALE:			
U.S. GOVERNMENT AND FEDERAL AGENCIES:			
maturing within one year	3.66%	\$ 2,550	
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	
		-----	-----
	5.43%	1,314	
		-----	-----
STATE AND LOCAL GOVERNMENTS AND OTHER ISSUES:			
maturing within one year	4.03%	1,328	
maturing one year through five years	4.30%	3,928	
maturing five years through ten years	4.96%	16,847	
maturing after ten years	5.09%	255,109	8,
		-----	-----
	5.06%	277,212	9,
		-----	-----
MORTGAGE-BACKED SECURITIES	4.55%	346,085	
FHLMC AND FNMA STOCK	5.74%	7,593	
		-----	-----
TOTAL MARKETABLE SECURITIES	4.79%	634,754	10,
		-----	-----
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,
		=====	=====

Interest income includes tax-exempt interest for the three months ended March 31, 2008 and 2007 of \$3,174,000 and \$3,452,000, respectively.

Gross proceeds from sale of marketable securities for the three months ended March 31, 2008 and 2007 were \$97,002,000 and \$1,355,000, respectively, resulting in gross gains of \$0 and \$0, respectively, and gross losses of \$0 and \$8,000, respectively. The gross proceeds and gross gains for the sale of other stock was \$248,000 and \$0 for the three months ended March 31, 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 remaining unredeemed shares of Visa, Inc. are restricted and have an estimated value of \$140,000 as March 31, 2008. 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

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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 3/31/08		At 12/31/2007		At 3/31/07
	Amount	Percent	Amount	Percent	Amount
Real Estate Loans:					
Residential real estate	\$ 684,007	18.9%	\$ 689,238	19.4%	\$ 737,561
Loans held for sale	39,341	1.1%	40,123	1.1%	32,778
Total	723,348	20.0%	729,361	20.5%	770,339
Commercial Loans:					
Real estate	1,669,876	46.1%	1,617,076	45.4%	1,195,355
Other commercial	648,202	17.9%	636,351	17.9%	662,069
Total	2,318,078	64.0%	2,253,427	63.3%	1,857,424
Consumer and other Loans:					
Consumer	213,346	5.9%	206,724	5.8%	214,798
Home equity	436,505	12.0%	432,217	12.2%	375,911
Total	649,851	17.9%	638,941	18.0%	590,709
Net deferred loan fees, premiums and discounts	(9,409)	-0.3%	(10,194)	-0.3%	(10,786)
Allowance for loan and lease losses	(56,680)	-1.6%	(54,413)	-1.5%	(50,540)
Loan receivable, net	\$ 3,625,188	100.0%	\$ 3,557,122	100.0%	\$ 3,157,146

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

(Dollars in thousands)	March 31, 2008	December 31, 2007	March 31, 2007
Real estate and other assets owned	\$ 2,098	2,043	1,727
Accruing Loans 90 days or more overdue	4,717	2,685	3,982
Non-accrual loans	21,747	8,560	5,597
Total non-performing assets	\$ 28,562	13,288	11,306
Non-performing assets as a percentage of total bank assets	0.57%	0.27%	0.25%

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Impaired loans were \$22,565,000, \$12,152,000 and \$5,597,000 as of March 31, 2008, December 31, 2007 and March 31, 2007, respectively. The valuation allowance on impaired loans was \$2,128,000, \$2,827,000 and \$0 as of March 31, 2008, December 31, 2007, and March 31, 2007, respectively.

11

The following table illustrates the loan and lease loss experience:

(Dollars in thousands)	March 31, 2008	December 31, 2007	March 31, 2007
	-----	-----	-----
Balance at the beginning of the period	\$ 54,413	49,259	49,259
Charge offs	(408)	(3,387)	(350)
Recoveries	175	1,222	436
	-----	-----	-----
Net (charge-offs) recoveries	\$ (233)	(2,165)	86
Acquisition (1)	-	639	-
Provision	2,500	6,680	1,195
	-----	-----	-----
Balance at the end of the period	\$ 56,680	54,413	50,540
	=====	=====	=====
Net (charge-offs) recoveries as a percentage of loans	(0.006%)	(0.060%)	0.003%

(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 March 31, 2008:

(Dollars in thousands)	Core Deposit Intangible	Mortgage Servicing Rights (1)	Total
	-----	-----	-----
Gross carrying value	\$ 25,706		
Accumulated Amortization	(12,522)		

Net carrying value	\$ 13,184	1,287	14,471
	=====		
WEIGHTED-AVERAGE AMORTIZATION PERIOD (Period in years)	10.0	9.8	10.0
AGGREGATE AMORTIZATION EXPENSE For the three months ended March 31, 2008	\$ 779	39	818
ESTIMATED AMORTIZATION EXPENSE For the year ended December 31, 2008	\$ 3,032	104	3,136

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

For the year ended December 31, 2009	2,738	86	2,824
For the year ended December 31, 2010	2,369	83	2,452
For the year ended December 31, 2011	1,662	81	1,743
For the year ended December 31, 2012	1,300	78	1,378

- (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 Number 141, Business Combinations. Purchase accounting requires the total purchase price to be allocated to the estimated fair values of assets acquired and liabilities assumed,

12

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 March 31, 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	Totals
-----	-----	-----	-----
Within three months.....	\$ 107,075	1,236,008	1,343,083
Three to six months.....	95,401	-	95,401
Seven to twelve months.....	101,014	-	101,014
Over twelve months.....	54,794	-	54,794
	-----	-----	-----
Totals	\$ 358,284	1,236,008	1,594,292
	=====	=====	=====

- 7) Advances and Other Borrowings

The following chart illustrates the average balances and the maximum outstanding month-end balances for Federal Home Loan Bank of Seattle (FHLB) advances, repurchase agreements and treasury, tax and loan borrowings:

As of and

As of and

As of a

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

(Dollars in thousands)	for the three months ended March 31, 2008	for the year ended December 31, 2007	for the months e March 31,
FHLB advances:			
Amount outstanding at end of period.....	\$ 472,761	538,949	45
Average balance	\$ 595,268	382,243	41
Maximum outstanding at any month-end	\$ 815,860	538,949	50
Weighted average interest rate	3.85%	4.94%	
Repurchase agreements:			
Amount outstanding at end of period	\$ 191,369	178,041	16
Average balance	\$ 190,064	171,290	16
Maximum outstanding at any month-end	\$ 191,369	193,421	16
Weighted average interest rate... ..	2.83%	4.35%	
Treasury, tax and loan:			
Amount outstanding at end of period	\$ 241,665	221,409	
Average balance	\$ 172,706	120,188	10
Maximum outstanding at any month-end	\$ 241,665	244,012	17
Weighted average interest rate	3.21%	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 March 31, 2008.

CONSOLIDATED ----- (Dollars in thousands) -----	Tier 1 (Core) Capital -----	Tier 2 (Total) Capital -----	Leverage Capital -----
Total stockholder's equity	\$ 542,948	542,948	542,948
Less: Goodwill and intangibles	(153,485)	(153,485)	(153,485)
Other adjustments	(1,503)	(1,503)	(1,503)
Plus: Allowance for loan losses	-	50,293	-
Accumulated other comprehensive			
Unrealized gain on AFS securities	4,283	4,283	4,283
Subordinated debentures	115,000	115,000	115,000
Regulatory capital computed	\$ 507,243	557,536	507,243
	=====	=====	=====
Risk weighted assets	\$ 4,017,000	4,017,000	
	=====	=====	
Total average assets			\$ 4,655,970
			=====
Capital as % of risk weighted assets	12.63%	13.88%	10.89%
Regulatory "well capitalized" requirement ...	6.00%	10.00%	5.00%

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Excess over "well capitalized" requirement...	6.63%	3.88%	5.89%
---	-------	-------	-------

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 March 31, 2008	Three months ended March 31, 2007
Net earnings available to common stockholders...	\$ 17,399,000	16,093,000
Average outstanding shares - basic	53,849,608	52,500,395
Add: Dilutive stock options	184,578	738,951
Average outstanding shares - diluted	54,034,186	53,239,346
Basic earnings per share	\$ 0.32	0.31
Diluted earnings per share	\$ 0.32	0.30

14

There were approximately 2,021,921 and 12,750 average shares excluded from the diluted average outstanding share calculation for the three months ended March 31, 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 earnings is the unrealized gains and losses on available-for-sale securities.

Dollars in thousands	For the three months ended March 31,	
	2008	2007
Net earnings	\$ 17,399	16,093

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Unrealized holding gain arising during the period	2,172	1,181
Tax benefit.....	(855)	(465)
	-----	-----
Net after tax	1,317	716
Reclassification adjustment for (gain) losses included in net earnings	(248)	8
Tax expense (benefit)	97	(3)
	-----	-----
Net after tax	(151)	5
Net unrealized gain on securities	1,166	721
	-----	-----
Total comprehensive income	\$ 18,565	16,814
	=====	=====

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 imposes 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 March 31, 2008.

If the unrecognized tax benefit amount was recognized, it would decrease the Company's effective tax rate from 35.0 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 three months ended March 31, 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 March 31, 2008 and 2007, respectively. The Company had accrued liabilities of \$0 for the payment of penalties at March 31, 2008 and 2007.

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

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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.

Three months ended and as of March 31, 2008							
(Dollars in thousands)	Mountain West	Glacier	First Security	Western	1st Bank	Big Sky	Va
Revenues from external customers	\$ 21,704	17,508	14,228	9,229	7,046	6,276	5
Intersegment revenues	-	41	466	385	410	-	-
Expenses	(18,838)	(13,148)	(11,193)	(7,656)	(6,054)	(4,778)	(4
Net Earnings	\$ 2,866	4,401	3,501	1,958	1,402	1,498	1
Total Assets	\$1,049,079	912,948	805,825	540,927	451,624	311,751	285

(Dollars in thousands)	Whitefish	Citizens	First Bank of MT	Morgan	Parent	Other	El
Revenues from external customers	\$ 3,730	3,427	2,214	1,375	138	49	-
Intersegment revenues	-	132	101	151	21,888	10	-
Expenses	(3,065)	(3,142)	(1,751)	(1,389)	(4,627)	(64)	-
Net Earnings	\$ 665	417	564	137	17,399	(5)	-
Total Assets	\$ 203,694	188,249	147,634	95,057	673,388	3,374	-

Three months ended and as of March 31, 2007							
(Dollars in thousands)	Mountain West	Glacier	First Security	Western	1st Bank	Big Sky	Va
Revenues from external customers	\$ 20,306	15,420	14,423	11,048	5,068	5,545	5
Intersegment revenues	11	39	277	164	250	1	-
Expenses from external sources	\$ (17,122)	(12,139)	(11,431)	(8,542)	(4,366)	(4,411)	(4
Net Earnings	\$ 3,195	3,320	3,269	2,670	952	1,135	1
Total Assets	\$ 933,133	801,815	792,768	505,130	313,410	282,326	274

First Bank

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

	Whitefish	Citizens	of MT	Morgan	Parent	Other	Eli
	-----	-----	-----	-----	-----	-----	-----
Revenues from external customers	\$ 3,418	3,729	2,225	1,206	54	46	
Intersegment revenues	-	-	215	305	20,231	10	
Expenses from external sources	\$ (2,764)	(3,202)	(1,984)	(1,263)	(4,192)	(68)	
	-----	-----	-----	-----	-----	-----	-----
Net Earnings	\$ 654	527	456	248	16,093	(12)	
	-----	-----	-----	-----	-----	-----	-----
Total Assets	\$ 186,330	170,213	140,704	94,081	601,708	3,441	
	=====	=====	=====	=====	=====	=====	=====

16

13) Fair Value Measurement

On January 1, 2008, the Company adopted Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("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") FAS 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). FAS 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
- 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 March 31, 2008.

(Dollars in thousands)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total March 31, 2008
-----	-----	-----	-----	-----

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Available-for-sale securities	\$	-	614,921	15,991	630,91
Total assets at fair value	\$	-	614,921	15,991	630,91

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 March 30, 2008.

17

(Dollars in thousands)	Significant Unobservable Inputs (Level 3)
Balance as of January 1, 2008	\$ 17,041
Total unrealized losses included in other comprehensive income	(1,045)
Amortization, accretion, or principal payments	(5)
Balance as of March 31, 2008	\$ 15,991

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

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)	Three Months Ended March 31, 2008 vs. 2007		
	Increase (Decrease) due to:		
	Volume	Rate	Net

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

INTEREST INCOME			
Residential real estate loans	\$ (935)	(914)	(1,849)
Commercial loans	8,356	(2,475)	5,881
Consumer and other loans	1,193	(400)	793
Investment securities and other	(700)	(29)	(729)
	-----	-----	-----
Total Interest Income	7,914	(3,818)	4,096
INTEREST EXPENSE			
NOW accounts	77	(256)	(179)
Savings accounts	2	(113)	(111)
Money market accounts	832	(1,296)	(464)
Certificates of deposit	(950)	(234)	(1,184)
FHLB advances	2,118	(1,442)	676
Other borrowings and repurchase agreements	1,443	(1,623)	(180)
	-----	-----	-----
Total Interest Expense	3,522	(4,964)	(1,442)
	-----	-----	-----
NET INTEREST INCOME	\$ 4,392	1,146	5,538
	=====	=====	=====

18

15) Average Balance Sheet

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

AVERAGE BALANCE SHEET

(Dollars in thousands)	For the Three months ended 3-31-08			For the Three
	Average Balance	Interest and Dividends	Average Yield/Rate	Average Balance
	-----	-----	-----	-----
ASSETS				
Residential real estate loans	\$ 719,371	12,592	7.00%	\$ 769,196
Commercial loans	2,275,044	42,533	7.50%	1,852,657
Consumer and other loans	639,091	12,107	7.60%	578,166
	-----	-----		-----
Total Loans	3,633,506	67,232	7.42%	3,200,019
Tax - exempt investment securities (1)	259,894	3,174	4.89%	280,205
Other investment securities	522,511	5,610	4.29%	564,311
	-----	-----		-----
Total Earning Assets	4,415,911	76,016	6.89%	4,044,535
	-----	-----		-----
Goodwill and core deposit intangible	154,018			143,827
Other non-earning assets	239,529			232,081
	-----			-----

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

TOTAL ASSETS	\$4,809,458			\$ 4,420,443
	-----			-----
LIABILITIES AND STOCKHOLDERS' EQUITY				
NOW accounts	\$ 463,716	912	0.79%	\$ 433,209
Savings accounts	267,285	547	0.82%	266,579
Money market accounts	799,407	5,950	2.99%	707,579
Certificates of deposit	860,552	9,460	4.41%	944,895
FHLB advances	595,268	5,718	3.85%	419,216
Repurchase agreements and other borrowed funds	504,296	4,800	3.82%	391,044
	-----	-----		-----
Total Interest Bearing Liabilities	3,490,524	27,387	3.15%	3,162,522

Non-interest bearing deposits	735,205			747,585
Other liabilities	44,586			44,651
	-----			-----
Total Liabilities	4,270,315			3,954,758
Common stock	538			525
Paid-in capital	376,451			345,966
Retained earnings	156,779			116,514
Accumulated other Comprehensive income	5,375			2,680
	-----			-----
Total Stockholders' Equity	539,143			465,685
	-----			-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$4,809,458			\$ 4,420,443
	-----			-----
Net interest income		\$ 48,629		\$
		=====		
Net interest spread			3.74%	
Net Interest Margin			4.42%	
Net Interest Margin (Tax Equivalent)			4.54%	
Return on average assets (annualized)			1.46%	
Return on average equity (annualized)			12.98%	

(1) Excludes tax effect on non-taxable investment security income

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

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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 FAS 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

Performance Summary

The Company reported net earnings of \$17.399 million for the first quarter, an increase of \$1.306 million, or 8 percent, over the \$16.093 million for the first quarter of 2007. Diluted earnings per share of \$.32 for the quarter is an increase of 7 percent over the diluted earnings per share of \$.30 for the same quarter of 2007. Included in first quarter 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 and approximately \$500 thousand of nonrecurring expenses from the merger of three of the acquired Citizens Development Company's (CDC) five subsidiaries into Glacier Bancorp, Inc subsidiaries. Excluding such nonrecurring items from the same quarter 2007 results, net earnings for the first quarter increased \$1.962 million, or 13 percent, and diluted earnings per share for the first quarter increased 10 percent over the \$.29 of diluted earnings per share on an operating basis. Annualized return on average assets and return on average equity for the first quarter were 1.46 percent and 12.98 percent, respectively, which compares with prior year returns for the first quarter of 1.48 percent and 14.02 percent, respectively.

20

REVENUE SUMMARY

(UNAUDITED - \$ IN THOUSANDS)

	Three months ended		
	March 31, 2008 (unaudited)	December 31, 2007 (unaudited)	March 31, 2007 (unaudited)
Net interest income			
Interest income	\$ 76,016	\$ 79,117	\$ 71,920
Interest expense	27,387	30,918	28,829
Net interest income	48,629	48,199	43,091
Non-interest income			
Service charges, loan fees, and other fees	10,961	11,790	10,085
Gain on sale of loans	3,880	3,330	3,042
Gain (Loss) on sale of investments	248	-	(8)

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Other income	1,173	1,117	2,573
	-----	-----	-----
Total non-interest income	16,262	16,237	15,692
	-----	-----	-----
	\$ 64,891	\$ 64,436	\$ 58,783
	=====	=====	=====
Tax equivalent net interest margin	4.54%	4.52%	4.47%
	=====	=====	=====
	\$ change from	\$ change from	% change from
	December 31,	March 31,	December 31,
	2007	2007	2007
	-----	-----	-----
Net interest income			
Interest income	\$ (3,101)	\$ 4,096	-4%
Interest expense	\$ (3,531)	\$ (1,442)	-11%
	-----	-----	-----
Net interest income	430	5,538	1%
Non-interest income			
Service charges, loan fees, and other fees	(829)	876	-7%
Gain on sale of loans	550	838	17%
Gain (Loss) on sale of investments	248	256	n/m
Other income	56	(1,400)	5%
	-----	-----	-----
Total non-interest income	25	570	0%
	-----	-----	-----
	\$ 455	\$ 6,108	1%
	=====	=====	=====

n/m - not measurable

Net Interest Income

Net interest income for the quarter increased \$5.5 million, or 13 percent, over the same period in 2007. Total interest income increased \$4.1 million, or 6 percent, from the prior year's quarter due largely to the increase in commercial loan volume. Total interest expense has decreased by \$1.4 million, or 5 percent, from the same period last year primarily attributable to rate decreases in interest bearing deposits. The net interest margin as a percentage of earning assets, on a tax equivalent basis, was 4.54 percent which is 2 basis points higher than the 4.52 percent achieved for the prior quarter and 7 basis points higher than the 4.47 percent result for the first quarter of 2007. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

Provision for Credit Losses

The Company recorded a provision for credit losses of \$2.5 million, an increase of \$1.3 million from the same quarter in 2007. Such increase is primarily attributable to growth in the commercial real estate loan portfolio,

higher reserves for certain commercial real estate loans in the high growth

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

areas of Western Montana and Idaho, most notably in the Coeur d'Alene, Sandpoint and Boise markets, and the increase in non-performing assets at March 31, 2008 compared to March 31, 2007. Net loans and lease charge-offs were \$233 thousand, or .006 percent of average loans and leases in the first quarter of 2008, compared to net recoveries of \$86 thousand, or .003 percent of average loans and leases in the first quarter of 2007.

The determination of the ALLL and the related provision for credit losses is a critical accounting estimate that involves management's judgments about current environmental factors which affect credit 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

Fee income increased \$876 thousand, or 9 percent, over the same period last year, driven primarily by an increase in the number of checking accounts. Gain on sale of loans increased \$838 thousand, or 28 percent, from the first quarter of last year, a combination of a greater volume of real estate loans and SBA loans sold. Gain from the sale of investments during the first quarter included a mandatory redemption of a portion of Visa, Inc. shares from its recent initial public offering, and the sale of shares in Principal Financial Group (PFG). The remaining unredeemed shares of Visa, Inc. are restricted and have an estimated value of \$140 thousand as of quarter end. Other income decreased by \$1.4 million, or 54 percent, over the same period last year primarily due to the nonrecurring \$1.6 million gain from the sale of Western Security Bank's Lewistown, Montana branch.

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

	Three months ended		
	March 31, 2008 (unaudited)	December 31, 2007 (unaudited)	March 31, 2007 (unaudited)
Compensation and employee benefits	\$ 21,097	\$ 18,684	\$ 19,506
Occupancy and equipment expense	5,133	5,042	4,458
Advertising and promotion expense	1,539	1,609	1,440
Outsourced data processing	667	710	812
Core deposit intangibles amortization	779	786	780
Other expenses	6,398	7,633	6,187
	-----	-----	-----
Total non-interest expense	\$ 35,613	\$ 34,464	\$ 33,183
	=====	=====	=====

	\$ change from December 31, 2007	\$ change from March 31, 2007	% change from December 31, 2007	% change March 2007
	-----	-----	-----	-----
Compensation and employee benefits	\$ 2,413	\$ 1,591	13%	
Occupancy and equipment expense	91	675	2%	
Advertising and promotion expense	(70)	99	-4%	

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Outsourced data processing	(43)	(145)	-6%
Core deposit intangibles amortization	(7)	(1)	-1%
Other expenses	(1,235)	211	-16%
	-----	-----	-----
Total non-interest expense	\$ 1,149	\$ 2,430	3%
	=====	=====	=====

22

Non-interest Expense

Non-interest expense increased by \$1.1 million, or 3 percent, from the prior quarter and increased by \$2.4 million, or 7 percent, from the same quarter of 2007. Included in the first quarter of 2007 is approximately \$500 thousand of nonrecurring expenses from the merger of three of the acquired CDC's five subsidiaries into Glacier Bancorp, Inc. subsidiaries. Compensation and benefit expense increased \$2.4 million, or 13 percent, over the prior quarter and increased \$1.6 million, or 8 percent, over the same quarter of 2007, such increases 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 1,395 to 1,510, an 8 percent increase since March 31, 2007. Occupancy and equipment expense increased \$675 thousand, or 15 percent, reflecting the cost of additional branch locations and facility upgrades.

Other expenses increased \$211 thousand, or 3 percent, over the same period last year, primarily from costs associated with new branch offices, and other general and administrative costs. Other expenses decreased by \$1.2 million from the prior quarter, such decreases attributable to an enhanced focus on reducing operating expenses.

FINANCIAL CONDITION ANALYSIS

As reflected on the following table, total assets at March 31, 2008 were \$4.835 billion, which is \$18 million greater than the total assets of \$4.817 billion at December 31, 2007, and \$376 million, or 8 percent, greater than the March 31, 2007 assets of \$4.459 billion.

ASSETS (\$ IN THOUSANDS)	March 31, 2008 (unaudited)	December 31, 2007 (audited)	March 31, 2007 (unaudited)
	-----	-----	-----
Cash on hand and in banks	\$ 113,016	145,697	123,6
Investment securities, interest bearing deposits, FHLB stock, FRB stock, and fed funds	764,067	782,236	864,2
Loans:			
Real estate	720,108	725,854	766,4
Commercial	2,312,359	2,247,303	1,851,1
Consumer and other	649,401	638,378	590,1
	-----	-----	-----
Total loans	3,681,868	3,611,535	3,207,6
Allowance for loan and lease losses	(56,680)	(54,413)	(50,5
	-----	-----	-----
Total loans net of allowance for loan and lease losses	3,625,188	3,557,122	3,157,1
	-----	-----	-----

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Other assets	332,601	332,275	313,9
	-----	-----	-----
Total Assets	\$ 4,834,872	4,817,330	4,459,0
	=====	=====	=====

Investment securities, including interest bearing deposits in other financial institutions and federal funds sold, have decreased \$100 million, or 12 percent, from March 31, 2007, and have declined \$18 million, or 2 percent, from December 31, 2007. Investment securities at March 31, 2008 represented 16 percent of total assets versus 19 percent at March 31, 2007.

At March 31, 2008, total loans were \$3.682 billion, an increase of \$70 million, or 2 percent (8 percent annualized) over total loans of \$3.612 billion at December 31, 2007. Commercial loans grew the most with an increase of \$65 million, or 3 percent, followed by consumer loans, which are primarily comprised of home equity loans, increasing by \$11 million, or 2 percent. Real estate loans decreased \$6 million, or 79 basis points from the fourth quarter of 2007. Total loans increased \$474 million, or 15 percent from March 31, 2007. During the year, commercial loans have increased \$461 million, or 25 percent, consumer loans grew by \$59 million, or 10 percent, while real estate loans decreased \$46 million, or 6 percent.

23

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 three months ended March 31, 2008 and 2007 were \$176 million and \$142 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 March 31, 2008 was approximately \$175 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.

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

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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 \$56.680 million adequate to cover inherent losses in the loan and lease portfolios as of March 31, 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 eleven 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 eleven 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.

At the end of each quarter, each of the subsidiary community banks analyzes its loan and lease portfolio and maintains 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

24

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.

The following table summarizes the allocation of the ALLL:

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

(Dollars in thousands)	March 31, 2008		December 31, 2007		A for lea
	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	\$ 4,913	19.6%	4,755	20.2%	
Commercial real estate loans	24,298	45.2%	23,010	44.6%	
Other commercial loans	17,965	17.6%	17,453	17.6%	
Consumer and other loans	9,504	17.6%	9,195	17.6%	
Totals	\$ 56,680	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 March 31, 2007.

25

(Dollars in thousands)	Three months ended March 31 2008	Year ended December 31, 2007	Three
Balance at beginning of period	\$ 54,413	49,259	
Charge offs:			
Real estate loans	(50)	(306)	
Commercial loans	(202)	(2,367)	
Consumer and other loans	(156)	(714)	
Total charge-offs	\$ (408)	(3,387)	
Recoveries:			
Real estate loans	40	208	
Commercial loans	82	656	
Consumer and other loans	53	358	
Total recoveries	\$ 175	1,222	
Net (charge-offs) recoveries	(233)	(2,165)	
Acquisition (1)	-	639	
Provision	2,500	6,680	
Balance at end of period	\$ 56,680	54,413	
Ratio of net (charge-offs) recoveries to average loans outstanding during the period	(0.006%)	(0.060%)	

Allowance for loan and lease lossess as a

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

percentage of total loan and leases 1.54% 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 \$6.1 million, or 12 percent, from a year ago. The ALLL of \$56.680 million is 1.54 percent of March 31, 2008 total loans outstanding, up from 1.51 percent at prior year end, and down from 1.58 percent in the first quarter last year. The first quarter provision for loan and lease loss expense was \$2.5 million, an increase of \$1.3 million from the same quarter in 2007. Net loans and lease charge-offs were \$233 thousand, or .006 percent of average loans and leases in the first quarter of 2008, compared to net recoveries of \$86 thousand, or .003 percent of average loans and leases in the first quarter 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.

26

Non-performing Assets (Dollars in thousands)	At 3/31/2008 -----	At 12/31/2007 -----	At 3/31/2007 -----
Non-accrual loans:			
Real estate loans	\$ 3,356	934	1,134
Commercial loans	17,368	7,192	3,849
Consumer and other loans	1,023	434	614
	-----	-----	-----
Total	\$ 21,747	8,560	5,597
Accruing Loans 90 days or more overdue:			
Real estate loans	341	840	697
Commercial loans	4,129	1,216	2,778
Consumer and other loans	247	629	507
	-----	-----	-----
Total	\$ 4,717	2,685	3,982
Real estate and other assets owned, net	2,098	2,043	1,727
	-----	-----	-----
Total non-performing loans and real estate and other assets owned, net	\$ 28,562 =====	13,288 =====	11,306 =====
As a percentage of total bank assets	0.57%	0.27%	0.25%
Interest Income (1)	\$ 402	683	109
Allowance for loan and lease losses as a percentage of non-performing assets	198%	409%	447%

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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

Non-performing assets as a percentage of total bank assets at March 31, 2008 were at .57 percent, up from .27 percent as of December 31, 2007, and up from .25 percent at March 31, 2007. While these ratios have increased, they compare favorably to the Federal Reserve Bank Peer Group average of .80 percent at December 31, 2007, the most recent information available. The ALLL was 198 percent of non-performing assets at March 31, 2008, down from 409 percent for the prior quarter end and down from 447 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.

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 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.

27

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-months ended March 31, 2008 and 2007 was not significant. Impaired loans were \$22.565 million and \$5.597 million as of March 31, 2008 and 2007, respectively. The valuation allowance on impaired loans was \$2.128 million and \$0 as of March 31, 2008 and 2007, respectively.

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

LIABILITIES (\$ IN THOUSANDS)	March 31, 2008 (unaudited)	December 31, 2007 (audited)	March 31 2007 (unaudited)	\$ change from December 31, 2007
Non-interest bearing deposits	\$ 770,456	788,087	788,426	(17,631)
Interest bearing deposits	2,388,483	2,396,391	2,410,668	(7,908)
Advances from Federal Home Loan Bank	472,761	538,949	455,625	(66,188)
Securities sold under agreements to repurchase and other borrowed funds	492,189	401,621	168,421	90,568
Other liabilities	49,476	45,147	44,878	4,329
Subordinated debentures	118,559	118,559	118,559	-
Total liabilities	\$ 4,291,924	4,288,754	3,986,577	3,170

Non-interest bearing deposits decreased \$18 million, or 2 percent, since March 31, 2007 and decreased by \$18 million, or 2 percent since December 31, 2007. Interest bearing deposits decreased \$8 million from December 31, 2007. The March 31, 2008 balance of interest bearing deposits includes \$1 million in broker originated CD's. Since March 31, 2007, interest bearing deposits, excluding a decrease of \$204 million in CD's from broker sources, increased \$182 million, or 8 percent. Federal Home Loan Bank ("FHLB") advances increased \$17 million from March 31, 2007 and decreased \$66 million from December 31, 2007. The increase in advances is primarily the result of the decrease in CD's from broker sources to more favorable rates at the FHLB. Repurchase agreements and other borrowed funds were \$492 million at March 31, 2008, an increase of \$324 million from March 31, 2007, and an increase of \$91 million from December 31, 2007. Included in this latter category are U.S. Treasury Tax and Loan funds of \$242 million at March 31, 2008, an increase of \$20 million from December 31, 2007, and an increase of \$238 million from March 31, 2007.

STOCKHOLDERS' EQUITY (\$ IN THOUSANDS EXCEPT PER SHARE DATA)	March 31, 2008 (unaudited)	December 31, 2007 (audited)	March 31 2007 (unaudited)	\$ change from December 31, 2007
Common equity	\$ 538,665	525,459	468,646	13,206
Accumulated other comprehensive income	4,283	3,117	3,790	1,166
Total stockholders' equity	542,948	528,576	472,436	14,372
Core deposit intangible, net, and goodwill	(153,485)	(154,264)	(146,164)	779
	\$ 389,463	374,312	326,272	15,151
Stockholders' equity to total assets	11.23%	10.97%	10.60%	
Tangible stockholders' equity to total tangible assets	8.32%	8.03%	7.57%	
Book value per common share	\$ 10.07	9.85	8.97	0.22
Market price per share at end of quarter	\$ 19.17	18.74	24.04	0.43

Total equity and book value per share amounts have increased \$71 million and

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

\$1.10 per share, respectively, from March 31, 2007, the result of earnings retention, issuance of common stock in connection with the acquisition of North Side State Bank in Rock Springs, Wyoming, and exercised stock options. Accumulated other comprehensive income, representing net unrealized gains or losses on investment securities designated as available for sale, increased \$493 thousand from March 31, 2007.

Cash dividend

On March 26, 2008, the board of directors declared a cash dividend of \$.13 payable April 17, 2008 to shareholders of record on April 7, 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 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. As of March 31, 2008, the Company had \$948 million of available FHLB credit of which \$473 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 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

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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.

29

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 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.

Changes in Internal Controls

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the first quarter 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 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 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,

but 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 additions to the allowance 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 allowance. Additionally, federal banking regulators, as an integral part of their supervisory function, periodically review

31

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

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. 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

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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.

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

32

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

- (a) None
- (b) Not Applicable
- (c) None
- (d) None

ITEM 5. OTHER INFORMATION

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

ITEM 6. EXHIBITS

- Exhibit 31.1 - Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002
- Exhibit 31.2 - Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002
- Exhibit 32 - Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002

SIGNATURES

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

GLACIER BANCORP, INC.

May 12, 2008

/S/ Michael J. Blodnick

Michael J. Blodnick

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

May 12, 2008

President/CEO

/S/ Ron J. Copher

Ron J. Copher
Senior Vice President/CFO