

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

GLACIER BANCORP INC
Form 10-Q
May 08, 2007

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, 2007

☐ 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
(State or other jurisdiction of
incorporation or organization)

81-0519541
(IRS Employer
Identification No.)

49 Commons Loop, Kalispell, Montana
(Address of principal executive offices)

59901
(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 checkmark whether the registrant is a large accelerated filer, or an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-Accelerated Filer ☐

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

The number of shares of Registrant's common stock outstanding on April 30, 2007

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

was 52,689,338. 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, 2007, and March 31, 2006 and December 31, 2006	3
Condensed Consolidated Statements of Operations - Unaudited three months ended March 31, 2007 and 2006	4
Condensed Consolidated Statements of Stockholders' Equity and Comprehensive Income - Year ended December 31, 2006 and unaudited three months ended March 31, 2007	5
Condensed Consolidated Statements of Cash Flows - Unaudited three months ended March 31, 2007 and 2006	6
Notes to Condensed Consolidated Financial Statements - Unaudited	7
Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3 - Quantitative and Qualitative Disclosure about Market Risk	27
Item 4 - Controls and Procedures	27
PART II. OTHER INFORMATION	28
Item 1 - Legal Proceedings	28
Item 1A - Risk Factors	28
Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds	28
Item 3 - Defaults Upon Senior Securities	28
Item 4 - Submission of Matters to a Vote of Security Holders	28
Item 5 - Other Information	28

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Item 6 - Exhibits	28
Signatures	29

GLACIER BANCORP, INC. CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands, except per share data)	March 31, 2007	December 31, 2006	March 31, 2006
	(UNAUDITED)		(unaudited)
ASSETS:			
Cash on hand and in banks	\$ 123,697	136,591	105,474
Federal funds sold	2,752	6,125	9,155
Interest bearing cash deposits	88,112	30,301	21,343
	-----	-----	-----
Cash and cash equivalents	214,561	173,017	135,972
Investment securities	773,364	825,637	923,382
Loans receivable, net	3,124,368	3,130,389	2,502,279
Loans held for sale	32,778	35,135	25,153
Premises and equipment, net	115,123	110,759	86,179
Real estate and other assets owned, net ..	1,727	1,484	778
Accrued interest receivable	25,340	25,729	19,317
Core deposit intangible, net	13,861	14,750	7,594
Goodwill	132,303	129,716	79,099
Other assets	25,588	24,682	23,036
	-----	-----	-----
	\$ 4,459,013	4,471,298	3,802,789
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY:			
Non-interest bearing deposits	\$ 788,426	829,355	683,201
Interest bearing deposits	2,410,668	2,378,178	2,010,198
Advances from Federal Home Loan Bank of Seattle	455,625	307,522	505,209
Securities sold under agreements to repurchase	162,491	170,216	132,207
Other borrowed funds	5,930	168,770	2,774
Accrued interest payable	12,980	11,041	8,537
Deferred tax liability	94	1,927	2,098
Subordinated debentures	118,559	118,559	87,631
Other liabilities	31,804	29,587	26,543
	-----	-----	-----
Total liabilities	3,986,577	4,015,155	3,458,398
	-----	-----	-----
Preferred shares, \$.01 par value per share. 1,000,000 shares authorized			
None issued or outstanding	--	--	--
Common stock, \$.01 par value per share			
117,187,5000 shares authorized	527	523	485
Paid-in capital	350,065	344,265	265,603
Retained earnings - substantially restricted	118,054	108,286	78,171
Accumulated other comprehensive income ...	3,790	3,069	132
	-----	-----	-----
Total stockholders' equity	472,436	456,143	344,391
	-----	-----	-----

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

	\$ 4,459,013	4,471,298	3,802,789
	=====	=====	=====
Number of shares outstanding	52,656,162	52,302,820	48,471,168
Book value per share	\$ 8.97	8.72	7.11

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,	
	2007	2006
-----	-----	-----
INTEREST INCOME:		
Real estate loans	\$ 14,441	10,989
Commercial loans	36,652	25,525
Consumer and other loans	11,314	8,865
Investment securities and other	9,513	10,573
	-----	-----
Total interest income	71,920	55,952
	-----	-----
INTEREST EXPENSE:		
Deposits	18,807	11,291
Federal Home Loan Bank of Seattle advances	5,042	4,796
Securities sold under agreements to repurchase	1,887	1,290
Subordinated debentures	1,814	1,429
Other borrowed funds	1,279	838
	-----	-----
Total interest expense	28,829	19,644
	-----	-----
NET INTEREST INCOME	43,091	36,308
Provision for loan losses	1,195	1,165
	-----	-----
Net interest income after provision for loan losses	41,896	35,143
	-----	-----
NON-INTEREST INCOME:		
Service charges and other fees	8,263	6,406
Miscellaneous loan fees and charges	1,822	1,811
Gains on sale of loans	3,042	2,190
Loss on sale of investments	(8)	--
Other income	2,573	749
	-----	-----
Total non-interest income	15,692	11,156
	-----	-----
NON-INTEREST EXPENSE:		
Compensation, employee benefits and related expenses	19,506	15,311
Occupancy and equipment expense	4,458	3,491

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Outsourced data processing expense	812	724
Core deposit intangibles amortization	780	420
Other expenses	7,627	5,881
	-----	-----
Total non-interest expense	33,183	25,827
	-----	-----
EARNINGS BEFORE INCOME TAXES	24,405	20,472
	-----	-----
Federal and state income tax expense	8,312	6,843
	-----	-----
NET EARNINGS	\$ 16,093	13,629
	=====	=====
Basic earnings per share	\$ 0.31	0.28
Diluted earnings per share	\$ 0.30	0.28
Dividends declared per share	\$ 0.12	0.11
Return on average assets (annualized) ..	1.48%	1.48%
Return on average equity (annualized) ..	14.02%	16.21%
Average outstanding shares - basic	52,500,395	48,378,237
Average outstanding shares - diluted ...	53,239,346	49,239,701

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, 2006 AND UNAUDITED THREE MONTHS ENDED MARCH 31, 2007

(Dollars in thousands, except per share data)	Common Stock		Paid-in capital	Retained earnings
	Shares	Amount		
Balance at December 31, 2005.....	48,258,821	\$483	262,222	69,711
Comprehensive income:				
Net earnings.....	--	--	--	61,131
Unrealized gain on securities, net of reclassification adjustment and taxes.....	--	--	--	--
Total comprehensive income.....				
Cash dividends declared (\$.45 per share).....	--	--	--	(22,551)
Stock options exercised.....	639,563	6	6,700	--
Stock issued in connection with acquisitions.....	1,904,436	19	41,431	--
Public offering of stock issued.....	1,500,000	15	29,418	--
Acquisition of fractional shares.....	--	--	(5)	--
Stock based compensation and tax benefit.....	--	--	4,499	--
	-----	-----	-----	-----
Balance at December 31, 2006.....	52,302,820	\$523	344,265	108,288
Comprehensive income:				
Net earnings.....	--	--	--	16,093
Unrealized gain on securities, net of reclassification				

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

adjustment and taxes.....	--	--	--	--
Total comprehensive income.....				
Cash dividends declared (\$.12 per share).....	--	--	--	(6,32)
Stock options exercised.....	353,342	4	3,711	--
Stock based compensation and tax benefit.....	--	--	2,089	--
	-----	-----	-----	-----
Balance at March 31, 2007 (unaudited).....	52,656,162	\$527	350,065	118,05
	=====	=====	=====	=====

See accompanying notes to condensed consolidated financial statements.

5

GLACIER BANCORP, INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	THREE MONTHS ENDED MARCH 31,	
(UNAUDITED - dollars in thousands)	2007	2006
-----	-----	-----
OPERATING ACTIVITIES :		
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	\$ 25,755	18,8
	-----	-----
INVESTING ACTIVITIES:		
Proceeds from sales, maturities and prepayments of		
investments available-for-sale.....	61,768	43,2
Purchases of investments available-for-sale.....	(7,481)	(7
Principal collected on installment and commercial loans.....	262,076	249,6
Installment and commercial loans originated or acquired.....	(299,714)	(350,1
Principal collections on mortgage loans.....	123,188	89,6
Mortgage loans originated or acquired.....	(103,330)	(117,8
Net purchase of FHLB and FRB stock.....	(1,693)	(4
Net cash paid for sale of Western's Lewistown branch.....	(6,846)	
Net addition of premises and equipment.....	(5,295)	(7,7
	-----	-----
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES.....	22,673	(94,5
	-----	-----
FINANCING ACTIVITIES:		
Net increase in deposits	16,970	158,6
Net decrease in FHLB advances and other borrowed funds	(14,737)	(81,9
Net (decrease) increase in securities sold under repurchase agreements...	(7,724)	2,6
Cash dividends paid.....	(6,325)	(5,1
Excess tax benefits from stock options.....	1,217	4
Proceeds from exercise of stock options and other stock issued.....	3,715	2,1
	-----	-----
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES.....	(6,884)	76,9
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS.....	41,544	1,2
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.....	173,017	134,6
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 214,561	135,9
	=====	=====

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the period for: Interest.....	\$ 26,891	18,5
Income taxes.....	\$ 2,400	3

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, 2007, and March 31, 2006, stockholders' equity for the three months ended March 31, 2007, the results of operations for the three months ended March 31, 2007 and 2006, and cash flows for the three months ended March 31, 2007 and 2006. The condensed consolidated statement of financial condition and statement of stockholders' equity and comprehensive income of the Company as of December 31, 2006 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, 2006. Operating results for the three months ended March 31, 2007 are not necessarily indicative of the results anticipated for the year ending December 31, 2007. Certain reclassifications have been made to the 2006 financial statements to conform to the 2007 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. The Company is the parent company for twelve wholly-owned banking 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 National Bank of Lewistown and Western Bank of Chinook, 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.

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 Interpretation ("FASB") 46(R) the subsidiaries are not consolidated into the Company's financial statements. The Company does not have any off-balance sheet entities.

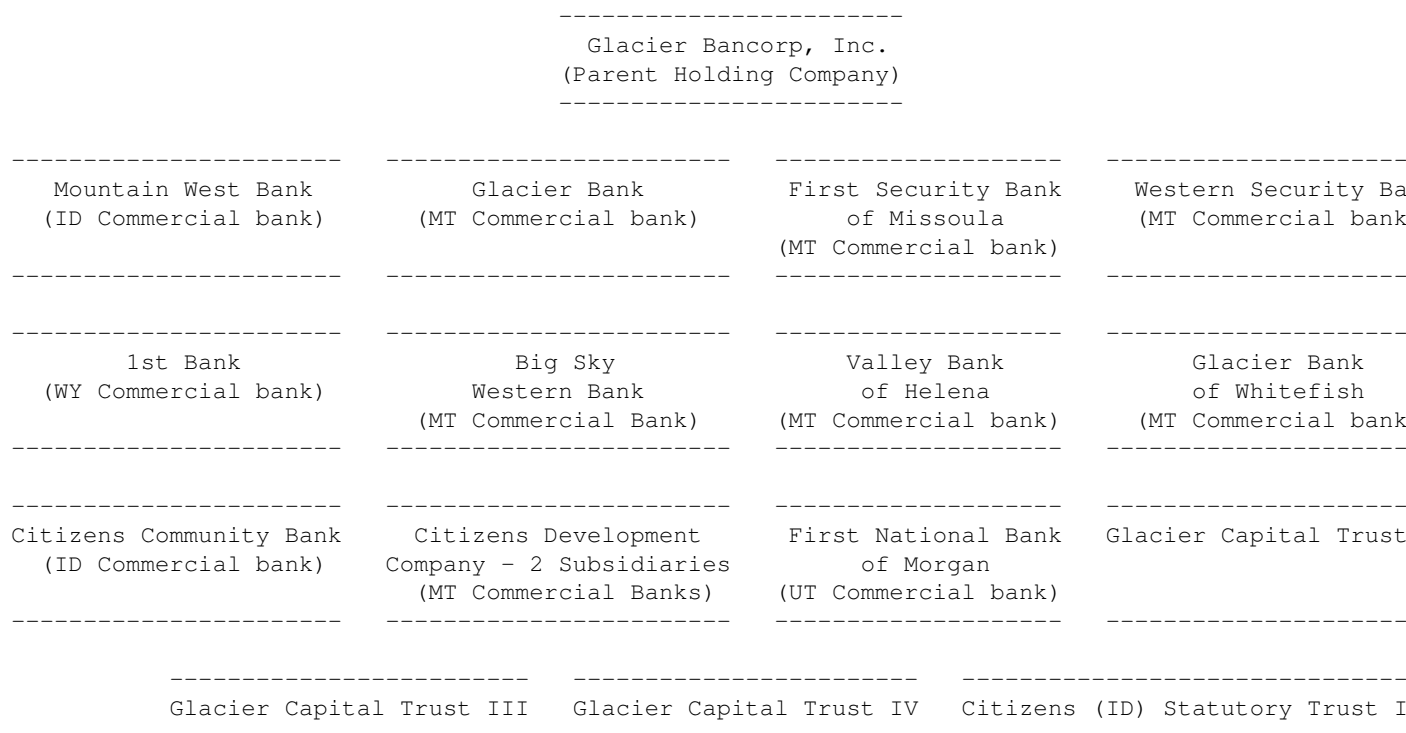
On October 1, 2006, the Company acquired Citizens Development Company

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

("CDC") and its five subsidiaries which include: Citizens State Bank, First Citizens Bank of Billings ("FCB-Billings"), First National Bank of Lewistown, Western Bank of Chinook, and First Citizens Bank, N.A. On January 26, 2007, Citizens State Bank, FCB-Billings, and First Citizens Bank, N.A. were merged into First Security, Western, and Glacier, respectively, without name change for First Security, Western, and Glacier. First National Bank of Lewistown and Western Bank of Chinook are one reporting segment for purposes of financial reporting for the three months ended March 31, 2007. It is anticipated that during June of 2007, Western Bank of Chinook will merge into First National Bank of Lewistown.

7

The following abbreviated organizational chart illustrates the various relationships:



3) Ratios

Returns on average assets and average equity were calculated based on daily averages.

4) Dividends Declared

On March 28, 2007, the Board of Directors declared a \$.12 per share cash dividend payable on April 19, 2007 to stockholders of record on April 10, 2007.

5) Computation of Earnings Per Share

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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:

8

	Three months ended March 31, 2007 -----	Three months ended March 31, 2006 -----
Net earnings available to common stockholders.....	\$16,093,000	13,629,000
Average outstanding shares - basic.....	52,500,395	48,378,237
Add: Dilutive stock options.....	738,951	861,464
	-----	-----
Average outstanding shares - diluted...	53,239,346	49,239,701
	=====	=====
Basic earnings per share.....	\$ 0.31	0.28
	=====	=====
Diluted earnings per share.....	\$ 0.30	0.28
	=====	=====

There were approximately 12,750 and 215,463 average shares excluded from the three months ended diluted share calculation as of March 31, 2007, and 2006, respectively, due to the option exercise price exceeding the market price.

6) 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:

9

INVESTMENTS AS OF MARCH 31, 2007

(Dollars in thousands) -----	Weighted Yield -----	Amortized Cost -----	Gross Unrealized -----	Gains -----	Losses -----
AVAILABLE-FOR-SALE:					
U.S. GOVERNMENT AND FEDERAL AGENCIES:					
maturing within one year	4.85%	\$ 2,300	--	--	
GOVERNMENT-SPONSORED ENTERPRISES:					

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

maturing within one year	5.07%	7,485	--	(11)
maturing one year through five years	5.15%	149	--	--
maturing five years through ten years	7.88%	286	1	--
maturing after ten years	6.77%	151	1	--
		-----	-----	-----
	5.20%	8,071	2	(11)
		-----	-----	-----
STATE AND LOCAL GOVERNMENTS AND OTHER ISSUES:				
maturing within one year	4.40%	1,444	1	
maturing one year through five years	4.77%	4,774	34	(20)
maturing five years through ten years	5.72%	15,482	767	(8)
maturing after ten years	5.18%	273,814	11,372	(50)
		-----	-----	-----
	5.20%	295,514	12,174	(78)
		-----	-----	-----
MORTGAGE-BACKED SECURITIES	4.78%	48,650	154	(1,121)
REAL ESTATE MORTGAGE INVESTMENT CONDUITS	4.18%	345,797	46	(5,094)
FHLMC AND FNMA STOCK	5.74%	7,593	182	--
OTHER INVESTMENTS:				
CERTIFICATES OF DEPOSITS WITH OVER 90 DAY MATURITY....	4.94%	1,775	--	--
FHLB AND FRB STOCK, AT COST	1.40%	57,410	--	--
		-----	-----	-----
TOTAL INVESTMENTS	4.43%	\$767,110	12,558	(6,304)
		=====	=====	=====

10

INVESTMENTS AS OF DECEMBER 31, 2006

(Dollars in thousands)	Weighted Yield	Amortized Cost	Gross Unrealized	
			Gains	Losses
			-----	-----
AVAILABLE-FOR-SALE:				
U.S. GOVERNMENT AND FEDERAL AGENCIES:				
maturing within one year	4.78%	\$ 10,982	--	(6)
GOVERNMENT-SPONSORED ENTERPRISES:				
maturing within one year	4.90%	8,177	--	(17)
maturing one year through five years	5.15%	648	--	--
maturing five years through ten years	7.73%	352	5	--
maturing after ten years	6.68%	153	1	--
		-----	-----	-----
	5.05%	9,330	6	(17)
		-----	-----	-----
STATE AND LOCAL GOVERNMENTS AND OTHER ISSUES:				
maturing within one year	3.65%	2,190	2	(1)
maturing one year through five years	4.08%	5,736	43	(21)
maturing five years through ten years	4.92%	15,180	818	(11)
maturing after ten years	5.12%	276,756	11,794	(86)
		-----	-----	-----
	5.08%	299,862	12,657	(119)
		-----	-----	-----

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

MORTGAGE-BACKED SECURITIES	4.74%	51,673	150	(1,235)
REAL ESTATE MORTGAGE INVESTMENT CONDUITS	4.14%	382,551	45	(6,634)
FHLMC AND FNMA STOCK	5.74%	7,593	218	--
OTHER INVESTMENTS:				
CERTIFICATES OF DEPOSITS WITH OVER 90 DAY MATURITY	4.83%	2,864	--	--
FHLB AND FRB STOCK, AT COST	1.26%	55,717	--	--
		-----	-----	-----
TOTAL INVESTMENTS	4.36%	\$820,572	13,076	(8,011)
		=====	=====	=====

Interest income includes tax-exempt interest for the three months ended March 31, 2007 and 2006 of \$3,452,000 and \$3,489,000, respectively.

Gross proceeds from sales of investment securities for the three months ended March 31, 2007 and 2006 were \$1,355,000 and \$0, respectively, resulting in gross gains of approximately \$0 and \$0, respectively, and gross losses of approximately \$8,000 and \$0, respectively. The cost of any investment sold is determined by specific identification.

7) Loans

The following table summarizes the Company's loan portfolio:

11

TYPE OF LOAN (Dollars in thousands)	At 3/31/2007		At 12/31/2006		At 3/31/2006
	Amount	Percent	Amount	Percent	Amount
Real Estate Loans:					
Residential real estate	\$ 737,561	23.4%	\$ 758,921	24.0%	\$ 617,486
Loans held for sale	32,778	1.0%	35,135	1.1%	25,153
	-----	-----	-----	-----	-----
Total	770,339	24.4%	794,056	25.1%	642,639
Commercial Loans:					
Real estate	964,239	30.5%	954,290	30.2%	812,727
Other commercial	893,185	28.3%	902,994	28.5%	626,615
	-----	-----	-----	-----	-----
Total	1,857,424	58.8%	1,857,284	58.7%	1,439,342
Consumer and other Loans:					
Consumer	214,798	6.8%	218,640	6.9%	194,806
Home equity	375,911	11.9%	356,477	11.3%	298,564
	-----	-----	-----	-----	-----
Total	590,709	18.7%	575,117	18.2%	493,370
Net deferred loan fees, premiums and discounts	(10,786)	-0.3%	(11,674)	-0.4%	(8,068)
Allowance for loan losses	(50,540)	-1.6%	(49,259)	-1.6%	(39,851)
	-----	-----	-----	-----	-----
Loan receivable, net	\$3,157,146	100.0%	\$3,165,524	100.0%	\$2,527,432
	=====	=====	=====	=====	=====

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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

NONPERFORMING ASSETS (Dollars in thousands)

	At 3/31/2007 -----	At 12/31/2006 -----	At 3/31/2006 -----
Non-accrual loans:			
Real estate loans	\$ 1,134	1,806	595
Commercial loans	3,849	3,721	3,474
Consumer and other loans	614	538	247
	-----	-----	-----
Total	\$ 5,597	6,065	4,316
Accruing Loans 90 days or more overdue:			
Real estate loans	697	554	1,516
Commercial loans	2,778	638	3,196
Consumer and other loans	507	153	520
	-----	-----	-----
Total	\$ 3,982	1,345	5,232
Real estate and other assets owned, net	1,727	1,484	778
	-----	-----	-----
Total non-performing loans and real estate and other assets owned, net	\$11,306 =====	8,894 =====	10,326 =====
As a percentage of total bank assets	0.25%	0.19%	0.27%
Interest Income (1)	\$ 109	462	78

- (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, 2007, the year ended December 31, 2006 and the three months ended March 31, 2006, had such loans performed pursuant to contractual terms.

12

The following table illustrates the loan loss experience:

ALLOWANCE FOR LOAN LOSSES

(Dollars in thousands)	Three months ended March 31, 2007 -----	Year ended December 31, 2006 -----	Three months March 31, 2006 -----
Balance at beginning of period	\$49,259	38,655	38,655
Charge offs:			
Real estate loans	(42)	(14)	(6)
Commercial loans	(212)	(1,187)	(45)
Consumer and other loans	(96)	(448)	(102)

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Total charge-offs	----- \$ (350)	----- (1,649)	----- (153)
Recoveries:			
Real estate loans	89	341	55
Commercial loans	245	331	20
Consumer and other loans	102	298	109
Total recoveries	----- \$ 436	----- 970	----- 184
Net recoveries (charge-offs)	86	(679)	31
Acquisition (1)	--	6,091	--
Provision	1,195	5,192	1,165
Balance at end of period	----- \$50,540	----- 49,259	----- 39,851
Ratio of net recoveries (charge-offs) to average loans outstanding during the period	=====	=====	=====
	0.003%	-0.025%	0.001%

(1) Acquisition of Citizen's Development Company and First National Bank of Morgan

The following table summarizes the allocation of the allowance for loan losses:

	March 31, 2007		December 31, 2006		March 31,
		Percent		Percent	of
(Dollars in thousands)	Allowance	of loans in category	Allowance	of loans in category	Allowance
-----	-----	-----	-----	-----	-----
Real estate loans	\$ 5,303	23.9%	5,421	24.6%	4,518
Commercial real estate loans	17,315	30.0%	16,741	29.6%	14,374
Other commercial loans	18,889	27.8%	18,361	28.0%	13,254
Consumer and other loans	9,033	18.3%	8,736	17.8%	7,705
Totals	----- \$50,540	----- 100.0%	----- 49,259	----- 100.0%	----- 39,851
	=====	=====	=====	=====	=====

13

8) Intangible Assets

The following table sets forth information regarding the Company's core deposit intangible and mortgage servicing rights as of March 31, 2007:

(Dollars in thousands)	Core Deposit Intangible	Mortgage Servicing Rights (1)	Total
-----	-----	-----	-----
Gross carrying value	\$23,182		
Accumulated Amortization	(9,321)		

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Net carrying value	\$13,861 =====	1,170	15,031
WEIGHTED-AVERAGE AMORTIZATION PERIOD			
(Period in years)	10.0	9.6	10.0
AGGREGATE AMORTIZATION EXPENSE			
For the three months ended March 31, 2007	\$ 780	49	829
ESTIMATED AMORTIZATION EXPENSE			
For the year ended December 31, 2007	\$ 3,034	109	3,143
For the year ended December 31, 2008	2,779	79	2,858
For the year ended December 31, 2009	2,486	77	2,563
For the year ended December 31, 2010	2,117	74	2,191
For the year ended December 31, 2011	1,410	72	1,482

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

The following is a summary of activity in goodwill for the three months ended March 31, 2007.

(Dollars in thousands)	Goodwill
-----	-----
Balance as of December 31, 2006	\$129,716
Sale of Western's Lewistown branch	(454)
Adjustment for FCB-Billings' building	(760)
Adjustment for FCB-Billings' loan	3,801

Balance as of March 31, 2007	\$132,303 =====

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, 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.

As a condition of acquiring FCB - Billings, a subsidiary of CDC which was acquired on October 1, 2006, bank regulators required Western to divest of Western's branch in Lewistown, Montana. Western was acquired in February 2001 through the purchase of WesterFed Financial Corporation ("WesterFed"), its parent company. The WesterFed acquisition was accounted for using the purchase method of accounting with a portion of goodwill allocated to Western's Lewistown branch. With the January 2007 sale of the Lewistown branch, \$454 thousand of

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

goodwill associated with such branch was removed.

In March 2007, Western adjusted its purchase price allocation for FCB - Billings based upon new information available to management concerning the estimated fair value of property as of the acquisition date. Accordingly, the fair value of certain property was increased by \$1.25 million with a related \$490 thousand increase in deferred tax liability, resulting in a \$760 thousand decrease in goodwill.

In February 2007, Western became aware of a preacquisition contingency in regards to a loan that was impaired as of the October 1, 2006 acquisition of FCB - Billings. After taking into consideration recoveries, the amount of impairment determined to have occurred on or before the acquisition date is estimated to be \$6.3 million with such amount charged off against the loan balance. No further loss is expected as the balance of the loan, after such charge-off, has been collected. On an after tax basis, the increase to goodwill is \$3.8 million. Management continues to pursue additional recoveries and remedies from the guarantors and other third parties. Additional recoveries, if any, occurring on or before September 30, 2007, i.e., the expected end of the allocation period will be an adjustment of goodwill, with any recoveries occurring after such date recorded in earnings in the period in which the recoveries are received or accrued.

9) Deposits

The following table illustrates the amounts outstanding for deposits \$100,000 and greater at March 31, 2007 according to the time remaining to maturity. Included in the CD maturities are brokered CDs in the amount of \$205,447,000.

(Dollars in thousands)	Certificates of Deposit	Non-Maturity Deposits	Totals
-----	-----	-----	-----
Within three months	\$116,930	1,141,038	1,257,968
Three to six months	74,638	--	74,638
Seven to twelve months	261,621	--	261,621
Over twelve months	48,229	--	48,229
	-----	-----	-----
Totals	\$501,418	1,141,038	1,642,456
	=====	=====	=====

10) 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 and repurchase agreements:

(Dollars in thousands)	As of and for the three months ended March 31, 2007	As of and for the year ended December 31, 2006	As of and for the thr months ende March 31, 20
------------------------	--	---	---

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

FHLB Advances:

Amount outstanding at end of period	\$455,625	307,522	505,209
Average balance	\$419,216	487,112	522,376
Maximum outstanding at any month-end	\$509,519	655,492	572,954
Weighted average interest rate	4.88%	4.20%	3.72%

Repurchase Agreements:

Amount outstanding at end of period	\$162,491	170,216	132,207
Average balance	\$166,733	153,314	133,020
Maximum outstanding at any month-end	\$168,395	164,338	135,661
Weighted average interest rate	5.17%	4.32%	3.93%

11) 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, 2007.

CONSOLIDATED (Dollars in thousands)	Tier 1 (Core) Capital	Tier 2 (Total) Capital	Leverage Capital
GAAP Capital	\$ 472,436	472,436	472,436
Less: Goodwill and intangibles	(146,164)	(146,164)	(146,164)
Accumulated other comprehensive			
Unrealized gain on AFS securities	(3,790)	(3,790)	(3,790)
Other adjustments	81	81	81
Plus: Allowance for loan losses	--	45,632	--
Subordinated debentures	118,559	118,559	118,559
Regulatory capital computed	\$ 441,122	486,754	441,122
Risk weighted assets	\$3,554,356	3,554,356	
Total average assets			\$4,365,608
Capital as % of defined assets	12.41%	13.69%	10.10%
Regulatory "well capitalized" requirement	6.00%	10.00%	5.00%
Excess over "well capitalized" requirement	6.41%	3.69%	5.10%

12) 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, 2003, 2004, 2005, and 2006, remain subject to examination by federal, Montana, Idaho and Utah tax authorities.

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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

16

48. The Company determined its unrecognized tax benefit to be \$300,012 as of March 31, 2007. In accordance with FIN 48, the Company reclassified such amount from a deferred tax liability to a current tax liability.

If the unrecognized tax benefit amount was recognized, it would decrease the Company's effective tax rate from 34.1 percent to 33.7 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, 2007 and 2006, the Company recognized \$0 interest expense and recognized \$0 penalty with respect to income tax liabilities. The Company had approximately \$50,000 and \$0 accrued for the payment of interest at March 31, 2007 and 2006, respectively. The Company had accrued \$0 for the payment of penalties at March 31, 2007 and 2006.

13) 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, -----	
	2007 -----	2006 -----
Net earnings	\$16,093	13,629
Unrealized holding gain (loss) arising during the period ...	1,181	(1,137)
Tax benefit expense	(465)	448
	-----	-----
Net after tax	716	(689)
Reclassification adjustment for losses included in net earnings	8	--
Tax benefit	(3)	--
	-----	-----
Net after tax	5	--
Net unrealized gain (loss) on securities	721	(689)
	-----	-----
Total comprehensive income	\$16,814	12,940
	=====	=====

17

14) Segment Information

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

The Company evaluates segment performance internally based on individual bank charters, and thus the operating segments are so defined. 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 the Parent, non-bank units, and elimination of transactions between segments.

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

	Whitefish	Citizens	CDC	Morgan	Other	Total Consolidated
Revenues from external customers	\$ 3,418	3,729	2,225	1,206	100	87,612
Intersegment revenues	--	--	215	305	20,231	21,530
Expenses	(2,764)	(3,202)	(1,984)	(1,263)	(174)	(71,519)
Intercompany eliminations	--	--	--	--	(21,530)	(21,530)
Net Earnings	\$ 654	527	456	248	(1,373)	16,093
Total Assets	\$186,330	170,213	140,704	94,081	(35,838)	4,459,013

Three months ended and as of March 31, 2006						
(Dollars in thousands)	Mountain West	Glacier	First Security	Western	1st Bank	Big Sky
Revenues from external customers	\$ 15,924	12,452	12,258	6,880	4,102	4,918
Intersegment revenues	6	52	78	17	236	--
Expenses	(13,063)	(9,284)	(9,167)	(5,404)	(3,526)	(3,719)
Intercompany eliminations	--	--	--	--	--	--
Net Earnings	\$ 2,867	3,220	3,169	1,493	812	1,199
Total Assets	\$809,759	697,266	734,092	428,263	284,398	275,158

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

	Valley	Whitefish	Citizens	Other	Total Consolidated
	-----	-----	-----	-----	-----
Revenues from external customers	\$ 4,344	2,996	3,159	75	67,108
Intersegment revenues	33	--	--	17,374	17,796
Expenses	(3,371)	(2,306)	(2,611)	(1,028)	(53,479)
Intercompany eliminations	--	--	--	(17,796)	(17,796)
	-----	-----	-----	-----	-----
Net Earnings	\$ 1,006	690	548	(1,375)	13,629
	=====	=====	=====	=====	=====
Total Assets	\$258,165	175,912	153,204	(16,059)	3,800,158
	=====	=====	=====	=====	=====

18

15) 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.

	Three Months Ended March 31, 2007 vs. 2006		
	Increase (Decrease) due to:		

(Dollars in thousands)	Volume	Rate	Net
-----	-----	-----	-----
INTEREST INCOME			
Residential real estate loans	\$ 2,670	782	3,452
Commercial loans	8,323	2,804	11,127
Consumer and other loans	1,784	665	2,449
Investment securities and other	(1,374)	314	(1,060)
	-----	-----	-----
Total Interest Income	11,403	4,565	15,968
INTEREST EXPENSE			
NOW accounts	117	503	620
Savings accounts	48	32	80
Money market accounts	1,220	2,351	3,571
Certificates of deposit	1,031	2,213	3,244
FHLB advances	(947)	1,194	247
Other borrowings and repurchase agreements	1,168	257	1,425
	-----	-----	-----

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Total Interest Expense	2,637	6,550	9,187
	-----	-----	-----
NET INTEREST INCOME	\$ 8,766	(1,985)	6,781
	=====	=====	=====

19

16) 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

	For the Three months ended 3-31-07		
(Dollars in thousands)	Average Balance	Interest and Dividends	Average Yield/ Rate
-----	-----	-----	-----
ASSETS			
Residential real estate loans	\$ 769,196	14,441	7.51%
Commercial loans	1,852,657	36,652	8.02%
Consumer and other loans	578,166	11,314	7.94%
	-----	-----	-----
Total Loans	3,200,019	62,407	7.91%
Tax - exempt investment securities (1)	280,205	3,452	4.90%
Other investment securities	564,311	6,061	4.31%
	-----	-----	-----
Total Earning Assets	4,044,535	71,920	7.11%

Goodwill and core deposit intangible	143,827		
Other non-earning assets	232,081		

TOTAL ASSETS	\$4,420,443		
	=====		
LIABILITIES AND STOCKHOLDERS' EQUITY			
NOW accounts	\$ 433,209	1,091	1.02%
Savings accounts	266,579	658	1.00%
Money market accounts	707,579	6,414	3.68%
Certificates of deposit	944,895	10,644	4.57%
FHLB advances	419,216	5,042	4.88%
Repurchase agreements and other borrowed funds	391,044	4,980	5.17%
	-----	-----	-----
Total Interest Bearing Liabilities	3,162,522	28,829	3.70%

Non-interest bearing deposits	747,585		
Other liabilities	44,651		

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Total Liabilities	3,954,758	
Common stock	525	
Paid-in capital	345,966	
Retained earnings	116,514	
Accumulated other Comprehensive income	2,680	
Total Stockholders' Equity	465,685	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$4,420,443	
Net interest income	\$43,091	
Net interest spread	3.41%	
Net interest margin on average earning assets	4.32%	
Return on average assets (annualized)	1.48%	
Return on average equity (annualized)	14.02%	

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

20

17) Recent Acquisitions

On April 30, 2007, the Company completed the acquisition of North Side State Bank of Rock Springs, Wyoming, which was merged into 1st Bank, the Company's Evanston, Wyoming subsidiary. As of March 31, 2007, North Side had approximate total assets of \$122 million, loans of \$40 million, and deposits of \$102 million.

Acquisitions are accounted for under the purchase method of accounting. Accordingly, the assets and liabilities of the acquired banks are recorded by the Company at their respective fair values at the date of the acquisition and the results of operations are included with those of the Company since the date of acquisition. The excess of the Company's purchase price over the net fair value of the assets acquired and liabilities assumed, including identifiable intangible assets, is recorded as goodwill.

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.

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

Impact of Recently Issued Accounting Standards

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities--including an amendment of FASB Statement No. 115" (Statement 159). Statement 159 permits entities to choose to measure many financial instruments and certain other items at fair value and

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

amends Statement 115 to, among other things, require certain disclosures for amounts for which the fair value option is applied. This standard is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, or January 1, 2008 for the Company. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of Statement 157. The Company has not completed its assessment of SFAS 159 and the impact, if any, on the consolidated financial statements.

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. 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.

Financial Condition

This section discusses the changes in the Statement of Financial Condition items from March 31, 2006 and December 31, 2006, to March 31, 2007.

21

ASSETS (\$ IN THOUSANDS)	March 31, 2007 (unaudited)	December 31, 2006	March 31 2006 (unaudited)
-----	-----	-----	-----
Cash on hand and in banks	\$ 123,697	136,591	105,474
Investment securities, interest bearing deposits, FHLB stock, FRB stock, and fed funds	864,228	862,063	953,880
Loans:			
Real estate	766,421	789,843	638,529
Commercial	1,851,139	1,850,417	1,435,731
Consumer and other	590,126	574,523	493,023
	-----	-----	-----
Total loans	3,207,686	3,214,783	2,567,283
Allowance for loan losses	(50,540)	(49,259)	(39,851)
	-----	-----	-----
Total loans net of allowance for loan losses	3,157,146	3,165,524	2,527,432
	-----	-----	-----
Other assets	313,942	307,120	216,003
	-----	-----	-----
Total Assets	\$4,459,013	4,471,298	3,802,789
	=====	=====	=====

At March 31, 2007, total assets were \$4.459 billion, which is \$12 million, or 0.28 percent, lower than the December 31, 2006 assets of \$4.471 billion, and \$656 million, or 17 percent, greater than the March 31, 2006 assets of \$3.803

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

billion.

Total loans decreased \$7 million from December 31, 2006. Commercial loans have increased \$722 thousand, or 0.04 percent, real estate loans decreased \$23 million, or 3 percent, and consumer loans grew by \$16 million, or 3 percent. Total loans have increased \$640 million, or 25 percent, from March 31, 2006, with all loan categories showing increases. Commercial loans grew the most with an increase of \$415 million, or 29 percent, followed by real estate loans which increased \$128 million, or 20 percent, and consumer loans, which are primarily comprised of home equity loans, increasing by \$97 million, or 20 percent.

Investment securities, including interest bearing deposits in other financial institutions and federal funds sold, have increased \$2 million from December 31, 2006, or 0.25 percent, and have declined \$90 million, or 9 percent, from March 31, 2006. Investment securities at March 31, 2007 represented 19% of total assets versus 25% the prior year.

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 for the three months ended March 31, 2007 and 2006 were \$142 million and \$90 million, respectively. The Company has also been active in generating commercial SBA loans. A portion of some of those loans is sold to other investors. The amount of loans sold and serviced for others at March 31, 2007 was approximately \$169 million.

22

LIABILITIES (\$ IN THOUSANDS)	March 31, 2007 (unaudited)	December 31, 2006	March 31 2006 (unaudited)	\$ change from December 31, 2006
-----	-----	-----	-----	-----
Non-interest bearing deposits	\$ 788,426	829,355	683,201	(40,929)
Interest bearing deposits	2,410,668	2,378,178	2,010,198	32,490
Advances from Federal Home Loan Bank	455,625	307,522	505,209	148,103
Securities sold under agreements to repurchase and other borrowed funds	168,421	338,986	134,981	(170,565)
Other liabilities	44,878	42,555	37,178	2,323
Subordinated debentures	118,559	118,559	87,631	--
	-----	-----	-----	-----
Total liabilities	\$3,986,577	4,015,155	3,458,398	(28,578)
	=====	=====	=====	=====

Non-interest bearing deposits have decreased \$41 million, or 5 percent, since December 31, 2006, and increased by \$105 million, or 15 percent, since March 31, 2006. Increasing non-interest bearing deposits continues to be a primary focus of each of our banks. Interest bearing deposits increased \$32 million from December 31, 2006, with such change attributable to growth in broker originated certificates of deposits. The March 31, 2007 balance of interest bearing deposits includes \$205 million in broker originated CD's and \$2 million in Internet generated National Market CD's. Since March 31, 2006, interest bearing deposits increased \$400 million, or 20 percent, net of a decrease of \$83 million in CD's from broker and Internet sources. Federal Home Loan Bank (FHLB) advances increased \$148 million, and repurchase agreements and other borrowed funds decreased \$171 million from December 31, 2006, primarily from the redemption of

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

\$162 million in U. S. Treasury Tax and Loan Term Auction funds. FHLB advances are \$50 million less than the March 31, 2006 balances due primarily to the above described increases in deposits.

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 is the 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, except Western Bank of Chinook, N.A., are members of the FHLB. As of March 31, 2007, the Company had \$818 million of available FHLB credit of which \$456 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.

23

STOCKHOLDERS' EQUITY (\$ IN THOUSANDS EXCEPT PER SHARE DATE)

	March 31, 2007 (unaudited)	December 31, 2006	March 31, 2006 (unaudited)
	-----	-----	-----
Common equity	\$ 468,646	453,074	344,259
Accumulated other comprehensive income	3,790	3,069	132
	-----	-----	-----
Total stockholders' equity	472,436	456,143	344,391
Core deposit intangible, net, and goodwill	(146,164)	(144,466)	(86,693)
	-----	-----	-----
	\$ 326,272	311,677	257,698
	=====	=====	=====
Stockholders' equity to total assets	10.60%	10.21%	9.06%
Tangible stockholders' equity to total tangible assets	7.57%	7.21%	6.93%
Book value per common share	\$ 8.97	8.72	7.11
Market price per share at end of quarter	\$ 24.04	24.44	20.70

Total equity and book value per share amounts have increased \$16 million and \$.25 per share, respectively, from December 31, 2006, the result of earnings retention, and stock options exercised. Accumulated other comprehensive income,

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

representing net unrealized gains on securities designated as available for sale, increased \$721 thousand during the quarter, such increase primarily a function of interest rate changes and the decreased balance of securities.

CREDIT QUALITY INFORMATION (\$ IN THOUSANDS)	March 31, 2007 (unaudited)	December 31, 2006	March 2006 (unaudi
	-----	-----	-----
Allowance for loan losses	\$50,540	\$ 49,259	\$39,8
Non-performing assets	\$11,306	8,894	10,3
Allowance as a percentage of non performing assets	447%	554%	38
Non-performing assets as a percentage of total bank assets	0.25%	0.19%	0.2
Allowance as a percentage of total loans	1.58%	1.53%	1.5
Net recoveries (charge-offs) as a percentage of loans	0.003%	(0.021%)	0.00

Allowance for Loan Loss and Non-Performing Assets

Non-performing assets as a percentage of total assets at March 31, 2007 were at .25 percent, down from .27 percent at March 31, 2006, but increasing slightly from .19 percent at December 31, 2006. The Company ratios compare favorably to the Federal Reserve Bank Peer Group average of .43 percent at December 31, 2006, the most recent information available. The allowance for loan losses was 447 percent of non-performing assets at March 31, 2007, up from 386 percent a year ago. The allowance, including \$6.091 million from acquisitions, has increased \$10.689 million, or 27 percent, from a year ago. The allowance of \$50.540 million, is 1.58 percent of March 31, 2007 total loans outstanding, up slightly from the 1.55 percent a year ago. The first quarter provision for loan losses expense was \$1.195 million, an increase of \$30 thousand from the same quarter in 2006, and was a decrease of \$157 thousand from the fourth quarter of 2006. Recovery of previously charged-off loans exceeded amounts charged-off during the quarter by \$86 thousand. Loan growth, average loan size, and credit quality considerations will determine the level of additional provision expense.

24

RESULTS OF OPERATIONS - THE THREE MONTHS ENDED MARCH 31, 2007 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2006.

The Company reported net earnings of \$16.093 million, an increase of \$2.5 million, or 18 percent, over the \$13.629 million for the first quarter of 2006. Diluted earnings per share for the quarter of \$.30 is an increase of 7 percent over the diluted earnings per share of \$.28 for the first quarter of 2006. Net earnings was reduced by \$547,230, or \$.01 per share, for share-based compensation expense. Annualized return on average assets and return on average equity for the quarter were 1.48 percent and 14.02 percent, respectively, which compares with prior year returns for the first quarter of 1.48 percent and 16.21 percent.

Included in net earnings for the quarter is a \$1.0 million gain (pre-tax gain of \$1.6 million) from the January 19, 2007 sale of Western Security Bank's Lewistown branch as a condition imposed by bank regulators to complete the acquisition of Citizens Development Company ("CDC"). On January 26, 2007, three of the five CDC subsidiaries, i.e., Citizens State Bank, First Citizens Bank of Billings, and First Citizens Bank, N.A., were merged into Company subsidiaries, i.e., First Security Bank of Missoula, Western Security Bank and Glacier Bank, respectively. Costs associated with merging and converting these CDC

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

subsidiaries, the Lewistown branch divestiture and other non-recurring expenses during the quarter were nearly \$500 thousand. During June 2007, the remaining two CDC subsidiaries will be merged together.

REVENUE SUMMARY

(UNAUDITED - \$ IN THOUSANDS)

	Three months ended March 31,			
	2007	2006	\$ change	% change
Net interest income	\$43,091	\$36,308	\$6,783	19%
Non-interest income				
Service charges, loan fees, and other fees	10,085	8,217	1,868	23%
Gain on sale of loans	3,042	2,190	852	39%
Loss on sale of investments	(8)	--	(8)	n/m
Other income	2,573	749	1,824	244%
	-----	-----	-----	---
Total non-interest income	15,692	11,156	4,536	41%
	-----	-----	-----	---
	\$58,783	\$47,464	\$11,319	24%
	=====	=====	=====	===
Tax equivalent net interest margin	4.36%	4.39%		
	=====	=====		

Net Interest Income

Net interest income for the quarter increased \$6.783 million, or 19 percent, over the same period in 2006, and decreased \$2.258 million, or 5 percent, from the fourth quarter of 2006. Total interest income increased \$15.968 million from the prior year's quarter, or 29 percent, while total interest expense was \$9.185 million, or 47 percent higher. The increase in interest expense is primarily attributable to the volume increase in interest bearing liabilities, and the inverted to flat yield curve on the short end and flat on intermediate to long-term maturities. The net interest margin as a percentage of earning assets, on a tax equivalent basis, was 4.36 percent which was 3 basis points lower than the 4.39 percent result for the first quarter of 2006.

Non-interest Income

Fee income increased \$1.868 million, or 23 percent, over the same period last year, driven primarily by an increased number of loan and deposit accounts from internal growth and acquisitions. Gain on sale of loans increased \$852 thousand, or 39 percent, from the first quarter of last year. Other income of \$2.573 million includes the \$1.6 million gain from the sale of the Lewistown branch. Loan origination activity for housing construction and purchases remains strong in our markets.

NON-INTEREST EXPENSE SUMMARY

(UNAUDITED - \$ IN THOUSANDS)

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

	Three months ended March 31,			
	2007	2006	\$ change	% change
Compensation and employee benefits	\$19,506	\$15,311	\$4,195	27%
Occupancy and equipment expense	4,458	3,491	967	28%
Outsourced data processing	812	724	88	12%
Core deposit intangibles amortization	780	420	360	86%
Other expenses	7,627	5,881	1,746	30%
	-----	-----	-----	---
Total non-interest expense	\$33,183	\$25,827	\$7,356	28%
	=====	=====	=====	===

Non-interest Expense

Non-interest expense increased by \$7.355 million, or 28 percent, from the same quarter of 2006. Compensation and benefit expense increased \$4.195 million, or 27 percent, which is primarily attributable to increased staffing levels, including staffing from the acquisitions of First National Bank of Morgan and CDC during 2006, new branches, as well as compensation and merit increases for job performance, increased cost of benefits, and overtime associated with the three CDC banks mergers and related conversions of their operating systems in the first quarter of 2007. The number of full-time-equivalent employees has increased from 1,147 to 1,395, a 22 percent increase since March 31, 2006. Occupancy and equipment expense increased \$966 thousand, or 28 percent, reflecting the bank acquisitions, cost of additional branch locations and facility upgrades. Other expenses increased \$1.746 million, or 30 percent, primarily from acquisitions, data conversions, additional marketing expenses, and costs associated with new branch offices. The efficiency ratio (non-interest expense/net interest income + non-interest income) was 56 percent for the 2007 first quarter, up from 54 percent for the 2006 first quarter.

Critical Accounting Policies

Companies apply certain critical accounting policies requiring management to make subjective or complex judgments, often as a result of the need to estimate the effect of matters that are inherently uncertain. The Company considers its only critical accounting policy to be the allowance for loan losses. The allowance for loan losses is established through a provision for loan losses charged against earnings. The balance of allowance for loan loss is maintained at the amount management believes will be adequate to absorb known and inherent losses in the loan portfolio. The appropriate balance of allowance for loan losses is determined by applying estimated loss factors to the credit exposure from outstanding loans. Estimated loss factors are based on subjective measurements including management's assessment of the internal risk classifications, changes in the nature of the loan portfolio, industry concentrations and the impact of current local, regional and national economic factors on the quality of the loan portfolio. Changes in these estimates and assumptions are reasonably possible and may have a material impact on the Company's consolidated financial statements, results of operations and liquidity.

Effect of inflation and changing prices

Generally accepted accounting principles 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 a financial institution are monetary in nature; therefore, interest rates generally have a more significant impact on a

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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

26

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, 2006.

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 we file or submit 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 2007, to which this report relates that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

27

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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

There have not been any material changes to the Company's risk factors during the first quarter 2007.

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) 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

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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 7, 2007

/s/ Michael J. Blodnick

Michael J. Blodnick
President/CEO

May 7, 2007

/s/ Ron J. Copher

Ron J. Copher
Senior Vice President/CFO