

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

GLACIER BANCORP INC  
Form 10-Q  
August 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 June 30, 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,  
(Address of principal executive offices)

Montana 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

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

---

The number of shares of Registrant's common stock outstanding on July 26, 2007 was 53,546,209. 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 June 30, 2007, June 30, 2006 and audited December 31, 2006 .....	3
Condensed Consolidated Statements of Operations - Unaudited three and six months ended June 30, 2007 and 2006 .....	4
Condensed Consolidated Statements of Stockholders' Equity and Comprehensive Income - Year ended December 31, 2006 and unaudited six months ended June 30, 2007 .....	5
Condensed Consolidated Statements of Cash Flows - Unaudited six months ended June 30, 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 .....	22
Item 3 - Quantitative and Qualitative Disclosure about Market Risk .....	29
Item 4 - Controls and Procedures .....	30
PART II. OTHER INFORMATION .....	30
Item 1 - Legal Proceedings .....	30
Item 1A - Risk Factors .....	30
Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds .....	30
Item 3 - Defaults Upon Senior Securities .....	30
Item 4 - Submission of Matters to a Vote of Security Holders .....	30
Item 5 - Other Information .....	31
Item 6 - Exhibits .....	31

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Signatures ..... 31

GLACIER BANCORP, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands, except per share data)	JUNE 30, 2007	December 31, 2006	June 30, 2006
	(UNAUDITED)		(unaudited)
<b>ASSETS:</b>			
Cash on hand and in banks .....	\$ 134,647	136,591	124,872
Federal funds sold .....	11,735	6,125	4,880
Interest bearing cash deposits .....	124,566	30,301	33,559
	-----	-----	-----
Cash and cash equivalents .....	270,948	173,017	163,311
Investment securities .....	737,104	825,637	870,460
Loans receivable, net .....	3,289,234	3,130,389	2,630,254
Loans held for sale .....	42,620	35,135	30,596
Premises and equipment, net .....	119,320	110,759	88,883
Real estate and other assets owned, net .....	2,153	1,484	605
Accrued interest receivable .....	27,621	25,729	20,449
Deferred tax asset .....	2,504	--	1,199
Core deposit intangible, net .....	15,575	14,750	7,195
Goodwill .....	140,018	129,716	79,099
Other assets .....	25,858	24,682	23,962
	-----	-----	-----
	\$ 4,672,955	4,471,298	3,916,013
	=====	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>			
Non-interest bearing deposits .....	\$ 820,728	829,355	720,473
Interest bearing deposits .....	2,533,957	2,378,178	1,972,296
Advances from Federal Home Loan Bank of Seattle ..	260,224	307,522	435,978
Securities sold under agreements to repurchase ...	156,794	170,216	151,098
Other borrowed funds .....	233,986	168,770	162,296
Accrued interest payable .....	15,388	11,041	9,453
Deferred tax liability .....	--	1,927	--
Subordinated debentures .....	118,559	118,559	87,631
Other liabilities .....	33,648	29,587	23,958
	-----	-----	-----
Total liabilities .....	4,173,284	4,015,155	3,563,183
	-----	-----	-----
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 .....	535	523	487
Paid-in capital .....	371,289	344,265	269,177
Retained earnings - substantially restricted .....	128,355	108,286	87,644
Accumulated other comprehensive (loss) income .....	(508)	3,069	(4,478)
	-----	-----	-----
Total stockholders' equity .....	499,671	456,143	352,830
	-----	-----	-----
	\$ 4,672,955	4,471,298	3,916,013
	=====	=====	=====
Number of shares outstanding .....	53,525,651	52,302,820	48,658,760

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Book value per share ..... \$ 9.34 8.72 7.25

See accompanying notes to condensed consolidated financial statements.

3

GLACIER BANCORP, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED - dollars in thousands, except per share data)	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUN	
	2007	2006	2007	2006
<b>INTEREST INCOME:</b>				
Real estate loans .....	\$ 15,201	12,242	29,642	23,184
Commercial loans .....	38,170	27,479	74,822	53,184
Consumer and other loans .....	11,870	9,654	23,184	18,184
Investment securities and other .....	10,052	10,558	19,565	21,184
Total interest income .....	75,293	59,933	147,213	115,640
<b>INTEREST EXPENSE:</b>				
Deposits .....	20,530	13,761	39,337	25,184
Federal Home Loan Bank of Seattle advances .....	4,050	4,417	9,092	9,092
Securities sold under agreements to repurchase .....	1,724	1,471	3,611	2,184
Subordinated debentures .....	1,816	1,284	3,630	2,184
Other borrowed funds .....	1,977	1,374	3,256	2,184
Total interest expense .....	30,097	22,307	58,926	41,640
NET INTEREST INCOME .....	45,196	37,626	88,287	73,996
Provision for loan losses .....	1,210	1,355	2,405	2,184
Net interest income after provision for loan losses .....	43,986	36,271	85,882	71,812
<b>NON-INTEREST INCOME:</b>				
Service charges and other fees .....	9,483	7,392	17,746	13,184
Miscellaneous loan fees and charges .....	2,275	1,957	4,097	3,184
Gains on sale of loans .....	3,708	2,770	6,750	4,184
Loss on sale of investments .....	--	--	(8)	--
Other income .....	945	779	3,518	1,184
Total non-interest income .....	16,411	12,898	32,103	21,640
<b>NON-INTEREST EXPENSE:</b>				
Compensation, employee benefits and related expenses .....	20,594	15,739	40,100	31,184
Occupancy and equipment expense .....	4,812	3,431	9,270	6,184
Outsourced data processing expense .....	680	678	1,492	1,184
Core deposit intangibles amortization ...	809	400	1,589	1,184
Other expenses .....	8,179	6,702	15,806	12,184
Total non-interest expense .....	35,074	26,950	68,257	52,640

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

EARNINGS BEFORE INCOME TAXES .....	25,323	22,219	49,728	42,818
Federal and state income tax expense ....	8,598	7,553	16,910	14,910
NET EARNINGS .....	\$ 16,725	14,666	32,818	28,908
Basic earnings per share .....	\$ 0.31	0.30	0.62	0.61
Diluted earnings per share .....	\$ 0.31	0.30	0.61	0.61
Dividends declared per share .....	\$ 0.12	0.11	0.24	0.24
Return on average assets (annualized) .....	1.47%	1.52%	1.47%	1.47%
Return on average equity (annualized) .....	13.79%	16.81%	13.90%	13.90%
Average outstanding shares - basic .....	53,164,813	48,658,760	52,836,255	48,519,813
Average outstanding shares - diluted .....	53,601,696	49,345,980	53,414,992	49,292,813

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 SIX MONTHS ENDED JUNE 30, 2007

(Dollars in thousands, except per share data) (1)	Common Stock		Paid-in capital	Retained earnings substantially restricted
	Shares	Amount		
Balance at December 31, 2005 .....	48,258,821	\$483	262,222	69,713
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) .....	--	--	--	(22,558)
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	108,286
Comprehensive income:				
Net earnings .....	--	--	--	32,818
Unrealized loss on securities, net of reclassification adjustment and taxes .....	--	--	--	--
Total comprehensive income .....				
Cash dividends declared (\$.24 per share) .....	--	--	--	(12,749)
Stock options exercised .....	429,251	4	4,734	--
Stock issued in connection with acquisitions ....	793,580	8	18,992	--
Stock based compensation and tax benefit .....	--	--	3,298	--

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Balance at June 30, 2007 (unaudited) .....	53,525,651	\$535	371,289	128,355
	=====	=====	=====	=====

(1) Shares and per share amounts have been adjusted to reflect the December 2006 three-for-two stock split.

See accompanying notes to condensed consolidated financial statements.

GLACIER BANCORP, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED - dollars in thousands)	SIX MONTHS ENDED JUNE 30,	
	2007	2006
OPERATING ACTIVITIES :		
NET CASH PROVIDED BY OPERATING ACTIVITIES .....	\$ 31,584	29,695
INVESTING ACTIVITIES:		
Proceeds from sales, maturities and prepayments of investments available-for-sale .....	165,114	127,238
Purchases of investments available-for-sale .....	(22,491)	(40,792)
Principal collected on installment and commercial loans .....	584,905	561,767
Installment and commercial loans originated or acquired .....	(737,316)	(738,245)
Principal collections on mortgage loans .....	270,272	186,314
Mortgage loans originated or acquired .....	(262,835)	(267,961)
Net purchase of FHLB and FRB stock .....	(3,451)	(434)
Net cash paid for sale of Western's Lewistown branch .....	(6,846)	--
Net cash received from North Side State Bank acquisition .....	9,339	--
Net addition of premises and equipment .....	(1,221)	(11,889)
NET CASH USED IN INVESTING ACTIVITIES .....	(4,530)	(184,002)
FINANCING ACTIVITIES:		
Net increase in deposits .....	72,993	158,056
Net increase in FHLB advances and other borrowed funds .....	17,917	8,391
Net (decrease) increase in securities sold under repurchase agreements .....	(13,422)	21,568
Cash dividends paid .....	(12,749)	(10,365)
Excess tax benefits from stock options .....	1,399	1,170
Proceeds from exercise of stock options and other stock issued .....	4,739	4,104
NET CASH PROVIDED BY FINANCING ACTIVITIES .....	70,877	182,924
NET INCREASE IN CASH AND CASH EQUIVALENTS .....	97,931	28,617

**Edgar Filing: GLACIER BANCORP INC - Form 10-Q**

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD ..	173,017	134,694
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD .....	\$ 270,948	163,311
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for: Interest .....	\$ 54,368	39,935
Income taxes .....	\$ 14,005	13,029

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

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

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1) Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of Glacier Bancorp Inc.'s (the "Company") financial condition as of June 30, 2007, and June 30, 2006, stockholders' equity for the six months ended June 30, 2007, the results of operations for the three and six months ended June 30, 2007 and 2006, and cash flows for the six months ended June 30, 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 six months ended June 30, 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





Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Citizens Community Bank (ID Commercial bank)	First Bank of Montana (MT Commercial bank)	First National Bank of Morgan (UT Commercial bank)	Glacier Capital Trust II
Glacier Capital Trust III	Glacier Capital Trust IV	Citizens (ID) Statutory Trust I	

3) Ratios

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

4) Dividends Declared

On June 27, 2007, the Board of Directors declared a \$.12 per share cash dividend payable on July 19, 2007 to stockholders of record on July 10, 2007.

5) 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.

8

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

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
Net earnings available to common stockholders .....	\$16,725,000	14,666,000	32,818,000	28,290,000
Average outstanding shares - basic ....	53,164,813	48,658,760	52,836,255	48,510,000
Add: Dilutive stock options .....	436,883	687,220	578,737	770,000
Average outstanding shares - diluted ..	53,601,696	49,345,980	53,414,992	49,280,000
Basic earnings per share .....	\$ 0.31	0.30	0.62	0.58
Diluted earnings per share .....	\$ 0.31	0.30	0.61	0.57

There were approximately 436,130 and 484,725 average shares excluded from the six months ended diluted share calculation as of June 30, 2007, and 2006,

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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 JUNE 30, 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 .....	4.59%	\$ 12,769	22	(9)
GOVERNMENT-SPONSORED ENTERPRISES:				
maturing within one year .....	5.16%	10,488	--	(7)
maturing one year through five years .....	5.15%	149	--	--
maturing five years through ten years .....	7.11%	252	--	(2)
maturing after ten years .....	6.77%	149	1	--
		11,038	1	(9)
STATE AND LOCAL GOVERNMENTS AND OTHER ISSUES:				
maturing within one year .....	3.73%	1,448		(2)
maturing one year through five years .....	4.23%	4,955	22	(36)
maturing five years through ten years .....	5.00%	16,315	668	(12)
maturing after ten years .....	5.12%	267,311	7,299	(313)
		290,029	7,989	(363)
MORTGAGE-BACKED SECURITIES .....	4.80%	45,638	114	(1,691)
REAL ESTATE MORTGAGE INVESTMENT CONDUITS .....	4.27%	310,668	12	(6,598)
FHLMC AND FNMA STOCK .....	5.74%	7,593	--	(305)
OTHER INVESTMENTS:				
CERTIFICATES OF DEPOSITS WITH OVER 90 DAY MATURITY ..	4.68%	794	--	--
FHLB AND FRB STOCK, AT COST .....	1.69%	59,412	--	--
		\$737,941	8,138	(8,975)
TOTAL INVESTMENTS .....	4.45%	\$737,941	8,138	(8,975)

10

INVESTMENTS AS OF DECEMBER 31, 2006

Gross Unrealized

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

(Dollars in thousands)	Weighted Yield	Amortized Cost	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)
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 six months ended June 30, 2007 and 2006 of \$6,928,000 and \$6,947,000, respectively, and for the three months ended June 30, 2007 and 2006 of \$3,476,000 and \$3,459,000, respectively.

Gross proceeds from sales of investment securities for the six months ended June 30, 2007 and 2006 were \$55,798,000 and \$0, respectively, resulting in gross gains of approximately \$1,000 and \$0, respectively, and gross losses of approximately \$9,000 and \$0, respectively. Investment securities of \$54,443,000 from North Side was sold immediately after the acquisition was completed. The cost of any investment sold is determined by specific identification.

7) Loans

The following table summarizes the Company's loan portfolio:

LOAN PORTFOLIO COMPOSITION

	At 6/30/2007	At 12/31/2006	At 6/30/2006
--	-----------------	------------------	-----------------

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

TYPE OF LOAN (Dollars in thousands)	-----		-----		-----
	Amount	Percent	Amount	Percent	Amount
Real Estate Loans:					
Residential real estate	\$ 781,216	23.4%	\$ 758,921	24.0%	\$ 670,860
Loans held for sale	42,620	1.3%	35,135	1.1%	30,596
Total	823,836	24.7%	794,056	25.1%	701,456
Commercial Loans:					
Real estate	1,071,140	32.1%	954,290	30.2%	819,287
Other commercial	887,851	26.7%	902,994	28.5%	671,175
Total	1,958,991	58.8%	1,857,284	58.7%	1,490,462
Consumer and other Loans:					
Consumer	210,783	6.3%	218,640	6.9%	186,493
Home equity	401,759	12.1%	356,477	11.3%	331,716
Total	612,542	18.4%	575,117	18.2%	518,209
Net deferred loan fees, premiums and discounts	(11,093)	-0.3%	(11,674)	-0.4%	(8,082)
Allowance for loan losses	(52,422)	-1.6%	(49,259)	-1.6%	(41,195)
Loan receivable, net	\$ 3,331,854	100.0%	\$3,165,524	100.0%	\$2,660,850

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

NONPERFORMING ASSETS (Dollars in thousands)	At	At	At
	6/30/2007	12/31/2006	6/30/2006
Non-accrual loans:			
Real estate loans	\$ 977	1,806	1,287
Commercial loans	3,799	3,721	2,997
Consumer and other loans	459	538	868
Total	\$ 5,235	6,065	5,152
Accruing Loans 90 days or more overdue:			
Real estate loans	659	554	512
Commercial loans	3,791	638	2,475
Consumer and other loans	142	153	199
Total	\$ 4,592	1,345	3,186
Real estate and other assets owned, net	2,153	1,484	605
Total non-performing loans and real estate and other assets owned, net	\$11,980	8,894	8,943
As a percentage of total bank assets	0.25%	0.19%	0.23%
Interest Income (1)	\$ 206	462	190

(1) Amounts represent interest income that would have been recognized on loans accounted for on a non-accrual basis for the six months ended June 30, 2007, the year ended December 31, 2006 and the six months ended June 30, 2006, had such loans performed pursuant to contractual terms.

The following table illustrates the loan loss experience:

## ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES:

## ALLOWANCE FOR LOAN LOSSES

(Dollars in thousands)	Six months ended June 30, 2007	Year ended December 31, 2006	Six months ended June 30, 2006
	-----	-----	-----
Balance at beginning of period	\$49,259	38,655	38,655
Charge offs:			
Real estate loans	(94)	(14)	(2)
Commercial loans	(309)	(1,187)	(324)
Consumer and other loans	(160)	(448)	(202)
	-----	-----	-----
Total charge-offs	\$ (563)	(1,649)	(528)
	-----	-----	-----
Recoveries:			
Real estate loans	110	341	295
Commercial loans	376	331	70
Consumer and other loans	196	298	183
	-----	-----	-----
Total recoveries	\$ 682	970	548
	-----	-----	-----
Net recoveries (charge-offs)	119	(679)	20
Acquisition (1)	639	6,091	--
Provision	2,405	5,192	2,520
	-----	-----	-----
Balance at end of period	\$52,422	49,259	41,195
	=====	=====	=====
Ratio of net recoveries (charge-offs) to average loans outstanding during the period	0.004%	-0.021%	0.001%

(1) Acquisition of North Side State Bank and Citizen's Development Company

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

(Dollars in thousands)	June 30, 2007		December 31, 2006		June 30, 2006	
	Allowance	Percent of loans in category	Allowance	Percent of loans in category	Allowance	Percent of loans in category
	-----	-----	-----	-----	-----	-----
Real estate loans	\$ 5,642	24.2%	5,421	24.6%	4,940	24.2%
Commercial real estate loans	19,047	31.6%	16,741	29.6%	14,821	35.8%
Other commercial loans	18,386	26.2%	18,361	28.0%	13,589	32.9%
Consumer and other loans	9,347	18.0%	8,736	17.8%	7,845	19.1%
	-----	-----	-----	-----	-----	-----
Totals	\$52,422	100.0%	49,259	100.0%	41,195	100.0%

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

13

8) Intangible Assets

The following table sets forth information regarding the Company's core deposit intangible and mortgage servicing rights as of June 30, 2007:

(Dollars in thousands)	Core Deposit Intangible	Mortgage Servicing Rights (1)	Total
Gross carrying value	\$ 25,706		
Accumulated Amortization	(10,131)		
Net carrying value	\$ 15,575	1,166	16,741
WEIGHTED-AVERAGE AMORTIZATION PERIOD			
(Period in years)	10.0	9.6	10.0
AGGREGATE AMORTIZATION EXPENSE			
For the three months ended June 30, 2007	\$ 809	54	863
For the six months ended June 30, 2007	\$ 1,589	103	1,692
ESTIMATED AMORTIZATION EXPENSE			
For the year ended December 31, 2007	\$ 3,202	143	3,345
For the year ended December 31, 2008	3,032	79	3,111
For the year ended December 31, 2009	2,738	77	2,815
For the year ended December 31, 2010	2,369	75	2,444
For the year ended December 31, 2011	1,662	72	1,734

(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, 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.

The following is a summary of activity in goodwill for the six months ended June 30, 2007.

(Dollars in thousands) Goodwill

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

-----	-----
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	3,766
Acquisition of North Side State Bank	7,675
Other adjustments	75
	-----
Balance as of June 30, 2007	\$140,018
	=====

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

14

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 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.

On April 30, 2007, the Company acquired North Side State Bank of Rock Springs, and the purchase price included core deposit intangible of \$2,524,000 and goodwill of \$7,675,000.

9) Deposits

The following table illustrates the amounts outstanding for deposits \$100,000 and greater at June 30, 2007 according to the time remaining to maturity. Included in the CD maturities are brokered CDs in the amount of \$227,288,000.

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

(Dollars in thousands)	Certificates of Deposit	Non-Maturity Deposits	Totals
Within three months .....	\$149,754	1,236,079	1,385,833
Three to six months .....	249,786	--	249,786
Seven to twelve months ..	93,990	--	93,990
Over twelve months .....	48,306	--	48,306
Totals .....	\$541,836	1,236,079	1,777,915

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:

15

(Dollars in thousands)	As of and for the six months ended June 30, 2007	As of and for the year ended December 31, 2006	As of and for the six months ended June 30, 2006
<b>FHLB Advances:</b>			
Amount outstanding at end of period ...	\$260,224	307,522	435,978
Average balance .....	\$368,928	487,112	485,746
Maximum outstanding at any month-end ..	\$509,519	655,492	572,954
Weighted average interest rate .....	4.97%	4.20%	3.82%
<b>Repurchase Agreements:</b>			
Amount outstanding at end of period ...	\$156,794	170,216	151,098
Average balance .....	\$159,557	153,314	137,800
Maximum outstanding at any month-end ..	\$168,395	164,338	151,098
Weighted average interest rate .....	4.56%	4.32%	4.04%

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 June 30, 2007.

CONSOLIDATED (Dollars in thousands)	Tier 1 (Core) Capital	Tier 2 (Total) Capital	Leverage Capital
GAAP Capital .....	\$ 499,671	499,671	499,671
Less: Goodwill and intangibles .....	(155,593)	(155,593)	(155,593)
Other adjustments .....	(323)	(323)	(323)
Plus: Allowance for loan losses .....	--	48,530	--



## Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Accumulated other comprehensive			
Unrealized loss on AFS securities .....	508	508	508
Subordinated debentures .....	118,559	118,559	118,559
	-----	-----	-----
Regulatory capital computed .....	\$ 462,822	511,352	462,822
	=====	=====	=====
Risk weighted assets .....	\$3,760,588	3,760,588	
	=====	=====	
Total average assets .....			\$4,539,226
			=====
Capital as % of defined assets .....	12.31%	13.60%	10.20%
Regulatory "well capitalized" requirement ...	6.00%	10.00%	5.00%
	-----	-----	-----
Excess over "well capitalized" requirement ..	6.31%	3.60%	5.20%
	=====	=====	=====

### 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.

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 \$300,000 as of June 30, 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 34.0 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 six months ended June 30, 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 June 30, 2007 and 2006, respectively. The Company had accrued \$0 for the payment of penalties at June 30, 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.

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Dollars in thousands	For the three months ended June 30,		For the six months ended June 30,	
	2007	2006	2007	2006
Net earnings .....	\$16,725	14,666	32,818	28,295
Unrealized holding loss arising during the period .....	(7,092)	(7,606)	(5,911)	(8,744)
Tax benefit expense .....	2,794	2,997	2,329	3,445
Net after tax .....	(4,298)	(4,609)	(3,582)	(5,299)
Reclassification adjustment for losses included in net earnings .....	--	--	8	--
Tax benefit .....	--	--	(3)	--
Net after tax .....	--	--	5	--
Net unrealized loss on securities ....	(4,298)	(4,609)	(3,577)	(5,299)
Total comprehensive income .....	\$12,427	10,057	29,241	22,996

17

14) Segment Information

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.

(Dollars in thousands)	Six months ended and as of June 30, 2007					
	Mountain West	Glacier	First Security	Western	1st Bank	Big Sky
Revenues from external customers	\$ 42,446	31,576	29,187	20,455	11,809	11,439
Intersegment revenues	24	78	920	713	552	15
Expenses	(35,521)	(24,789)	(23,497)	(16,903)	(9,966)	(9,024)
Intercompany eliminations	--	--	--	--	--	--
Net Earnings	\$ 6,949	6,865	6,610	4,265	2,395	2,430
Total Assets	\$996,119	836,522	834,762	553,387	470,595	288,449

  

	Whitefish	Citizens	First Bank of MT	Morgan	Other	To Consol
--	-----------	----------	------------------	--------	-------	-----------

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Revenues from external customers	\$ 6,962	7,549	4,604	2,427	195	179
Intersegment revenues	--	--	316	632	41,188	44
Expenses	(5,629)	(6,461)	(3,969)	(2,602)	433	(146)
Intercompany eliminations	--	--	--	--	(44,533)	(44)
	-----	-----	-----	-----	-----	-----
Net Earnings	\$ 1,333	1,088	951	457	(2,717)	32
	=====	=====	=====	=====	=====	=====
Total Assets	\$193,716	181,250	143,093	91,560	(198,307)	4,672
	=====	=====	=====	=====	=====	=====

Six months ended and as of June 30, 2006

(Dollars in thousands)	Mountain West	Glacier	First Security	Western	1st Bank	Big Sky
	-----	-----	-----	-----	-----	-----
Revenues from external customers	\$ 33,783	25,772	25,133	14,056	8,871	10,162
Intersegment revenues	15	200	96	19	354	92
Expenses	(27,590)	(19,473)	(18,851)	(11,150)	(7,499)	(7,743)
Intercompany eliminations	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
Net Earnings	\$ 6,208	6,499	6,378	2,925	1,726	2,511
	=====	=====	=====	=====	=====	=====
Total Assets	\$862,075	744,359	745,180	424,534	293,717	275,250
	=====	=====	=====	=====	=====	=====

	Valley	Whitefish	Citizens	Other	Total Consolidated
	-----	-----	-----	-----	-----
Revenues from external customers	\$ 9,079	6,198	6,655	230	139,939
Intersegment revenues	66	--	--	36,032	36,874
Expenses	(7,070)	(4,833)	(5,592)	(1,843)	(111,644)
Intercompany eliminations	--	--	--	(36,874)	(36,874)
	-----	-----	-----	-----	-----
Net Earnings	\$ 2,075	1,365	1,063	(2,455)	28,295
	=====	=====	=====	=====	=====
Total Assets	\$262,370	182,742	164,215	(38,429)	3,916,013
	=====	=====	=====	=====	=====

18

Three months ended and as of June 30, 2007

(Dollars in thousands)	Mountain West	Glacier	First Security	Western	1st Bank	Big Sky
	-----	-----	-----	-----	-----	-----
Revenues from external customers	\$ 22,140	16,156	14,764	9,407	6,741	5,894
Intersegment revenues	13	39	643	549	302	14

19

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Expenses	(18,399)	(12,650)	(12,066)	(8,361)	(5,600)	(4,613)
Intercompany eliminations	--	--	--	--	--	--
Net Earnings	\$ 3,754	3,545	3,341	1,595	1,443	1,295
Total Assets	\$996,119	836,522	834,762	553,387	470,595	288,449

	Whitefish	Citizens	First Bank of MT	Morgan	Other	Total
Revenues from external customers	\$ 3,544	3,820	2,379	1,221	95	91
Intersegment revenues	--	--	101	327	20,957	23
Expenses	(2,865)	(3,259)	(1,985)	(1,339)	607	(74)
Intercompany eliminations	--	--	--	--	(23,003)	(23)
Net Earnings	\$ 679	561	495	209	(1,344)	16
Total Assets	\$193,716	181,250	143,093	91,560	(198,307)	4,672

Three months ended and as of June 30, 2006

(Dollars in thousands)	Mountain West	Glacier	First Security	Western	1st Bank	Big Sky
Revenues from external customers	\$ 17,859	13,320	12,875	7,176	4,769	5,244
Intersegment revenues	9	148	18	2	118	92
Expenses	(14,527)	(10,189)	(9,684)	(5,746)	(3,973)	(4,024)
Intercompany eliminations	--	--	--	--	--	--
Net Earnings	\$ 3,341	3,279	3,209	1,432	914	1,312
Total Assets	\$862,075	744,359	745,180	424,534	293,717	275,250

	Valley	Whitefish	Citizens	Other	Total Consolidated
Revenues from external customers	\$ 4,735	3,202	3,496	155	72,831
Intersegment revenues	33	--	--	18,658	19,078
Expenses	(3,699)	(2,527)	(2,981)	(815)	(58,165)
Intercompany eliminations	--	--	--	(19,078)	(19,078)
Net Earnings	\$ 1,069	675	515	(1,080)	14,666
Total Assets	\$262,370	182,742	164,215	(38,429)	3,916,013

## Edgar Filing: GLACIER BANCORP INC - Form 10-Q

### 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.

19

(Dollars in thousands)	Six Months Ended June 30, 2007 vs. 2006		
	Increase (Decrease) due to:		
	Volume	Rate	Net
INTEREST INCOME			
Residential real estate loans	\$ 5,139	1,272	6,411
Commercial loans	16,364	5,454	21,818
Consumer and other loans	3,509	1,156	4,665
Investment securities and other	(2,381)	815	(1,566)
	22,631	8,697	31,328
Total Interest Income			
INTEREST EXPENSE			
NOW accounts	283	898	1,181
Savings accounts	130	118	248
Money market accounts	2,617	3,823	6,440
Certificates of deposit	2,290	4,126	6,416
FHLB advances	(2,216)	2,095	(121)
Other borrowings and repurchase agreements	2,238	573	2,811
	5,342	11,633	16,975
Total Interest Expense			
NET INTEREST INCOME	\$17,289	(2,936)	14,353

20

### 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.

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

AVERAGE BALANCE SHEET (Dollars in thousands)	For the Three months ended 6-30-07			For the Six months	
	Average Balance	Interest and Dividends	Average Yield/ Rate	Average Balance	Inter an Divid
<b>ASSETS</b>					
Residential real estate loans	\$ 806,134	15,201	7.54%	\$ 787,767	29
Commercial loans	1,886,129	38,170	8.12%	1,869,486	74
Consumer and other loans	594,600	11,870	8.01%	586,428	23
	-----	-----		-----	-----
Total Loans	3,286,863	65,241	7.96%	3,243,681	127
Tax - exempt investment securities (1)	276,295	3,476	5.03%	278,239	6
Other investment securities	589,025	6,576	4.47%	576,737	12
	-----	-----		-----	-----
Total Earning Assets	4,152,183	75,293	7.25%	4,098,657	147
	-----	-----		-----	-----
Goodwill and core deposit intangible	146,166			145,003	
Other non-earning assets	254,410			243,307	
	-----			-----	
TOTAL ASSETS	\$4,552,759			\$4,486,967	
	=====			=====	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
NOW accounts	\$ 480,584	1,262	1.05%	\$ 457,027	2
Savings accounts	269,108	669	1.00%	267,850	1
Money market accounts	734,722	6,775	3.70%	721,226	13
Certificates of deposit	1,011,110	11,824	4.69%	978,187	22
FHLB advances	319,193	4,050	5.09%	368,928	9
Repurchase agreements and other borrowed funds	425,541	5,517	5.20%	408,387	10
	-----	-----		-----	-----
Total Interest Bearing Liabilities	3,240,258	30,097	3.73%	3,201,605	58
	-----	-----		-----	-----
Non-interest bearing deposits	782,502			765,140	
Other liabilities	43,398			44,021	
	-----			-----	
Total Liabilities	4,066,158			4,010,766	
	-----			-----	
Common stock	531			528	
Paid-in capital	351,625			348,811	
Retained earnings	130,479			123,535	
Accumulated other Comprehensive income	3,966			3,327	
	-----			-----	
Total Stockholders' Equity	486,601			476,201	
	-----			-----	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$4,552,759			\$4,486,967	
	=====			=====	
Net interest income		\$45,196			\$ 88
		=====			=====
Net interest spread			3.52%		
Net interest margin on average earning assets			4.37%		

## Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Return on average assets (annualized)	1.47%
Return on average equity (annualized)	13.79%

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

21

### 17) Recent Acquisitions

On April 30, 2007, the Company completed the acquisition of North Side of Rock Springs, Wyoming, which was merged into 1st Bank, the Company's Evanston, Wyoming subsidiary. As of April 30, 2007, North Side had approximate total assets of \$119 million, loans of \$40 million, and deposits of \$100 million. A portion of the purchase price was allocated to core deposit intangible of \$2,524,000 and goodwill of \$7,675,000.

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

### Key Management

The Company appointed Don Chery as Chief Administrative Officer for the Company by the Board of Directors. Don brings with him nearly 20 years of experience with the Company, most recently as President of Big Sky. Don will begin his new role August 20. Ron Ostermiller has been appointed the new President of Big Sky. Ron has been with the Company for 9 years as the Senior Credit Officer of Big Sky and has been in the banking industry for 38 years.

### 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 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.

## Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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.

22

### Financial Condition

This section discusses the changes in the Statement of Financial Condition items from June 30, 2006 and December 31, 2006, to June 30, 2007.

Effective with its acquisition on April 30, 2007, North Side of Rock Springs, Wyoming was merged into 1st Bank, the Company's subsidiary bank in Evanston, Wyoming. On June 21, 2007, the remaining two CDC subsidiaries, i.e., First National Bank of Lewistown and Western Bank of Chinook, merged to become First Bank of Montana. In June, each of the combining CDC bank's operating systems and First National Bank of Morgan's operating systems were converted to the core operating system used by the Company's banking subsidiaries.

The results of operations and financial condition include the acquisition of North Side from May 1, 2007 forward. Cash of \$8.8 million and 793,580 shares of the Company's common stock were issued to North Side shareholders. The following table provides information on selected classifications of assets and liabilities acquired:

(UNAUDITED - \$ IN THOUSANDS)	North Side State Bank -----
Total assets	118,803
Investments	61,456
Fed funds sold	10,100
Net loans	39,541
Non-interest bearing deposits	22,101
Interest bearing deposits	77,467

As reflected on the next schedule, total assets at June 30, 2007 were \$4.673 billion, which is \$202 million, or 4.5 percent, higher than the December 31, 2006 total assets of \$4.471 billion, and \$757 million, or 19.3 percent, greater than the June 30, 2006 total assets of \$3.916 billion.

June 30, 2007	December 31,	June 30 2006
------------------	--------------	-----------------



## Edgar Filing: GLACIER BANCORP INC - Form 10-Q

ASSETS (\$ IN THOUSANDS)	(unaudited)	2006	(unaudited)
	-----	-----	-----
Cash on hand and in banks	\$ 134,647	136,591	124,872
Investment securities, interest bearing deposits, FHLB stock, FRB stock, and fed funds	873,405	862,063	908,899
Loans:			
Real estate	819,427	789,843	697,351
Commercial	1,951,995	1,850,417	1,486,847
Consumer and other	612,854	574,523	517,847
	-----	-----	-----
Total loans	3,384,276	3,214,783	2,702,045
Allowance for loan losses	(52,422)	(49,259)	(41,195)
	-----	-----	-----
Total loans net of allowance for loan losses	3,331,854	3,165,524	2,660,850
	-----	-----	-----
Other assets	333,049	307,120	221,392
	-----	-----	-----
Total Assets	\$4,672,955	4,471,298	3,916,013
	=====	=====	=====

At June 30, 2007, total loans were \$3,384,276, an increase of \$177 million, or 5.5 percent over total loans of \$3,207,686 at March 31, 2007. The second quarter loan growth included \$40 million from the North Side acquisition. Total loans increased \$169 million from December 31, 2006. For the first half of 2007, commercial loans have increased \$102 million, or 5.5 percent, real estate loans increased \$30 million, or 3.7 percent, and consumer loans grew by \$38 million, or 6.7 percent. Total loans have increased \$682 million, or 25 percent, from June 30, 2006, with all loan categories showing increases. Commercial loans grew the most with an increase of

23

\$465 million, or 31 percent, followed by real estate loans which increased \$122 million, or 18 percent, and consumer loans, which are primarily comprised of home equity loans, increasing by \$95 million, or 18 percent.

Investment securities, including interest bearing deposits in other financial institutions and federal funds sold, have increased \$11 million from December 31, 2006, or 1.32 percent, and have declined \$35 million, or 3.91 percent, from June 30, 2006. The investment portfolio of North Side was sold immediately after the acquisition was completed with the sale proceeds invested in higher yielding loans. Investment securities at June 30, 2007 represented 19% of total assets versus 23% 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 six months ended June 30, 2007 and 2006 were \$310 million and \$210 million, respectively, and for the three months ended June 30, 2007 and 2006 were \$168 million and \$120 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 June 30, 2007 was approximately \$170 million.

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

LIABILITIES (\$ IN THOUSANDS)	June 30, 2007 (unaudited)	December 31, 2006	June 30 2006 (unaudited)	\$ change from December 31, 2006
Non-interest bearing deposits	\$ 820,728	829,355	720,473	(8,627)
Interest bearing deposits	2,533,957	2,378,178	1,972,296	155,779
Advances from Federal Home Loan Bank	260,224	307,522	435,978	(47,298)
Securities sold under agreements to repurchase and other borrowed funds	390,780	338,986	313,394	51,794
Other liabilities	49,036	42,555	33,411	6,481
Subordinated debentures	118,559	118,559	87,631	--
<b>Total liabilities</b>	<b>\$4,173,284</b>	<b>4,015,155</b>	<b>3,563,183</b>	<b>158,129</b>

Non-interest bearing deposits decreased \$9 million, or 1.04 percent, since December 31, 2006. However, non-interest bearing deposits increased by \$32 million, or 4.10 percent, since March 31, 2007, and increased by \$100 million, or 14 percent, since June 30, 2006. Increasing non-interest bearing deposits continues to be a primary focus of each of the banks. Interest bearing deposits increased \$156 million from December 31, 2006, with \$123 million of such growth occurring in the second quarter, and the primary changes attributable to growth in broker originated certificates of deposits ("CD's"). The June 30, 2007 balance of interest bearing deposits includes \$227 million in broker originated CD's. Since June 30, 2006, interest bearing deposits increased \$562 million, or 28 percent, including an increase of \$57 million in CD's from broker sources. Federal Home Loan Bank ("FHLB") advances decreased \$47 million from year end and decreased \$176 million from June 30, 2006. Repurchase agreements and other borrowed funds increased \$52 million from December 31, 2006. Included in this latter category are U. S. Treasury Tax and Loan Term Auction funds. FHLB advances are \$176 million less than the June 30, 2006 balances due primarily to the above described changes in funding.

#### 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 are members of the FHLB. As of June 30, 2007, the Company had \$887 million of available FHLB credit of which \$260 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

## Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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.

STOCKHOLDERS' EQUITY (\$ IN THOUSANDS EXCEPT PER SHARE DATA)	June 30, 2007 (unaudited)	December 31, 2006	June 30 2006 (unaudited)
	-----	-----	-----
Common equity	\$ 500,179	453,074	357,308
Accumulated other comprehensive (loss) income	(508)	3,069	(4,478)
	-----	-----	-----
Total stockholders' equity	499,671	456,143	352,830
Core deposit intangible, net, and goodwill	(155,593)	(144,466)	(86,294)
	-----	-----	-----
	\$ 344,078	311,677	266,536
	=====	=====	=====
Stockholders' equity to total assets	10.69%	10.20%	9.01%
Tangible stockholders' equity to total tangible assets	7.62%	7.20%	6.96%
Book value per common share	\$ 9.34	8.72	7.25
Market price per share at end of quarter	\$ 20.35	24.44	19.51

Total equity and book value per share amounts have increased \$44 million and \$.62 per share, respectively, from December 31, 2006, the result of earnings retention, issuance of common stock in connection with acquisitions, and stock options exercised. Accumulated other comprehensive income (loss), representing net unrealized gains or losses on securities designated as available for sale, decreased \$3.6 million from December 31, 2006, such decrease primarily a function of interest rate changes and the decreased balance of securities.

CREDIT QUALITY INFORMATION (\$ IN THOUSANDS)	June 30, 2007 (unaudited)	December 31, 2006	June 2006 (unaudi)
	-----	-----	-----
Allowance for loan losses	\$52,422	\$49,259	\$41,19
Non-performing assets	\$11,980	8,894	8,94
Allowance as a percentage of non performing assets	438%	554%	46
Non-performing assets as a percentage of total bank assets	0.25%	0.19%	0.2
Allowance as a percentage of total loans	1.55%	1.53%	1.5
Net recoveries (charge-offs) as a percentage of loans	0.004%	(0.021%)	0.00

### Allowance for Loan Loss and Non-Performing Assets

Non-performing assets as a percentage of total bank assets at June 30, 2007 were at .25 percent, unchanged from the first quarter results, up slightly from .23 percent at June 30, 2006, but increasing 6 basis points from .19 percent

at December 31, 2006. The Company ratios compare favorably to the Federal

## Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Reserve Bank Peer Group average of .51 percent at March 31, 2007, the most recent information available. The allowance for loan losses was 438 percent of non-performing assets at June 30, 2007, down from 461 percent a year ago. The allowance, including \$6.434 million from acquisitions, has increased \$11.227 million, or 27 percent, from a year ago. The allowance of \$52.422 million, is 1.55 percent of June 30, 2007 total loans outstanding, up slightly from the 1.52 percent a year ago. The second quarter provision for loan losses expense was \$1.210 million, a decrease of \$145 thousand from the same quarter in 2006. Recovery of previously charged-off loans exceeded amounts charged-off during the quarter by \$33 thousand. Loan growth, average loan size, and credit quality considerations will determine the level of additional provision expense.

### RESULTS OF OPERATIONS - THE THREE MONTHS ENDED JUNE 30, 2007 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2006.

The Company reported record net earnings of \$16.725 million for the second quarter, an increase of \$2.1 million, or 14 percent, over the \$14.666 million for the second quarter of 2006. Diluted earnings per share of \$.31 for the quarter is an increase of 3 percent over the diluted earnings per share of \$.30 for the second quarter of 2006. Net earnings for the second quarter of 2007 were reduced by \$623,000, or \$.01 per share, for share-based compensation expense. Annualized return on average assets and return on average equity for the quarter were 1.47 percent and 13.79 percent, respectively, which compares with prior year returns for the first quarter of 1.52 percent and 16.81 percent.

REVENUE SUMMARY (UNAUDITED - \$ IN THOUSANDS)	Three months ended June 30,			
	2007	2006	\$ change	% change
Net interest income	\$45,196	\$37,626	\$ 7,570	20%
Non-interest income				
Service charges, loan fees, and other fees	11,758	9,349	2,409	26%
Gain on sale of loans	3,708	2,770	938	34%
Loss on sale of investments	--	--	--	n/m
Other income	945	779	166	21%
Total non-interest income	16,411	12,898	3,513	27%
	\$61,607	\$50,524	\$11,083	22%
Tax equivalent net interest margin	4.36%	4.34%		

#### Net Interest Income

Net interest income for the quarter increased \$7.570 million, or 20 percent, over the same period in 2006, and increased \$2.105 million, or 5 percent, from the first quarter of 2007. Total interest income increased \$15.360 million from the prior year's quarter, or 26 percent, while total interest expense was \$7.790 million, or 35 percent higher. The increase in interest income and interest expense is primarily attributable to the volume and rate increases in interest bearing deposits. The net interest margin as a percentage of earning assets, on a tax equivalent basis, was 4.36 percent which was unchanged from the first quarter of 2007, and was 2 basis points higher than the 4.34 percent result for the second quarter of 2006.

#### Non-interest Income

## Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Fee income increased \$2.409 million, or 26 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 \$938 thousand, or 34 percent, from the second quarter of last year. Loan origination activity for housing construction and purchases remains stable in the bank's markets.

26

NON-INTEREST EXPENSE SUMMARY (UNAUDITED - \$ IN THOUSANDS)	Three months ended June 30,			
	2007	2006	\$ change	% change
Compensation and employee benefits	\$20,594	\$15,739	\$4,855	31%
Occupancy and equipment expense	4,812	3,431	1,381	40%
Outsourced data processing	680	678	2	0%
Core deposit intangibles amortization	809	400	409	102%
Other expenses	8,179	6,702	1,477	22%
Total non-interest expense	\$35,074	\$26,950	\$8,124	30%
	=====	=====	=====	===

### Non-interest Expense

Non-interest expense increased by \$8.124 million, or 30 percent, from the same quarter of 2006. Compensation and benefit expense increased \$4.855 million, or 31 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 increased compensation, including commissions tied to increased production, and benefits, including health insurance, and overtime associated with the merger and operating systems conversions in the second quarter of 2007. The number of full-time-equivalent employees has increased from 1,147 to 1,469, a 28 percent increase, since June 30, 2006. Occupancy and equipment expense increased \$1.381 million, or 40 percent, reflecting the bank acquisitions, cost of additional branch locations and facility upgrades. Other expenses increased \$1.477 million, or 22 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 plus non-interest income) was 57 percent for the 2007 second quarter, up from 53 percent for the 2006 second quarter.

### RESULTS OF OPERATIONS - THE SIX MONTHS ENDED JUNE 30, 2007 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2006.

Record net earnings of \$32,818 million for the first half of 2007 is an increase of \$4.523 million, or 16 percent over the first half of the prior year. Diluted earnings per share of \$0.61 versus \$0.57 for the same period last year is an increase of 7 percent. Included in net earnings for the first half of 2007 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, a requirement imposed by bank regulators to complete the acquisition of Citizens Development Company ("CDC"). Also, included in the first half earnings is approximately \$500,000 of non-recurring expenses and costs associated with the January 26, 2007 merger of three of the five CDC subsidiaries into Company subsidiaries.

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

27

REVENUE SUMMARY (UNAUDITED - \$ IN THOUSANDS)	Six months ended June 30,			
	2007	2006	\$ change	% change
Net interest income	\$ 88,287	\$73,934	\$14,353	19%
Non-interest income				
Service charges, loan fees, and other fees	21,843	17,566	4,277	24%
Gain on sale of loans	6,750	4,960	1,790	36%
Loss on sale of investments	(8)	--	(8)	n/m
Other income	3,518	1,528	1,990	130%
	-----	-----	-----	-----
Total non-interest income	32,103	24,054	8,049	33%
	-----	-----	-----	-----
	\$120,390	\$97,988	\$22,402	23%
	=====	=====	=====	=====
Tax equivalent net interest margin	4.36%	4.36%		
	=====	=====		

Net Interest Income

Net interest income for the six months increased \$14.353 million, or 19 percent, over the same period in 2006. Total interest income increased \$31.328 million, or 27 percent, while total interest expense increased \$16.975 million, or 40 percent. The increase in interest income and interest expense is primarily attributable to the volume and rate increases in interest bearing deposits. The net interest margin as a percentage of earning assets, on a tax equivalent basis, was 4.36 percent which was equal to the 4.36 percent for 2006.

Non-interest Income

Total non-interest income increased \$22.402 million, or 23 percent in 2007. Fee income for the first half of 2007 increased \$4.277 million, or 24 percent, over the first half of 2006, driven primarily by an increased number of loan and deposit accounts, acquisitions, and additional customer product and services offered. Gain on sale of loans increased \$1.790 million, or 36 percent, from the first six months of last year. Loan origination volume in our markets for housing construction continues to remain very active by historical standards. Other income for the six months increased \$1.990 million, or 130 percent, over the same period in 2006. Such increase includes a gain of \$1.6 million from the January 19, 2007 sale of Western Security Bank's Lewistown branch, a regulatory requirement imposed to complete the acquisition of CDC.

NON-INTEREST EXPENSE SUMMARY (UNAUDITED - \$ IN THOUSANDS)	Six months ended June 30,			
	2007	2006	\$ change	% change
Compensation and employee benefits	\$40,100	\$31,050	\$ 9,050	29%
Occupancy and equipment expense	9,270	6,922	2,348	34%
Outsourced data processing	1,492	1,402	90	6%
Core deposit intangibles amortization	1,589	820	769	94%

## Edgar Filing: GLACIER BANCORP INC - Form 10-Q

Other expenses	15,806	12,583	3,223	26%
	-----	-----	-----	---
Total non-interest expense	\$68,257	\$52,777	\$15,480	29%
	=====	=====	=====	===

### Non-interest Expense

Non-interest expense increased by \$15.480 million, or 29 percent, from the same six months of 2006. Compensation and benefit expense increased \$9.050 million, or 29 percent, which is primarily attributable to increased staffing levels, including staffing from the acquisitions of First National Bank of Morgan and CDC during 2006, de novo branches, increased compensation and benefits, including health insurance, and overtime associated with the merger and operating systems conversions in the first half of 2007. The first half of 2007 included approximately \$500,000 of non-recurring expenses and costs associated with the January 26, 2007 merger of three of the five CDC subsidiaries into Company subsidiaries. Occupancy and equipment expense increased

28

\$2.348 thousand, or 34 percent, reflecting the acquisitions, cost of additional locations and facility upgrades. Other expenses increased \$3.223 million, or 26 percent, primarily from acquisitions, additional marketing expenses, and costs associated with new branch offices. The efficiency ratio (non-interest expense/net interest income plus non-interest income) increased to 57 percent from 54 percent for the first six months of 2006.

### Allowance for Loan Loss and Non-Performing Assets

The provision for loan losses expense was \$2.405 million for the first six months of 2007, a decrease of \$115 thousand, or 5 percent, from the same period in 2006. Recovery of previously charged-off loans exceeded amounts charged-off during the six months ended June 30, 2007 by \$119 thousand.

### 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

## Edgar Filing: GLACIER BANCORP INC - Form 10-Q

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 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, 2006.

29

### ITEM 4. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures (as required by Exchange Act Rules 240.13a-15(b) and 15d-14(c)) as of the date of this quarterly report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's current disclosure controls and procedures are effective and timely, providing them with material information relating to the Company required to be disclosed in the reports the Company files or submits under the Exchange Act.

#### Changes in Internal Controls

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



## 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 second 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) The Company's Annual Shareholders' Meeting was held April 25, 2007
- (b) Not Applicable
- (c) A brief description of each matter voted upon at the Annual Meeting and the number of votes cast for, against, or withheld, including a separate tabulation with respect to each nominee to serve on the Board is presented below:

30

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

James M. English -  
Votes Cast For: 33,139,075  
Votes Cast Withheld: 1,039,922

Jon W. Hippler -  
Votes Cast For: 33,497,396  
Votes Cast Withheld: 681,601

Douglas J. McBride -  
Votes Cast For: 33,471,602  
Votes Cast Withheld: 707,394

- (d) None

#### ITEM 5. OTHER INFORMATION

- (a) Not Applicable

Edgar Filing: GLACIER BANCORP INC - Form 10-Q

(b) Not Applicable

ITEM 6. EXHIBITS

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

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

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

SIGNATURES

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

GLACIER BANCORP, INC.

August 8, 2007

/s/ Michael J. Blodnick

-----  
Michael J. Blodnick  
President/CEO

August 8, 2007

/s/ Ron J. Copher

-----  
Ron J. Copher  
Senior Vice President/CFO