GLACIER BANCORP INC
Form 10-K
March 01, 2010

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009 or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE 000-18911

GLACIER BANCORP, INC.

MONTANA	81-0519541
(State of Incorporation)	(IRS Employer Identification Number)

49 Commons Loop, Kalispell, MT 59901
(Address of Principal Office)

Registrant's telephone number, including area code: (406) 756-4200

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.01 par value per share	Nasdaq Global Select Market
(Title of Each Class)	(Name of Each Exchange on Which Registered)

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. [X] Yes [ ] No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. [ ] Yes [X] No

Indicate by check mark whether the registrant (i) 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 (ii) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. [ ] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined by Exchange Act Rule 12b-2).

[X] Large accelerated filer [ ] Accelerated filer
[ ] Non-accelerated filer [ ] Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). [ ] Yes [X] No

The aggregate market value of the voting common equity held by non-affiliates of the Registrant at June 30, 2009 (the last business day of the most recent second quarter), was $876,495,372 (based on the average bid and ask price as quoted on the NASDAQ Global Select Market at the close of business on that date).

As of February 15, 2010, there were issued and outstanding 61,619,803 shares of the Registrant's common stock. No preferred shares are issued or outstanding.

DOCUMENT INCORPORATED BY REFERENCE

Portions of the 2010 Annual Meeting Proxy Statement dated March 29, 2010 are incorporated by reference into Part III of this Form 10-K.

GLACIER BANCORP, INC.
FORM 10-K ANNUAL REPORT
For the year ended December 31, 2009

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PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about management's plans, objectives, expectations and intentions that are not historical facts, and other statements identified by words such as "expects," "anticipates," "intends," "plans," "believes," "should," "projects," "seeks," "estimates" or words of similar meaning. These forward-looking statements are based on current beliefs and expectations of management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations in the forward-looking statements, including those set forth in this Annual Report on Form 10-K, or the documents incorporated by reference:

- the risks associated with lending and potential adverse changes of the credit quality of loans in the Company's portfolio, including as a result of declines in the housing and real estate markets in its geographic areas;

- increased loan delinquency rates;

- the risks presented by a continued economic downturn, which could adversely affect credit quality, loan collateral values, other real estate owned values, investment values, liquidity and capital levels, dividends and loan originations;

- changes in market interest rates, which could adversely affect the Company's net interest income and profitability;

- legislative or regulatory changes that adversely affect the Company's business, ability to complete pending or prospective future acquisitions, limit certain sources of revenue, or increase cost of operations;

- costs or difficulties related to the integration of acquisitions;

- the goodwill we have recorded in connection with acquisitions could become impaired, which may have an adverse impact on our earnings and capital;

- reduced demand for banking products and services;

- the risks presented by public stock market volatility, which could adversely affect the market price of our common stock and our ability to raise additional capital in the future;

- competition from other financial services companies in our markets;

- loss of services from the senior management team; and

- the Company's success in managing risks involved in the foregoing.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in Risk Factors in Item 1A. Please take into account that forward-looking statements speak only as of the date of this Annual Report on Form 10-K (or documents incorporated by reference, if applicable). The Company does not undertake any obligation to publicly correct or update any forward-looking statement if it later becomes aware that actual results are likely to differ materially from those expressed in such forward-looking statement.

ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

Glacier Bancorp, Inc. headquartered in Kalispell, Montana (the "Company"), is a Montana corporation incorporated in 2004 as a successor corporation to the Delaware corporation originally incorporated in 1990. The Company is a regional multi-bank holding company providing commercial banking services from 106 locations in Montana, Idaho, Wyoming, Colorado, Utah and Washington. The Company offers a wide range of banking products and services, including transaction and savings deposits, commercial, consumer, and real estate loans, mortgage origination services, and retail brokerage services. The Company serves individuals, small to medium-sized businesses, community organizations and public entities.

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SUBSIDIARIES

The Company includes the parent holding company and the following eighteen subsidiaries which consist of eleven bank subsidiaries and seven trust subsidiaries.

Bank Subsidiaries

Montana	Idah
Glacier Bank ("Glacier") founded in 1955	Mountain West Bank ("Mountai
First Security Bank of Missoula ("First Security") founded in 1973	Citizens Community Bank ("Ci
Western Security Bank ("Western") founded in 2001	
Big Sky Western Bank ("Big Sky") founded in 1990	Wyomi
Valley Bank of Helena ("Valley") founded in 1978	1st Bank ("1st Bank"
First Bank of Montana ("First Bank-MT") founded in 1924	First National Bank & Tru
	founded i
Colorado	
Bank of the San Juans ("San Juans") founded in 1998	

Trust Subsidiaries

Glacier Capital Trust II ("Glacier Trust II")
Glacier Capital Trust III ("Glacier Trust III")
Glacier Capital Trust IV ("Glacier Trust IV")
Citizens (ID) Statutory Trust I ("Citizens Trust I")
Bank of the San Juans Bancorporation Trust I ("San Juans Trust I")
First Company Statutory Trust 2001 ("First Co Trust 01")
First Company Statutory Trust 2003 ("First Co Trust 03")

The Company formed or acquired First Co Trust 01, First Co Trust 03, San Juans

Trust I, Glacier Trust IV, Glacier Trust III, Citizens Trust I, and Glacier Trust II as financing subsidiaries on October 2, 2009, October 2, 2009, December 1, 2008, August 15, 2006, January 31, 2006, April 1, 2005, and March 24, 2004, respectively. The trusts were formed for the purpose of issuing trust preferred securities and, in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification(TM) ("ASC") Topic 810, Consolidation, the subsidiaries are not consolidated into the Company's financial statements. The preferred securities entitle the shareholder to receive cumulative cash distributions from payments on Subordinated Debentures of the Company. For additional information regarding the Subordinated Debentures, see Note 10 to the Consolidated Financial Statements in "Item 8 - Financial Statements and Supplementary Data."

On February 1, 2009, First National Bank of Morgan ("Morgan") merged into 1st Bank resulting in operations being conducted under the 1st Bank charter. Prior period activity of Morgan has been combined and included in 1st Bank's historical results. The merger has been accounted for as a combination of two wholly-owned subsidiaries without acquisition accounting.

The Company provides full service brokerage services (selling products such as stocks, bonds, mutual funds, limited partnerships, annuities and other insurance products) through Raymond James Financial Services and Morgan Stanley Smith Barney, both non-affiliated companies. The Company shares in the commissions generated, without devoting significant management and staff time to this portion of the business.

RECENT AND PENDING ACQUISITIONS

The Company's strategy has been to profitably grow its business through internal growth and selective acquisitions. The Company continues to look for profitable expansion opportunities in existing markets and new markets in the Rocky Mountain states. During the last five years, the Company has completed the following acquisitions: On October 2, 2009, First Company and its subsidiary, First National Bank & Trust, was acquired by the Company. On December 1, 2008, Bank of the San Juans Bancorporation and its subsidiary, Bank of the San Juans in Durango, Colorado, was acquired by the Company. On April 30, 2007, North Side State Bank in Rock Springs, Wyoming was acquired and became a part of 1st Bank. On October 1, 2006, Citizens Development Company ("CDC") and its five bank subsidiaries located across Montana were acquired by the Company. On September 1, 2006, First National Bank of Morgan and its one branch office in Mountain Green, Utah was acquired. On October 31, 2005, First State Bank of Thompson Falls, Montana was acquired and its two branches were merged into First Security. On May 20, 2005, Zions National Bank branch office in Bonners Ferry, Idaho was acquired and became a branch of Mountain West. On April 1, 2005, Citizens Bank Holding Co. and its subsidiary Citizens Community Bank in Pocatello, Idaho was acquired. On February 28, 2005, First National Bank-West Co. and its subsidiary, 1st Bank, in Evanston, Wyoming were acquired.

FDIC, FHLB AND FRB

The Federal Deposit Insurance Corporation ("FDIC") insures each bank subsidiary's deposit accounts. All bank subsidiaries, except San Juans are members of the Federal Home Loan Bank ("FHLB") of Seattle; however, San Juans is a member of the FHLB of Topeka, which are two of twelve banks that comprise the FHLB System. All bank subsidiaries, with the exception of Mountain West, Citizens and San Juans, are members of the Federal Reserve Bank ("FRB").

BANK LOCATIONS AT DECEMBER 31, 2009

The following is a list of the parent company and bank subsidiaries' main office locations as of December 31, 2009. See "Item 2. Properties."

Glacier Bancorp, Inc.	49	Commons Loop, Kalispell, MT 59901	(406) 756-4200
Glacier	202	Main Street, Kalispell, MT 59901	(406) 756-4200
Mountain West	125	Ironwood Drive, Coeur d'Alene, Idaho 83814	(208) 765-0284
First Security	1704	Dearborn, Missoula, MT 59801	(406) 728-3115
1st Bank	1001	Main Street, Evanston, WY 82930	(307) 789-3864
Western	2812	1st Avenue North, Billings, MT 59101	(406) 371-8258
Big Sky	4150	Valley Commons, Bozeman, MT 59718	(406) 587-2922
Valley	3030	North Montana Avenue, Helena, MT 59601	(406) 495-2400
First National	245	East First Street, Powell, WY 82435	(307) 754-2201
Citizens	280	South Arthur, Pocatello, ID 83204	(208) 232-5373
First Bank-MT	224	West Main, Lewistown, MT 59457	(406) 538-7471
San Juans	144	East Eighth Street, Durango, CO 81301	(970) 247-1818

FINANCIAL INFORMATION ABOUT SEGMENTS

The following abbreviated organizational chart illustrates the various existing parent and subsidiary relationships at December 31, 2009:

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                                              |-----------------------------|
                                              |   Glacier Bancorp, Inc.     |
                                              |  (Parent Holding Company)   |
                                              |-----------------------------|
                                                             |
|----------------------------|-|----------------------------|---|----------------------------|-|-
|        Glacier Bank        | |     Mountain West Bank     | | |     First Security Bank    | |
|     (MT Community Bank)    | |     (ID Community Bank)    | | |         of Missoula        | |
|                            | |                            | | |     (MT Community Bank)    | |
|----------------------------| |----------------------------| | |----------------------------| |-
                                                             |
|----------------------------|-|----------------------------|-|-|----------------------------|-|-
|    Western Security Bank   | |           Big Sky          | | |         Valley Bank        | |
|     (MT Community Bank)    | |        Western Bank        | | |          of Helena         | |
|                            | |     (MT Community Bank)    | | |     (MT Community Bank)    | |
|----------------------------| |----------------------------| | |----------------------------| |-
                                                             |
|----------------------------|-|----------------------------|-|-|----------------------------|-|-
|  Citizens Community Bank   | |    First Bank of Montana   | | |         Bank of the        | |
|    (ID Community Bank)     | |     (MT Community Bank)    | | |          San Juans         | |
|                            | |                            | | |     (CO Community Bank)    | |
|----------------------------| |----------------------------| | |----------------------------| |-
                                                             |
|----------------------------|-|----------------------------|-|-|----------------------------|-|-
|                            | |                            | | |   Citizens (ID) Statutory  | |
|  Glacier Capital Trust II  | |  Glacier Capital Trust IV  | | |          Trust I           | |
|                            | |                            | | |                            | |
|----------------------------| |----------------------------| | |----------------------------| |-
                                                             |
                     |----------------------------| --------------------  |-----------------------
                     |        First Company       |                      |       First Company
                     |    Statutory Trust 2001    |                      |   Statutory Trust 2003
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For information regarding the parent company, separate from the subsidiaries, see "Item 7 - Management's Discussion & Analysis" and Note 16 to the Consolidated Financial Statements in "Item 8 - Financial Statements and Supplementary Data."

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The business of the Company's bank subsidiaries (collectively referred to hereafter as the "Banks") consists primarily of attracting deposit accounts from the general public and originating commercial, residential, and consumer loans. The Banks' principal sources of revenue are interest on loans, loan origination fees, fees on deposit accounts and interest and dividends on investment securities. The principal sources of expenses are interest on deposits, FHLB advances, repurchase agreements, subordinated debentures, and other borrowings, as well as general and administrative expenses.

BUSINESS SEGMENT RESULTS

The Company defines operating segments and evaluates segment performance internally based on individual bank charters. Centrally provided services to the banks are allocated based on estimated usage of those services. If required, variable interest entities ("VIEs") are consolidated into the operating segment which invested into such entities. Intersegment revenues primarily represents interest income on intercompany borrowings, management fees, and data processing fees received by individual banks or the parent company. Intersegment revenues, expenses and assets are eliminated in order to report results in accordance with accounting principles generally accepted in the United States of America.

On February 1, 2009, Morgan merged into 1st Bank resulting in operations being conducted under the 1st Bank charter. On April 30, 2008, Glacier Bank of Whitefish ("Whitefish") merged into Glacier with operations conducted under the Glacier charter. The five bank subsidiaries acquired as a result of the acquisition of CDC included Citizens State Bank, First Citizens Bank of Billings, First National Bank of Lewistown, Western Bank of Chinook, and First Citizens Bank, N.A. On January 26, 2007, Citizens State Bank, First Citizens Bank of Billings, and First Citizens Bank, N.A. were merged into First Security, Western, and Glacier, respectively. On June 21, 2007, Western Bank of Chinook merged into First National Bank of Lewistown and renamed First Bank of Montana. Prior period activity of the merged banks has been combined and included in the acquiring bank subsidiaries' historical results.

	Glacier	Mountain West

(Dollars in thousands)	2009	2008	2007	2009	2008	200
Condensed Income Statements						
Net interest income	$ 57,139	52,900	40,270	53,302	45,614	41,
Noninterest income	15,387	13,926	13,473	27,882	20,353	19,
Total revenues	72,526	66,826	53,743	81,184	65,967	60,
Provision for loan losses	(32,000)	(8,825)	(1,580)	(50,500)	(11,150)	(2,
Core deposit intangible expense	(330)	(392)	(415)	(184)	(196)	(
Other noninterest expense	(27,325)	(27,074)	(25,231)	(51,525)	(41,922)	(36,
Pretax earnings	12,871	30,535	26,517	(21,025)	12,699	21,
Income tax (expense) benefit	(2,803)	(10,910)	(9,294)	9,764	(3,628)	(7,
Net income (loss)	10,068	19,625	17,223	(11,261)	9,071	14,
Average Balance Sheet Data						
Total assets	$1,249,755	1,165,234	1,032,420	1,219,435	1,105,761	966,
Total loans	967,239	938,824	797,705	976,132	897,841	774,
Total deposits	605,928	546,569	610,869	709,834	662,505	693,
Stockholders' equity	137,188	124,163	111,191	135,932	120,606	109,
End of Year Balance Sheet Data						
Total assets	$1,325,039	1,250,774	1,101,112	1,172,331	1,226,869	1,038,
Loans, net of ALLL	903,276	963,107	863,253	919,901	955,486	836,
Total deposits	726,403	609,473	579,190	793,006	680,404	666,
Stockholders' equity	139,799	129,890	115,247	146,720	124,881	114,
Performance Ratios						
Return on average assets	0.81%	1.68%	1.67%	-0.92%	0.82%	1
Return on average equity	7.34%	15.81%	15.49%	-8.28%	7.52%	12
Efficiency ratio	38.13%	41.10%	47.72%	63.69%	63.85%	60
Regulatory Capital Ratios & Other						
Tier I risk-based capital ratio	12.33%	11.31%	10.75%	13.39%	10.62%	10
Total risk-based capital ratio	13.61%	12.57%	11.92%	14.67%	11.88%	11
Leverage capital ratio	10.09%	9.79%	9.62%	10.98%	8.68%	9
Full time equivalent employees	274	283	274	376	393	
Locations	17	17	16	29	29	

	1st Bank			Western			
(Dollars in thousands)	2009	2008	2007	2009	2008	2007	2009
Condensed Income Statements							
Net interest income	$ 24,057	22,695	20,135	21,233	20,713	19,043	15,700
Noninterest income	4,628	4,728	4,212	8,631	3,306	8,896	3,564
Total revenues	28,685	27,423	24,347	29,864	24,019	27,939	19,264
Provision for loan losses	(10,800)	(2,012)	(630)	(3,200)	(540)	--	(9,200
Core deposit intangible expense	(652)	(712)	(688)	(571)	(623)	(675)	(23
Other noninterest expense	(14,943)	(14,143)	(13,015)	(16,342)	(16,151)	(16,050)	(8,441

Pretax earnings	2,290	10,556	10,014	9,751	6,705	11,214	1,600
Income tax (expense) benefit	(309)	(3,631)	(3,482)	(2,813)	(1,818)	(4,129)	(121
Net income (loss)	1,981	6,925	6,532	6,938	4,887	7,085	1,479
Average Balance Sheet Data							
Total assets	$606,649	563,588	510,449	604,020	566,364	545,074	340,827
Total loans	312,372	315,007	255,401	344,456	347,075	322,845	287,338
Total deposits	414,059	416,173	406,300	410,490	342,793	373,682	178,465
Stockholders' equity	97,859	87,948	79,942	87,837	83,915	85,581	45,683
End of Year Balance Sheet Data							
Total assets	$650,072	566,869	551,327	624,077	609,868	508,915	368,571
Loans, net of ALLL	286,019	320,370	298,800	314,613	354,199	321,533	260,433
Total deposits	421,271	418,231	439,281	504,619	357,729	345,273	184,278
Stockholders' equity	101,789	95,200	87,523	85,259	83,843	83,226	51,614
Performance Ratios							
Return on average assets	0.33%	1.23%	1.28%	1.15%	0.86%	1.30%	0.43
Return on average equity	2.02%	7.87%	8.17%	7.90%	5.82%	8.28%	3.24
Efficiency ratio	54.37%	54.17%	56.28%	56.63%	69.84%	59.86%	43.94
Regulatory Capital Ratios & Other							
Tier I risk-based capital ratio	14.99%	12.58%	11.27%	14.67%	13.26%	14.22%	16.06
Total risk-based capital ratio	16.26%	13.83%	12.50%	15.93%	14.52%	15.48%	17.34
Leverage capital ratio	9.74%	8.08%	7.41%	10.19%	10.71%	11.18%	13.67
Full time equivalent employees	141	148	153	161	161	161	83
Locations	12	12	11	8	8	8	5

	Valley			First National			Citi	
(Dollars in thousands)	2009	2008	2007	2009(1)	2008	2007	2009	20
Condensed Income Statements								
Net interest income	$ 14,051	12,719	10,641	3,964	--	--	10,437	7,
Noninterest income	5,717	4,673	4,807	4,187	--	--	4,235	2,
Total revenues	19,768	17,392	15,448	8,151	--	--	14,672	10,
Provision for loan losses	(1,200)	(810)	(405)	(1,683)	--	--	(2,800)	(
Core deposit intangible expense	(42)	(42)	(42)	(144)	--	--	(111)	(
Other noninterest expense	(9,229)	(8,770)	(8,335)	(2,011)	--	--	(7,992)	(6,
Pretax earnings	9,297	7,770	6,666	4,313	--	--	3,769	3,
Income tax (expense) benefit	(2,740)	(2,251)	(1,955)	(230)	--	--	(1,332)	(1,
Net income (loss)	6,557	5,519	4,711	4,083	--	--	2,437	2,
Average Balance Sheet Data								
Total assets	$312,273	302,754	277,569	72,641	--	--	234,382	201,
Total loans	195,007	199,080	190,718	39,416	--	--	168,675	143,
Total deposits	196,506	186,004	189,547	60,832	--	--	146,780	136,
Stockholders' equity	34,246	29,487	25,951	7,870	--	--	30,814	28,
End of Year Balance Sheet Data								
Total assets	$351,228	298,392	283,155	295,953	--	--	241,807	217,
Loans, net of ALLL	182,916	195,504	194,912	151,379	--	--	161,182	159,

Total deposits	211,935	185,505	187,657	247,256	--	--	159,763	135,
Stockholders' equity	30,585	31,483	27,323	31,364	--	--	31,969	29,
Performance Ratios								
Return on average assets	2.10%	1.82%	1.70%	5.62%	--	--	1.04%	1
Return on average equity	19.15%	18.72%	18.15%	51.88%	--	--	7.91%	7
Efficiency ratio	46.90%	50.67%	54.23%	26.44%	--	--	55.23%	62
Regulatory Capital Ratios & Other								
Tier I risk-based capital ratio	13.11%	13.65%	11.68%	15.98%	--	--	11.32%	10
Total risk-based capital ratio	14.37%	14.91%	12.93%	16.89%	--	--	12.59%	12
Leverage capital ratio	8.57%	9.11%	9.03%	10.38%	--	--	9.62%	9
Full time equivalent employees	85	83	80	75	--	--	70	
Locations	6	6	6	3	--	--	6	

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	First Bank - MT			San Juans				
(Dollars in thousands)	2009	2008	2007	2009	2008(2)	2007	2009	
Condensed Income Statements								
Net interest income	$ 7,900	6,676	6,308	8,021	575	--	(6,265)	
Noninterest income	929	768	736	1,329	85	--	52,466	
Total revenues	8,829	7,444	7,044	9,350	660	--	46,201	
Provision for loan losses	(985)	(390)	(20)	(1,800)	(53)	--	--	
Core deposit intangible expense	(358)	(405)	(451)	(233)	(19)	--	--	
Other noninterest expense	(3,189)	(3,083)	(3,426)	(5,435)	(397)	--	(13,769)	(
Pretax earnings	4,297	3,566	3,147	1,882	191	--	32,432	
Income tax (expense) benefit	(1,426)	(1,279)	(1,395)	(551)	(75)	--	1,942	
Net income (loss)	2,871	2,287	1,752	1,331	116	--	34,374	
Average Balance Sheet Data								
Total assets	$179,885	152,354	142,401	175,107	12,983	--	824,527	6
Total loans	119,840	109,706	98,402	149,665	12,172	--	--	
Total deposits	121,770	109,067	107,491	140,528	11,292	--	--	
Stockholders' equity	30,955	28,172	26,557	23,396	1,171	--	691,922	5
End of Year Balance Sheet Data								
Total assets	$217,379	154,645	149,483	184,528	165,784	--	832,916	8
Loans, net of ALLL	114,113	114,177	98,897	145,015	142,114	--	--	
Total deposits	143,552	113,531	113,692	148,474	143,056	--	--	
Stockholders' equity	32,627	29,329	26,941	25,410	21,207	--	685,890	6
Performance Ratios								
Return on average assets	1.60%	1.50%	1.23%	0.76%	0.89%	--		
Return on average equity	9.27%	8.12%	6.60%	5.69%	9.91%	--		
Efficiency ratio	40.17%	46.86%	55.04%	60.62%	63.03%	--		
Regulatory Capital Ratios & Other								
Tier I risk-based capital ratio	12.73%	11.70%	10.79%	11.11%	9.26%	--		
Total risk-based capital ratio	13.99%	12.95%	12.04%	12.37%	10.51%	--		

Leverage capital ratio	9.19%	10.17%	9.26%	10.33%	9.66%	--	
Full time equivalent employees	40	37	35	41	31	--	119
Locations	3	3	3	3	3	--	1

(Dollars in thousands)	Eliminations 2009	Eliminations 2008	Eliminations 2007	Consolidation 2009	Consolidation 2008	Consolidation 20
Condensed Income Statements						
Net interest income	$ --	--	--	245,327	212,613	183
Noninterest income	(50,584)	(84,146)	(84,169)	86,474	61,034	64
Total revenues	(50,584)	(84,146)	(84,169)	331,801	273,647	248
Provision for loan losses	--	--	--	(124,618)	(28,480)	(6
Core deposit intangible expense	--	--	--	(3,116)	(3,051)	(3
Other noninterest expense	13,396	13,031	11,710	(165,702)	(142,858)	(134
Pretax earnings	(37,188)	(71,115)	(72,459)	38,365	99,258	103
Income tax (expense) benefit	--	--	--	(3,991)	(33,601)	(35
Net income (loss)	(37,188)	(71,115)	(72,459)	34,374	65,657	68
Average Balance Sheet Data						
Total assets	$(1,043,687)	(918,204)	(766,262)	5,691,929	5,029,403	4,606
Total loans	--	--	(3,669)	4,140,541	3,808,421	3,360
Total deposits	(59,234)	(28,155)	(23,470)	3,493,607	3,100,505	3,265
Stockholders' equity	(753,933)	(655,472)	(606,824)	691,922	564,785	496
End of Year Balance Sheet Data						
Total assets	$ (962,778)	(1,038,354)	(767,384)	6,191,795	5,553,970	4,817
Loans, net of ALLL	--	--	--	3,987,318	4,053,454	3,557
Total deposits	(29,263)	(106,457)	(35,204)	4,100,152	3,262,475	3,184
Stockholders' equity	(797,180)	(702,183)	(627,332)	685,890	676,940	528
Performance Ratios						
Return on average assets				0.60%	1.31%	
Return on average equity				4.97%	11.63%	1
Efficiency ratio				50.88%	53.32%	5
Regulatory Capital Ratios & Other						
Tier I risk-based capital ratio				14.02%	14.30%	1
Total risk-based capital ratio				15.29%	15.55%	1
Leverage capital ratio				11.20%	12.38%	1
Full time equivalent employees				1,643	1,571	1
Locations				106	101	

(1) The average balance sheet data is based on daily averages for the entire year, with First National being acquired October 2, 2009.

(2) The average balance sheet data is based on daily averages for the entire year, with San Juans being acquired December 1, 2008.

INTERNET ACCESS

Copies of the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through the Company's website (www.glacierbancorp.com) as soon as reasonably practicable after the Company has filed the material with, or furnished it to, the Securities and Exchange Commission ("SEC"). Copies can also be obtained by accessing the SEC's website (www.sec.gov).

MARKET AREA

The Company has 106 locations, of which 9 are loan or administration offices, in 35 counties within 6 states including Montana, Idaho, Wyoming, Colorado, Utah, and Washington. The Company has 53 locations in Montana. In Idaho there are 30 locations. In Wyoming, there are 13 locations. In Utah, there are 4 locations. In Washington, there are 3 locations. In Colorado, there are 3 locations.

The market area's economic base primarily focuses on tourism, construction, manufacturing, service industry, and health care. The tourism industry is highly influenced by two national parks, several ski resorts, large lakes, and rural scenic areas. Construction development is a result of the high population growth that has occurred in the market areas, in particular Idaho and western Montana.

COMPETITION

Based on the FDIC summary of deposits survey as of June 30, 2009, the Company has approximately 20 percent of the total FDIC insured deposits in the 13 counties that it services in Montana. In Idaho, the Company has approximately 6 percent of the deposits in the 9 counties that it services. In Wyoming, the Company has 22 percent of the deposits in the 6 counties it services. In Colorado, the Company has 10 percent of the deposits in the 2 counties it serves. In Utah, the Company has 3 percent of the deposits in the 3 counties it services.

There are a large number of depository institutions including savings banks, commercial banks, and credit unions in the counties in which the Company has offices. The Banks, like other depository institutions, are operating in a rapidly changing environment. Non-depository financial service institutions, primarily in the securities and insurance industries, have become competitors for retail savings and investment funds. Mortgage banking/brokerage firms are actively competing for residential mortgage business. In addition to offering competitive interest rates, the principal methods used by banking institutions to attract deposits include the offering of a variety of services including on-line banking and convenient office locations and business hours. The primary factors in competing for loans are interest rates and rate adjustment provisions, loan maturities, loan fees, and the quality of service to borrowers and brokers.

DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

AVERAGE BALANCE SHEET

The following three-year 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 and interest rate spread; and (iv) net interest margin and net interest margin tax-equivalent; and (v) return on average assets and return on average equity.

	Year ended 12/31/2009			Year ended 12/31/2008		
(Dollars in thousands)	Average Balance	Interest and Dividends	Average Yield/ Rate	Average Balance	Interest and Dividends	Average Yield/ Rate
ASSETS:						
Residential real estate loans	$ 829,348	$ 54,498	6.57%	$ 746,135	$ 51,166	6.86%
Commercial loans	2,608,961	151,580	5.81%	2,390,990	165,119	6.91%
Consumer and other loans	702,232	44,844	6.39%	671,296	47,725	7.11%
Total loans	4,140,541	250,922	6.06%	3,808,421	264,010	6.93%
Tax-exempt investment securities (1)	445,063	22,196	4.99%	282,884	13,901	4.91%
Taxable investment securities	707,062	29,376	4.15%	555,955	25,074	4.51%
Total earning assets	5,292,666	302,494	5.72%	4,647,260	302,985	6.52%
Goodwill and intangibles	158,896			152,822		
Non-earning assets	240,367			229,321		
Total assets	$5,691,929			$5,029,403		
LIABILITIES:						
NOW accounts	$ 572,260	$ 2,275	0.40%	$ 467,374	$ 3,014	0.64%
Savings accounts	303,794	947	0.31%	272,673	1,865	0.68%
Money market demand accounts	768,939	8,436	1.10%	760,599	17,234	2.27%
Certificate accounts	960,403	24,719	2.57%	853,076	32,634	3.83%
Wholesale deposits (2)	133,083	2,052	1.54%	7,704	265	3.44%
Advances from FHLB	473,038	7,952	1.68%	566,933	15,355	2.71%
Securities sold under agreements to repurchase and other borrowed funds	995,006	10,786	1.08%	752,958	20,005	2.66%
Total interest bearing liabilities	4,206,523	57,167	1.36%	3,681,317	90,372	2.46%
Non-interest bearing deposits	755,128			739,079		
Other liabilities	38,356			44,222		
Total liabilities	5,000,007			4,464,618		
STOCKHOLDERS' EQUITY:						
Common stock	615			548		
Paid-in capital	495,340			393,158		
Retained earnings	193,973			171,385		
Accumulated other comprehensive income (loss)	1,994			(306)		
Total stockholders' equity	691,922			564,785		
Total liabilities and stockholders' equity	$5,691,929			$5,029,403		
NET INTEREST INCOME		$245,327			$212,613	

NET INTEREST SPREAD	4.36%	4.06%
NET INTEREST MARGIN	4.64%	4.58%
NET INTEREST MARGIN (TAX-EQUIVALENT)	4.82%	4.70%

(1) Without tax effect on non-taxable securities income of $9,827,000, $6,155,000 and $5,944,000 for the years ended December 31, 2009, 2008, and 2007, respectively.

(2) Wholesale deposits include brokered deposits classified as NOW, money market demand, and certificate accounts.

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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.

	Years ended December 31, 2009 vs. 2008 Increase (Decrease) Due to:			Years ended December 31, 2008 vs. 2007 Increase (Decrease) Due to:		
(Dollars in thousands)	Volume	Rate	Net	Volume	Rate	Net
INTEREST INCOME:						
Residential real estate loans	$ 5,706	$ (2,374)	$ 3,332	$(3,936)	$ (4,562)	$ (8,498)
Commercial loans	15,053	(28,592)	(13,539)	34,934	(27,459)	7,475
Consumer and other loans	2,199	(5,080)	(2,881)	5,339	(5,719)	(380)
Investment securities	14,556	(1,959)	12,597	(377)	5	(372)
Total interest income	37,514	(38,005)	(491)	35,960	(37,735)	(1,775)
INTEREST EXPENSE:						
NOW accounts	676	(1,415)	(739)	62	(1,756)	(1,694)
Savings accounts	213	(1,130)	(917)	45	(860)	(815)
Money market demand accounts	188	(8,987)	(8,799)	202	(10,215)	(10,013)
Certificate accounts	4,106	(12,021)	(7,915)	(6,911)	(7,278)	(14,189)
Wholesale deposits	4,310	(2,523)	1,787	360	(96)	264
FHLB advances	(2,544)	(4,859)	(7,403)	9,131	(12,673)	(3,542)
Repurchase agreements and other borrowed funds	6,432	(15,651)	(9,219)	17,303	(18,233)	(930)
Total Interest Expense	13,381	(46,586)	(33,205)	20,192	(51,111)	(30,919)
NET INTEREST INCOME	$24,133	$ 8,581	$ 32,714	$15,768	$ 13,376	$ 29,144

Net interest income increased $33 million in 2009 over 2008. The increase was primarily due to increases in loan and investment volumes and decrease in deposit and borrowing rates which combined outpaced the decrease in loan rates. For additional information see "Item 7 - Management's Discussion and Analysis".

INVESTMENT ACTIVITIES

It has generally been the Company's policy to maintain a liquid portfolio above policy limits. The Company's investment securities are generally classified as available-for-sale and are carried at estimated fair value with unrealized gains or losses, net of tax, reflected as an adjustment to stockholders' equity. The Company uses the federal statutory rate of 35 percent in calculating its tax-equivalent yield. Approximately $467 million of the investment portfolio is comprised of tax-exempt investments which is an increase of $49 million from the prior year.

For information about the Company's equity investment in the stock of the FHLB, see "Sources of Funds - Advances and Other Borrowings".

For additional investment activity information, see "Item 7 - Management's Discussion & Analysis" and Note 3 to the Consolidated Financial Statements in "Item 8 - Financial Statements and Supplementary Data".

LENDING ACTIVITY

GENERAL

The Banks focus their lending activity primarily on the following types of loans: 1) first-mortgage, conventional loans secured by residential properties, particularly single-family, 2) installment lending for consumer purposes (e.g., auto, home equity, etc.), and 3) commercial lending that concentrates on targeted businesses. "Item 7 - Management's Discussion & Analysis" and Note 4 to the Consolidated Financial Statements in "Item 8 - Financial Statements and Supplementary Data" provide more information about the loan portfolio.

LOAN PORTFOLIO COMPOSITION

The following table summarizes the Company's loan portfolio:

	AT 12/31/2009		At 12/31/2008		At 12/31/2007		1
(Dollars in thousands)	AMOUNT	PERCENT	Amount	Percent	Amount	Percent	Amou
REAL ESTATE LOANS:							
Residential	$ 746,050	18.71%	$ 786,869	19.41%	$ 689,238	19.38%	$ 758
Held for sale	66,330	1.66%	54,976	1.36%	40,123	1.13%	35
Total	812,380	20.37%	841,845	20.77%	729,361	20.51%	794
COMMERCIAL LOANS:							
Real estate	1,900,438	47.66%	1,935,341	47.74%	1,617,076	45.46%	1,165
Other commercial	724,966	18.18%	645,033	15.91%	636,351	17.89%	691

Total	2,625,404	65.84%	2,580,374	63.65%	2,253,427	63.35%	1,857
CONSUMER AND OTHER LOANS:							
Consumer	201,001	5.04%	208,166	5.14%	206,724	5.81%	218
Home equity	501,920	12.59%	507,831	12.53%	432,217	12.15%	356
Total	702,921	17.63%	715,997	17.67%	638,941	17.96%	575
Net deferred loan fees, premiums and discounts	(10,460)	-0.26%	(8,023)	-0.20%	(10,194)	-0.29%	(11
LOANS RECEIVABLE, GROSS	4,130,245	103.58%	4,130,193	101.89%	3,611,535	101.53%	3,214
Allowance for loan and lease losses	(142,927)	-3.58%	(76,739)	-1.89%	(54,413)	-1.53%	(49
LOANS RECEIVABLE, NET	$3,987,318	100.00%	$4,053,454	100.00%	$3,557,122	100.00%	$3,165

LOAN PORTFOLIO MATURITIES OR REPRICING TERM

The stated maturities or first repricing term (if applicable) for the loan portfolio at December 31, 2009 was as follows:

(Dollars in thousands)	Residential Real Estate	Commercial	Consumer and Other	Totals
Variable rate maturing or repricing in:				
One year or less	$207,181	939,514	290,003	1,436,698
One to five years	177,185	779,525	49,569	1,006,279
Thereafter	10,932	115,084	2,054	128,070
Fixed rate maturing or repricing in:				
One year or less	261,162	281,282	146,013	688,457
One to five years	130,329	328,365	193,475	652,169
Thereafter	25,591	181,634	21,807	229,032
Totals	$812,380	2,625,404	702,921	4,140,705

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RESIDENTIAL REAL ESTATE LENDING

The Company's lending activities consist of the origination of both construction and permanent loans on residential real estate loans. The Company actively solicits residential real estate loan applications from real estate brokers, contractors, existing customers, customer referrals, and walk-ins to their offices. The Company's lending policies generally limit the maximum loan-to-value ratio on residential mortgage loans to 80 percent of the lesser of the appraised value or purchase price or above 80 percent of the loan if insured by a private mortgage insurance company. The Company also provides interim construction financing for single-family dwellings. These loans are supported by a term take out commitment.

CONSUMER LAND OR LOT LOANS

The Company originates land and lot acquisition loans to borrowers who intend to construct their primary residence on the respective land or lot. These loans are generally for a term of three to five years and are secured by the developed land or lot with the loan to value limited to the lesser of 75% of cost or appraised value.

UNIMPROVED LAND AND LAND DEVELOPMENT LOANS

Where real estate market conditions warrant, the Company makes land acquisition and development loans on properties intended for residential and commercial use. These loans are generally made for a term of 18 months to two years and secured by the developed property with a loan-to-value not to exceed the lesser of 75 percent of cost or 65 percent of the appraised discounted bulk sale value upon completion of the improvements. The loans are made to borrowers with real estate development experience and appropriate financial strength. Generally it is required that a certain percentage of the development be pre-sold or that construction and term take out commitments are in place prior to funding the loan.

RESIDENTIAL BUILDER GUIDANCE LINES

The Company provides Builder Guidance Lines that are comprised of pre-sold and spec-home construction and lot acquisition loans. The spec-home construction and lot acquisition loans are limited to a set number and maximum amount. Generally the individual loans will not exceed a one year maturity. The homes under construction are inspected on a regular basis and advances made on a percentage of completion basis.

COMMERCIAL REAL ESTATE LOANS

Loans are made to purchase, construct and finance commercial real estate properties. These loans are generally made to borrowers who own and will occupy the property. Loans to finance investment or income properties are made, but require additional equity and a higher debt service coverage margin commensurate with the specific property and projected income.

CONSUMER LENDING

The majority of consumer loans are secured by real estate, automobiles, or other assets. The Banks intend to continue making such loans because of their short-term nature, generally between three months and five years. Moreover, interest rates on consumer loans are generally higher than on residential mortgage loans. The Banks also originate second mortgage and home equity loans, especially to its existing customers in instances where the first and second mortgage loans are less than 80 percent of the current appraised value of the property.

LOAN PORTFOLIO BY BANK SUBSIDIARY AND REGULATORY CLASSIFICATION

The following tables summarize selected information on the Company's loan portfolio:

LOANS RECEIVABLE, GROSS BY BANK

(Dollars in thousands)	December 31, 2009	2008	$ Change	% Change
Glacier	$ 942,254	982,098	(39,844)	-4%
Mountain West	957,451	971,468	(14,017)	-1%
First Security	566,713	573,228	(6,515)	-1%
1st Bank	296,913	326,381	(29,468)	-9%
Western	323,375	361,261	(37,886)	-10%
Big Sky	270,970	293,626	(22,656)	-8%
Valley	187,283	199,085	(11,802)	-6%
First National	153,058	--	153,058	n/m
Citizens	166,049	162,133	3,916	2%
First Bank-MT	117,017	116,122	895	1%
San Juans	149,162	144,791	4,371	3%
Total	$4,130,245	4,130,193	52	0%

LAND, LOT AND OTHER CONSTRUCTION LOANS BY BANK

(Dollars in thousands)	December 31, 2009	2008	$ Change	% Change
Glacier	$165,734	204,479	(38,745)	-19%
Mountain West	217,078	249,916	(32,838)	-13%
First Security	71,404	95,960	(24,556)	-26%
1st Bank	36,888	41,667	(4,779)	-11%
Western	32,045	45,457	(13,412)	-30%
Big Sky	71,365	81,869	(10,504)	-13%
Valley	14,704	17,918	(3,214)	-18%
First National	10,247	--	10,247	n/m
Citizens	13,263	14,827	(1,564)	-11%
First Bank-MT	1,010	4,507	(3,497)	-78%
San Juans	39,621	36,793	2,828	8%
Total	$673,359	793,393	(120,034)	-15%

LAND, LOT AND OTHER CONSTRUCTION LOANS AT 12/31/09 BY BANK, BY TYPE

(Dollars in thousands)	Land Development	Consumer Land or Lot	Unimproved Land	Developed Lots for Operative Builders	Commercial Developed Lot	Other Construct
Glacier	$ 80,881	33,025	29,850	8,625	13,353	--
Mountain West	55,908	74,914	29,684	31,655	10,664	14,253
First Security	30,569	7,208	26,372	4,525	518	2,212
1st Bank	14,447	12,223	4,448	225	2,513	3,032

Western	16,309	7,823	5,159	587	1,914	253
Big Sky	22,909	18,882	9,925	1,992	8,420	9,237
Valley	2,597	5,867	4,513	159	349	1,219
First National	1,961	2,934	733	250	2,245	2,124
Citizens	2,868	2,633	2,652	506	655	3,949
First Bank-MT	--	65	820	--	--	125
San Juans	417	26,838	45	--	3,878	8,443
Total	$228,866	192,412	114,201	48,524	44,509	44,847

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RESIDENTIAL CONSTRUCTION LOANS BY BANK, BY TYPE

(Dollars in thousands)	December 31, 2009	December 31, 2008	$ Change	% Change	Custom and Owner Occupied 12/31/2009	Pre-Sold and Spec 12/31/2009
Glacier	$ 57,183	84,161	(26,978)	-32%	$ 9,762	47,421
Mountain West	57,437	100,289	(42,852)	-43%	23,606	33,831
First Security	19,664	19,910	(246)	-1%	9,985	9,679
1st Bank	17,633	30,742	(13,109)	-43%	11,010	6,623
Western	2,245	6,993	(4,748)	-68%	1,830	415
Big Sky	20,679	28,356	(7,677)	-27%	3,169	17,510
Valley	5,170	8,265	(3,095)	-37%	4,222	948
First National	2,612	--	2,612	n/m	1,505	1,107
Citizens	13,211	17,909	(4,698)	-26%	6,619	6,592
First Bank-MT	234	1,384	(1,150)	-83%	174	60
San Juans	13,811	11,425	2,386	21%	6,753	7,058
Total	$209,879	309,434	(99,555)	-32%	$78,635	131,244

SINGLE FAMILY RESIDENTIAL LOANS BY BANK, BY TYPE

(Dollars in thousands)	December 31, 2009	December 31, 2008	$ Change	% Change	1st Lien 12/31/2009	Junior Lien 12/31/2009
Glacier	$204,789	198,654	6,135	3%	$183,647	21,142
Mountain West	278,158	274,119	4,039	1%	236,962	41,196
First Security	82,141	79,107	3,034	4%	68,266	13,875
1st Bank	65,555	62,954	2,601	4%	60,566	4,989
Western	50,502	56,789	(6,287)	-11%	48,099	2,403
Big Sky	33,308	29,493	3,815	13%	29,482	3,826
Valley	66,644	70,935	(4,291)	-6%	54,255	12,389
First National	19,239	--	19,239	n/m	16,150	3,089
Citizens	20,937	18,903	2,034	11%	18,695	2,242
First Bank-MT	10,003	10,341	(338)	-3%	8,536	1,467

San Juans	22,811	23,605	(794)	-3%	21,305	1,506
Total	$854,087	824,900	29,187	4%	$745,963	108,124

COMMERCIAL REAL ESTATE LOANS BY BANK, BY TYPE

	December 31,				Owner	Non-Owner
(Dollars in thousands)	2009	2008	$ Change	% Change	Occupied 12/31/2009	Occupied 12/31/2009
Glacier	$ 232,552	223,449	9,103	4%	$117,243	115,309
Mountain West	230,383	180,215	50,168	28%	164,625	65,758
First Security	224,425	192,352	32,073	17%	150,733	73,692
1st Bank	64,008	67,249	(3,241)	-5%	54,852	9,156
Western	107,173	98,290	8,883	9%	54,113	53,060
Big Sky	82,303	80,053	2,250	3%	50,699	31,604
Valley	48,144	46,850	1,294	3%	31,353	16,791
First National	26,703	--	26,703	n/m	18,329	8,374
Citizens	55,660	53,813	1,847	3%	42,786	12,874
First Bank-MT	18,827	17,397	1,430	8%	12,597	6,230
San Juans	47,838	50,925	(3,087)	-6%	27,306	20,532
Total	$1,138,016	1,010,593	127,423	13%	$724,636	413,380

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CONSUMER AND OTHER LOANS BY BANK, BY TYPE

	December 31,				Home Equity Line of Credit	Other Consumer
(Dollars in thousands)	2009	2008	$ Change	% Change	12/31/2009	12/31/2009
Glacier	$162,723	170,713	(7,990)	-5%	$145,377	17,346
Mountain West	71,702	72,584	(882)	-1%	61,896	9,806
First Security	78,345	85,646	(7,301)	-9%	51,110	27,235
1st Bank	46,455	50,723	(4,268)	-8%	17,575	28,880
Western	48,946	55,714	(6,768)	-12%	33,679	15,267
Big Sky	28,903	33,147	(4,244)	-13%	25,569	3,334
Valley	24,625	25,802	(1,177)	-5%	15,938	8,687
First National	27,320	--	27,320	n/m	16,803	10,517
Citizens	29,253	28,633	620	2%	22,872	6,381
First Bank-MT	7,650	7,251	399	6%	3,777	3,873
San Juans	14,189	12,204	1,985	16%	12,439	1,750
Total	$540,111	542,417	(2,306)	0%	$407,035	133,076

n/m - not measurable

CREDIT RISK MANAGEMENT

The Company's credit risk management includes stringent credit policies, concentration limits, individual loan approval limits and committee approval of larger loan requests. Management practices also include regular internal and external credit examinations and an independent stress testing of the land acquisition/development and commercial real estate portfolios. On a quarterly basis, both the Banks and parent company management review loans experiencing deterioration of credit quality, including a review of the acquisition and development loans, and spec/pre-sold home loans. A review of loans by concentration limits is performed on a quarterly basis. Federal and state regulatory safety and soundness examinations are conducted annually at Glacier, Mountain West, First Security, 1st Bank and Western and every eighteen months for all other bank subsidiaries.

LOAN APPROVAL LIMITS

Individual loan approval limits have been established for each lender based on the loan types and experience of the individual. Each bank subsidiary has an Officer Loan Committee consisting of senior lenders and members of senior management. The Officer Loan Committee for each bank has approval authority up to its respective bank's Board of Directors loan approval authority. The Banks' Board of Directors approval authority is $1,000,000 at First National and $2,000,000 at all other banks. Loans over these limits up to $10,000,000 are subject to approval by the Executive Loan Committee consisting of the Banks' senior loan officers and the Company's Credit Administrator. Loans greater than $10,000,000 are subject to approval by the Company's Board of Directors. Under banking laws, loans to one borrower and related entities are limited to a set percentage of the unimpaired capital and surplus of each bank subsidiary.

LOAN PURCHASES AND SALES

Fixed-rate, long-term mortgage loans are generally sold in the secondary market. The Company is active in the secondary market, primarily through the origination of conventional, FHA and VA residential mortgages. The sale of loans in the secondary mortgage market reduces the Company's risk of holding long-term, fixed-rate loans during periods of rising rates. The sale of loans also allows the Company to make loans during periods when funds are not otherwise available for lending purposes. In connection with conventional loan sales, the Company typically sells a majority of mortgage loans originated with servicing released. The Company has also been very active in generating commercial SBA loans, and other commercial loans, with a portion of those loans sold to investors. As of December 31, 2009, loans serviced for others aggregated approximately $176 million. The Company has not originated any type of subprime mortgages, either for the loan portfolio or for sale to investors. In addition, the Company has not purchased securities that were collateralized with subprime mortgages. The Company has not purchased loans outside the Company or originate loans outside the existing geographic market area.

LOAN ORIGINATION AND OTHER FEES

In addition to interest earned on loans, the Company receives fees for originating loans. Loan fees generally are a percentage of the principal amount of the loan and are charged to the borrower, and are normally deducted from the proceeds of the loan. Loan origination fees are generally 1.0 percent to 1.5 percent on residential mortgages and .5 percent to 1.5 percent on commercial loans. Consumer loans require a flat fee as well as a minimum interest amount. The Company also receives other fees and charges relating to existing loans, which include charges and fees collected in connection with loan modifications.

NON-PERFORMING LOANS AND REAL ESTATE OWNED

Loans are designated non-accrual and the accrual of interest is discontinued when the collection of the contractual principal or interest is unlikely. The Company typically places loans on non-accrual when principal or interest is due and has remained unpaid for ninety days or more unless the loan is in process of collection and well-secured by collateral the fair value of which is sufficient to pay off the debt in full. When a loan is placed on non-accrual status, interest previously accrued but not collected is reversed against current period interest income. Subsequent payments are applied to the outstanding principal balance if doubt remains as to the ultimate collectability of the loan. Interest accruals are resumed on such loans only when they are brought fully current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to both principal and interest.

The following tables set forth information regarding non-performing assets at the dates indicated, including breakouts by regulatory and bank subsidiary classification:

(Dollars in thousands)	AT 12/31/2009	At 12/31/2008	At 12/31/2007	At 12/31/2006	1
NON-ACCRUAL LOANS:					
Residential real estate	$ 20,093	$ 3,575	$ 934	$1,806	
Commercial	168,328	58,454	7,192	3,721	
Consumer and other	9,860	2,272	434	538	
Total	198,281	64,301	8,560	6,065	
ACCRUING LOANS 90 DAYS OR MORE OVERDUE:					
Residential real estate	1,965	4,103	840	554	
Commercial	1,311	2,897	1,216	638	
Consumer and other	2,261	1,613	629	153	
Total	5,537	8,613	2,685	1,345	
REAL ESTATE AND OTHER ASSETS OWNED	57,320	11,539	2,043	1,484	
Total non-performing loans and real estate and other assets owned	261,138	84,453	13,288	8,894	
As a percentage of total bank assets	4.13%	1.46%	0.27%	0.19%	
Interest income (1)	$ 11,730	$ 4,434	$ 683	$ 462	

(1) Amount of interest that would have been recorded on loans accounted for on a non-accrual basis as of the end of each period if such loans had been current for the entire period.

(Dollars in thousands)	Non-Performing Assets, Net of Gov't. Guarantees by Loan Type December 31, 2009	2008	Non-Accruing Loans 12/31/2009	Accruing Loans 90 Days or More 12/31/2009	Other Real Estat Owned 12/31/200
Custom and owner occupied construction	$ 3,281	451	2,499	--	782
Pre-sold and spec construction	29,580	21,903	20,849	420	8,311
Land development	88,488	23,597	70,277	18,211	
Consumer land or lots	10,120	1,511	6,161	54	3,905
Unimproved land	32,453	8,920	20,303	135	12,015
Developed lots for operative builders	11,565	5,567	6,350	114	5,101
Commercial lots	909	280	909	--	--
Other construction	--	2,668	--	--	--
Commercial real estate	32,300	3,391	29,859	144	2,297
Commercial and industrial	12,271	6,983	11,669	565	37
1-4 family	30,868	6,666	22,596	2,750	5,522
Home equity lines of credit	6,234	1,807	4,711	1,183	340
Consumer	1,042	602	476	172	394
Other	2,027	107	1,622	--	405
Total	$261,138	84,453	198,281	5,537	57,320

(Dollars in thousands)	Accruing 30 - 89 Days Delinquent Loans and Non-Performing Assets, Net of Gov't. Guarantees by Bank December 31, 2009	2008	Accruing 30-89 Days Delinquent 12/31/2009	Non-Accrual and Accruing Loans 9 Days or More 12/31/2009
Glacier	$ 97,666	41,691	18,677	72,157
Mountain West	109,187	41,415	32,506	62,855
First Security	59,351	18,793	14,934	31,665
1st Bank	21,117	14,355	4,210	7,673
Western	9,315	3,364	1,796	3,295
Big Sky	31,711	10,978	5,280	17,908
Valley	2,542	2,855	1,783	679
First National	9,290	--	5,744	3,407
Citizens	5,340	5,080	1,910	1,873
First Bank - MT	800	563	608	39
San Juans	2,310	146	43	2,267
Total	$348,629	139,240	87,491	203,818

Non-performing assets as a percentage of the Bank's total assets at December 31, 2009 were at 4.13 percent, up from 1.46 percent as of December 31, 2008. The allowance for loan and lease losses ("ALLL" or "allowance") was 55 percent of non-performing assets at December 31, 2009, down from 91 percent for the prior year end. The Company increased the provision for loan loss from $28.5 million in 2008 to $124.6 million in 2009 resulting in a significant increase in the ALLL. Such increase was outpaced by the increase in non-performing assets, resulting in a decrease in the ALLL as a percentage of non-performing assets. Most of the Company's non-performing assets are secured by real estate and, based on the most current information available to management, including updated appraisals where appropriate, the Company believes the value of the underlying real estate collateral is adequate to minimize significant charge-offs or loss to the Company. Each bank subsidiary evaluates the level of its non-performing assets, the values of the underlying real estate and other collateral, and related trends in net charge-offs. Through pro-active credit administration, the Banks work closely with borrowers to seek favorable resolution to the extent possible, thereby attempting to minimize net charge-offs or losses to the Company.

A loan is considered impaired when, based upon current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. The amount of the impairment is measured using cash flows discounted at the loan's effective interest rate, except when it is determined that repayment of the loan is expected to be provided solely by the underlying collateral. For collateral dependent loans, impairment is measured by the fair value of the collateral less the cost to sell. When the ultimate collectability of the total principal of an impaired loan is in doubt and is designated as non-accrual, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the total principal on an impaired loan is not in doubt, contractual interest is generally credited to interest income when received under the cash basis method. Total interest income recognized for impaired loans under the cash basis for the years ended December 31, 2009 and 2008 was not significant. Impaired loans, net of government guaranteed amounts, were $218.7 million and $79.9 million as of December 31, 2009 and 2008, respectively. The ALLL includes valuation allowances of $19.8 million and $8.0 million specific to impaired loans as of December 31, 2009 and 2008, respectively. The Company's troubled debt restructuring loans are included in the impaired loans amount. As of December 31, 2009, the Company had troubled debt restructuring loans of $64.6 million, of which there were $1.2 million of additional outstanding commitments.

The combined total of lot acquisition loans to borrowers who intend to construct a primary residence on the lot, and other construction and land acquisition and development loans is $883 million and represents 21.4 percent of the total loans as of December 31, 2009. At December 31, 2008, the comparable total was $1.103 billion, or 26.7 percent of total loans. Outstanding balances are centered in Western Montana, and Northern Idaho as well as Boise, Ketchum and Sun Valley Idaho.

Property acquired by foreclosure or deed-in-lieu of foreclosure is carried at the lower of fair value at acquisition date or current estimated fair value, less selling costs. Costs, excluding interest, relating to the improvement of property are capitalized, whereas those relating to holding the property are charged to expense. Fair value is determined as the amount that could be reasonably expected in a current sale (other than a forced or liquidation sale) between a willing buyer and a willing seller. If the fair value of the asset minus the estimated cost to sell is less than the cost of the property, a loss is recognized in other expenses and the asset carrying value is reduced. Any gain or loss on disposition of real estate owned is recorded in other income or other expense. The following table sets forth the changes in real estate and other assets owned for the years ended December 31, 2009 and 2008:

(Dollars in thousands)	Years ended December 31, 2009	2008
Balance at beginning of period	$ 11,539	2,043
Additions	71,967	16,661
Capital improvments	2,403	188
Sales and write-downs	(28,589)	(7,353)
Balance at end of period	$ 57,320	11,539

ALLOWANCE FOR LOAN AND LEASE LOSSES

Determining the adequacy of the ALLL involves a high degree of judgment and is inevitably imprecise as the risk of loss is difficult to quantify. The ALLL methodology is designed to reasonably estimate the probable loan and lease losses within each bank subsidiary's loan and lease portfolios. Accordingly, the ALLL is maintained within a range of estimated losses. The determination of the ALLL and the related provision for loan losses is a critical accounting estimate that involves management's judgments about all known relevant internal and external environmental factors that affect loan losses, including the credit risk inherent in the loan and lease portfolios, economic conditions nationally and in the local markets in which the community bank subsidiaries operate, changes in collateral values, delinquencies, non-performing assets and net charge-offs. Although the Company and the Banks continue to actively monitor economic trends, a softening of economic conditions combined with declines in the values of real estate that collateralize most of the Company's loan and lease portfolios may adversely affect the credit risk and potential for loss to the Company.

The ALLL evaluation is well documented and approved by each bank subsidiary's Board of Directors and reviewed by the parent company's Board of Directors. In addition, the policy and procedures for determining the balance of the ALLL are reviewed annually by each bank subsidiary's Board of Directors, the parent company's Board of Directors, independent credit reviewer and state and federal bank regulatory agencies.

At the end of each quarter, each of the community bank subsidiaries analyzes its loan and lease portfolio and maintain an ALLL at a level that is appropriate and determined in accordance with accounting principles generally accepted in the United States of America. The ALLL balance covers estimated credit losses on individually evaluated loans, including those which are determined to be impaired, as well as estimated credit losses inherent in the remainder of the loan and lease portfolios. Each of the Bank's ALLL is considered adequate to absorb losses from any segment of its loan and lease portfolio.

The Company is committed to a conservative management of the credit risk within the loan and lease portfolios, including the early recognition of problem loans. The Company's credit risk management includes stringent credit policies, individual loan approval limits, limits on concentrations of credit, and committee approval of larger loan requests. Management practices also include regular internal and external credit examinations, identification and review of individual loans and leases experiencing deterioration of credit quality, procedures for the collection of non-performing assets, quarterly monitoring of the loan and lease portfolios, semi-annual review of loans by industry, and periodic stress testing of the loans secured by real estate.

The Company's model of eleven wholly-owned, independent community banks, each with its own loan committee, chief credit officer and Board of Directors, provides substantial local oversight to the lending and credit management function. Unlike a traditional, single-bank holding company, the Company's decentralized business model affords multiple reviews of larger loans before credit is extended, a significant benefit in mitigating and managing the Company's credit risk. The geographic dispersion of the market areas in which the Company and the community bank subsidiaries operate further mitigates the risk of credit loss. While this process is intended to limit credit exposure, there can be no assurance that problem credits will not arise and loan losses incurred, particularly in periods of rapid economic downturns.

The primary responsibility for credit risk assessment and identification of problem loans rests with the loan officer of the account. This continuous process, utilizing each of the Banks' internal credit risk rating process, is necessary to support management's evaluation of the ALLL adequacy. An independent loan review function verifying credit risk ratings evaluates the loan officer and management's evaluation of the loan portfolio credit quality. The loan review function also assesses the evaluation process and provides an independent analysis of the adequacy of the ALLL.

The Company considers the ALLL balance of $142.9 million adequate to cover inherent losses in the loan and lease portfolios as of December 31, 2009. However, no assurance can be given that the Company will not, in any particular period, sustain losses that are significant relative to the amount reserved, or that subsequent evaluations of the loan and lease portfolios applying management's judgment about then current factors, including economic and regulatory developments, will not require significant changes in the ALLL. Under such circumstances, this could result in enhanced provisions for loan losses. See additional risk factors in Part I - Item 1A - Risk Factors.

LOAN LOSS EXPERIENCE

The following tables set forth information regarding the Banks' loan loss experience for the periods indicated:

	Years ended December 31,				
(Dollars in thousands)	2009	2008	2007	2006	2005
BALANCE AT BEGINNING OF PERIOD	$ 76,739	54,413	49,259	38,655	26,492
CHARGE-OFFS:					
Residential real estate	(18,854)	(3,233)	(306)	(14)	(115)
Commercial loans	(35,077)	(4,957)	(2,367)	(1,187)	(744)
Consumer and other loans	(6,965)	(1,649)	(714)	(448)	(539)
Total charge offs	(60,896)	(9,839)	(3,387)	(1,649)	(1,398)
RECOVERIES:					
Residential real estate	423	23	208	341	82
Commercial loans	1,636	716	656	331	414
Consumer and other loans	407	321	358	298	415

Total recoveries	2,466	1,060	1,222	970	911
CHARGE-OFFS, NET OF RECOVERIES	(58,430)	(8,779)	(2,165)	(679)	(487)
Acquisitions (1)	--	2,625	639	6,091	6,627
PROVISION FOR LOAN LOSSES	124,618	28,480	6,680	5,192	6,023
BALANCE AT END OF PERIOD	$142,927	76,739	54,413	49,259	38,655
Ratio of net charge-offs to average loans outstanding during the period	1.41%	0.23%	0.06%	0.02%	0.02%
Allowance for loan and lease losses as a percentage of total loan and leases	3.46%	1.86%	1.51%	1.53%	1.59%

(1) Acquisition of San Juans in 2008, North Side in 2007, CDC and Morgan in 2006, First State Bank, Citizens and 1st Bank in 2005

(Dollars in thousands)	Allowance for Loan and Lease Losses December 31, 2009	2008	Provision for Year Ended 12/31/2009	Provision for Year Ended 12/31/09 Over Net Charge-Offs	ALLL as a Percent of Loans 12/31/2009
Glacier	$ 38,978	18,990	32,000	2.7	4.14%
Mountain West	37,551	15,982	50,500	1.7	3.92%
First Security	18,242	11,537	10,450	2.8	3.22%
1st Bank	10,895	6,012	10,800	1.8	3.67%
Western	8,762	7,062	3,200	2.1	2.71%
Big Sky	10,536	6,232	9,200	1.9	3.89%
Valley	4,367	3,581	1,200	2.9	2.33%
First National	1,679	--	1,683	420.8	1.10%
Citizens	4,865	2,721	2,800	4.3	2.93%
First Bank - MT	2,904	1,945	985	37.9	2.48%
San Juans	4,148	2,677	1,800	5.5	2.78%
Total	$142,927	76,739	124,618	2.1	3.46%

(Dollars in thousands)	Net Charge-Offs, Year-to-Date Period Ending Year Ended December 31, 2009	2008	Charge-Offs 12/31/2009	Recoveries 12/31/2009
Glacier	$12,012	1,121	12,117	105
Mountain West	28,931	5,557	29,766	835
First Security	3,745	425	3,931	186
1st Bank	5,917	347	6,215	298

Western	1,500	282	1,896	396
Big Sky	4,896	600	5,433	537
Valley	414	127	457	43
First National	4	--	4	--
Citizens	656	302	683	27
First Bank-MT	26	17	57	31
San Juans	329	1	337	8
Total	$58,430	8,779	60,896	2,466

ALLOCATION OF THE ALLOWANCE FOR LOAN AND LEASE LOSSES

(Dollars in thousands)	2009 ALLOWANCE FOR LOAN AND LEASE LOSSES	2009 PERCENT OF LOANS IN CATEGORY	2008 Allowance for Loan and Lease Losses	2008 Percent of Loans in Category	Allowance for Loan and Lease Losses
Residential real estate	$ 13,496	19.6%	7,233	20.3%	4,755
Commercial real estate	66,791	45.9%	35,305	46.8%	23,010
Other commercial	39,558	17.5%	21,590	15.6%	17,453
Consumer and other loans	23,082	17.0%	12,611	17.3%	9,195
Totals	$142,927	100.0%	76,739	100.0%	54,413

(Dollars in thousands)	2006 Allowance for Loan and Lease Losses	2006 Percent of Loans in Category	2005 Allowance for Loan and Lease Losses	2005 Percent of Loans in Category
Residential real estate	5,421	24.6%	4,318	25.0%
Commercial real estate	16,741	36.1%	14,370	38.3%
Other commercial	18,361	21.5%	12,566	17.4%
Consumer and other loans	8,736	17.8%	7,401	19.3%
Totals	49,259	100.0%	38,655	100.0%

The increase in the ALLL was primarily due to the increase in non-performing assets since December 31, 2008 and a downturn in global, national and local economies. The ALLL has increased $66.2 million, or 86 percent, from a year ago. The ALLL of $142.9 million is 3.46 percent of December 31, 2009 total loans outstanding, up from 1.86 percent at prior year end. The provision for loan losses expense was $124.6 million, an increase of $96.1 million from 2008. Net loans and lease charge-offs were $58.4 million, or 1.41 percent of average loans and leases in 2009, compared to net charge-offs of $8.8 million, or 0.23 percent of average loans and leases in 2008. Each of the Banks' charge-off policy is consistent with bank regulatory standards. Consumer loans are generally charged off when the loan becomes over 120 days delinquent. Loan portfolio growth, composition, average loan size, credit quality considerations, and other environmental factors will continue to determine the level of additional provision expense.

For additional information regarding the ALLL, its relation to the provision for loan losses and risk related to asset quality, see Note 4 to the Consolidated Financial Statements in "Item 8 - Financial Statements and Supplementary Data."

SOURCES OF FUNDS

GENERAL

Deposits obtained through the Banks have traditionally been the principal source of funds for use in lending and other business purposes. Currently, the Banks have a number of different deposit programs designed to attract both short-term and long-term deposits from the general public by providing a wide selection of accounts and rates. These programs include regular statement savings, interest-bearing checking, money market deposit accounts, and fixed rate certificates of deposit with maturities ranging form three months to five years, negotiated-rate jumbo certificates, non-interest demand accounts, and individual retirement accounts. In addition, the Banks obtain wholesale deposits through various programs including the Certificate of Deposit Account Registry System ("CDARS").

The Banks also obtain funds from loan repayments, advances from the FHLB, borrowings through the FRB, borrowings from the U.S. Treasury Tax and Loan funds, repurchase agreements, and loan sales. Loan repayments are a relatively stable source of funds, while interest bearing deposit inflows and outflows are significantly influenced by general interest rate levels and market conditions. Borrowings and advances may be used on a short-term basis to compensate for reductions in normal sources of funds such as deposit inflows at less than projected levels. They also may be used on a long-term basis to support expanded activities and to match maturities of longer-term assets.

DEPOSITS

Deposits are obtained primarily from individual and business residents of the Banks' market area. The Banks issue negotiated-rate certificate of deposits accounts and have paid a limited amount of fees to brokers to obtain deposits. The following table illustrates the amounts outstanding for deposits $100,000 and greater, according to the time remaining to maturity, of which $224 million consists of CDARS deposits.

(Dollars in thousands)	Certificate of Deposits	Demand Deposits	Totals
Within three months	$231,811	1,586,604	1,818,415
Three months to six months	144,914	--	144,914
Seven months to twelve months	260,038	--	260,038
Over twelve months	92,383	--	92,383
Totals	$729,146	1,586,604	2,315,750

For additional deposit information, see "Item 7 - Management's Discussion & Analysis" and Note 7 to the Consolidated Financial Statements in "Item 8 -

Financial Statements and Supplementary Data".

ADVANCES AND OTHER BORROWINGS

As members of the FHLB, the Banks may borrow from such entity on the security of FHLB stock, which the Banks are required to own as a member. The borrowings are collateralized by eligible categories of loans and investment securities (principally, securities which are obligations of, or guaranteed by, the United States and its agencies), provided certain standards related to credit-worthiness have been met. Advances are made pursuant to several different credit programs, each of which has its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based either on a fixed percentage of an institution's total assets or on the FHLB's assessment of the institution's credit-worthiness. FHLB advances have been used from time to time to meet seasonal and other withdrawals of deposits and to expand lending by matching a portion of the estimated amortization and prepayments of retained fixed rate mortgages. All bank subsidiaries, except San Juans, are members of the FHLB of Seattle; however, San Juans is a member of the FHLB of Topeka.

The Banks also borrow funds from the FRB and from the U.S. Treasury Tax and Loan program. Both programs require pledging of certain loans or investment securities of the Banks and are generally short term obligations.

From time to time, primarily as a short-term financing arrangement for investment or liquidity purposes, the Banks have made use of repurchase agreements. This process involves the "selling" of one or more of the securities in the Banks' portfolio and by entering into an agreement to "repurchase" that same security at an agreed upon later date. A rate of interest is paid for the subject period of time. In addition, although the Banks have offered retail repurchase agreements to its retail customers, the Government Securities Act of 1986 imposed confirmation and other requirements which generally made it impractical for financial institutions to offer such investments on a broad basis. Through policies adopted by each of the bank's Board of Directors, the Banks enter into repurchase agreements with local municipalities, and certain customers, and have adopted procedures designed to ensure proper transfer of title and safekeeping of the underlying securities.

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

	Years ended December 31,		
(Dollars in thousands)	2009	2008	2007
FHLB advances:			
Amount outstanding at end of period	$ 790,367	338,456	538,949
Average balance	$ 473,038	566,933	382,243
Maximum outstanding at any month-end	$ 790,367	822,107	538,949
Weighted average interest rate	1.68%	2.71%	4.94%
Repurchase agreements:			
Amount outstanding at end of period	$ 212,506	188,363	178,041
Average balance	$ 204,503	188,952	171,290

Maximum outstanding at any month-end	$ 234,914	196,461	193,421
Weighted average interest rate	0.98%	2.02%	4.35%
U.S. Treasury Tax and Loan:			
Amount outstanding at end of period	$ 5,136	6,067	221,409
Average balance	$ 3,686	165,690	120,188
Maximum outstanding at any month-end	$ 5,136	385,246	244,012
Weighted average interest rate	0.00%	2.28%	5.03%
Federal Reserve Bank discount window:			
Amount outstanding at end of period	$ 225,000	914,000	--
Average balance	$ 658,262	277,611	--
Maximum outstanding at any month-end	$1,005,000	928,000	--
Weighted average interest rate	0.26%	1.76%	--

For additional information concerning the Company's borrowings and repurchase agreements, see Notes 8 and 9 to the Consolidated Financial Statements in "Item 8 - Financial Statements and Supplementary Data".

SUBORDINATED DEBENTURES

In addition to funds obtained in the ordinary course of business, the Company formed Glacier Trust II, Glacier Trust III, and Glacier Trust IV as financing subsidiaries and obtained Citizens Trust I in connection with the acquisition of Citizens on April 1, 2005, San Juans Trust I in connection with the acquisition of San Juans on December 1, 2008, and First Co Trust 01 and First Co Trust 03 in connection with the acquisition of First National on October 2, 2009. The trusts issued preferred securities that entitle the shareholder to receive cumulative cash distributions from payments thereon. The Subordinated Debentures outstanding as of December 31, 2009 are $124,988,000, including fair value adjustments from acquisitions. For additional information regarding the subordinated debentures, see Note 10 to the Consolidated Financial Statements "Item 8 - Financial Statements and Supplementary Data".

EMPLOYEES

As of December 31, 2009, the Company employed 1,739 persons, 1,497 of whom were full time, none of whom were represented by a collective bargaining group. The Company provides its employees with a comprehensive benefit program, including medical insurance, dental plan, life and accident insurance, long-term disability coverage, sick leave, profit sharing plan, savings plan and employee stock options. The Company considers its employee relations to be excellent. See Note 13 in the Consolidated Financial Statements in "Item 8 - Financial Statements and Supplementary Data" for detailed information regarding employee benefit plans and eligibility.

SUPERVISION AND REGULATION

INTRODUCTION

The following discussion provides an overview of certain elements of the extensive regulatory framework applicable to the Company and the Banks. This regulatory framework is primarily designed for the protection of depositors, federal deposit insurance funds and the banking system as a whole, rather than specifically for the protection of shareholders. Due to the breadth and growth of this regulatory framework, the costs of compliance continue to increase in order to monitor and satisfy these requirements.

To the extent that this section describes statutory and regulatory provisions, it is qualified by reference to those provisions. These statutes and regulations, as well as related policies, are subject to change by Congress, state legislatures and federal and state regulators. Changes in statutes, regulations or regulatory policies applicable to the Company, including the interpretation or implementation thereof, could have a material effect on the Company's business or operations. Recently, in light of the recent financial crisis, numerous proposals to modify or expand banking regulation have surfaced. Based on past history, if any are approved, they will add to the complexity and cost of the Company's business.

BANK HOLDING COMPANY REGULATION

General. The Company is a bank holding company as defined in the Bank Holding Company Act of 1956, as amended ("BHCA"), due to its ownership of the bank subsidiaries listed below. Glacier, First Security, Western, Big Sky, Valley, and First Bank-MT are Montana state-chartered banks and are members of the Federal Reserve System; Mountain West and Citizens are Idaho state-chartered banks; 1st Bank is a Wyoming state-chartered bank and is a member of the Federal Reserve System; First National is a nationally chartered bank and is a member of the Federal Reserve System; and San Juans is a Colorado state-chartered bank. The deposits of the Banks are insured by the FDIC.

As a bank holding company, the Company is subject to regulation, supervision and examination by the Federal Reserve. In general, the BHCA limits the business of bank holding companies to owning or controlling banks and engaging in other activities closely related to banking. The Company must also file reports with and provide additional information to the Federal Reserve. Under the Financial Services Modernization Act of 1999, a bank holding company may apply to the Federal Reserve to become a financial holding company, and thereby engage (directly or through a subsidiary) in certain expanded activities deemed financial in nature, such as securities brokerage and insurance underwriting.

Holding Company Bank Ownership. The BHCA requires every bank holding company to obtain the prior approval of the Federal Reserve before (i) acquiring, directly or indirectly, ownership or control of any voting shares of another bank or bank holding company if, after such acquisition, it would own or control more than 5% of such shares; (ii) acquiring all or substantially all of the assets of another bank or bank holding company; or (iii) merging or consolidating with another bank holding company.

Holding Company Control of Nonbanks. With some exceptions, the BHCA also prohibits a bank holding company from acquiring or retaining direct or indirect ownership or control of more than 5% of the voting shares of any company that is not a bank or bank holding company, or from engaging directly or indirectly in activities other than those of banking, managing or controlling banks or providing services for its subsidiaries. The principal exceptions to these prohibitions involve certain non-bank activities that, by federal statute, agency regulation or order, have been identified as activities closely related to the business of banking or of managing or controlling banks.

Transactions with Affiliates.

Bank subsidiaries of a bank holding company are subject to restrictions imposed by the Federal Reserve Act on extensions of credit to the holding company or its subsidiaries, on investments in their securities, and on the use of their securities as collateral for loans to any borrower. These regulations and restrictions may limit the Company's ability to obtain funds from the bank subsidiaries for its cash needs, including funds for payment of dividends, interest and operational expenses.

Tying Arrangements. The Company is prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, sale or lease of property or furnishing of services. For example, with certain exceptions, neither the Company nor the Banks may condition an extension of credit to a customer on either (i) a requirement that the customer obtain additional services provided by the Company or Banks; or (ii) an agreement by the customer to refrain from obtaining other services from a competitor.

Support of Bank Subsidiaries. Under Federal Reserve policy, the Company is expected to act as a source of financial and managerial strength to its banks. This means that the Company is required to commit, as necessary, resources to support the Banks. Any capital loans a bank holding company makes to its bank subsidiaries are subordinate to deposits and to certain other indebtedness of those bank subsidiaries.

State Law Restrictions. As a Montana corporation, the Company is subject to certain limitations and restrictions under applicable Montana corporate law. For example, state law restrictions in Montana include limitations and restrictions relating to indemnification of directors, distributions to shareholders, transactions involving directors, officers or interested shareholders, maintenance of books, records and minutes, and observance of certain corporate formalities.

THE BANK SUBSIDIARIES

Glacier, First Security, Western, Big Sky, Valley, and First Bank-MT are subject to regulation and supervision by the Montana Department of Administration's Banking and Financial Institutions Division and the Federal Reserve as a result of their membership in the Federal Reserve System.

Mountain West and Citizens are subject to regulation by the Idaho Department of Finance and by the FDIC. In addition, Mountain West's Utah and Washington branches are primarily regulated by the Utah Department of Financial Institutions and the Washington Department of Financial Institutions, respectively.

1st Bank is a member of the Federal Reserve System and is subject to regulation and supervision by the Federal Reserve and also the Wyoming Division of Banking as a Wyoming state chartered bank. First National is a member of the Federal Reserve System and is subject to regulation and supervision by the Federal Reserve and also the Office of Comptroller of the Currency ("OCC") as a nationally chartered bank, and to a certain extent, by the Wyoming Division of Banking.

San Juans is subject to regulation by the Colorado Department of Regulatory Agencies-Division of Banking and by the FDIC.

The federal laws that apply to the Banks regulate, among other things, the scope of their business, their investments, their reserves against deposits, the timing of the availability of deposited funds, and the nature, amount of, and collateral for loans. Federal laws also regulate community reinvestment and insider credit transactions and impose safety and soundness standards.

Community Reinvestment. The Community Reinvestment Act of 1977 requires that, in connection with examinations of financial institutions within their jurisdiction, federal bank regulators must evaluate the record of financial institutions in meeting the credit needs of their local communities, including low and moderate-income neighborhoods, consistent with the safe and sound operation of those banks. A bank's community reinvestment record is also considered by the applicable banking agencies in evaluating mergers, acquisitions, and applications to open a branch or facilit