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GLACIER BANCORP INC  
Form 10-Q  
November 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 September 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, Montana  
(Address of principal executive offices)

59901  
(Zip Code)

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

Not Applicable  
(Former name, former address, and former fiscal year, if changed since last report)

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

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

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

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

The number of shares of Registrant's common stock outstanding on October 29,

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2007 was 53,624,184. No preferred shares are issued or outstanding.

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

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## GLACIER BANCORP, INC. CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands, except per share data)	SEPTEMBER 30, 2007	December 31, 2006	September 30, 2006
	(UNAUDITED)		(unaudited)
<b>ASSETS:</b>			
Cash on hand and in banks .....	\$ 128,230	136,591	111,000
Federal funds sold .....	2,735	6,125	2,000
Interest bearing cash deposits .....	60,704	30,301	60,000
	-----	-----	-----
Cash and cash equivalents .....	191,669	173,017	183,000
Investment securities .....	740,406	825,637	840,000
Loans receivable, net .....	3,403,587	3,130,389	2,780,000
Loans held for sale .....	30,860	35,135	20,000
Premises and equipment, net .....	121,045	110,759	90,000
Real estate and other assets owned, net .....	1,750	1,484	1,000
Accrued interest receivable .....	29,893	25,729	20,000
Deferred tax asset .....	1,122	--	--
Core deposit intangible, net .....	14,748	14,750	--
Goodwill .....	140,288	129,716	80,000
Other assets .....	24,889	24,682	70,000
	-----	-----	-----
	\$ 4,700,257	4,471,298	4,130,000
	=====	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>			
Non-interest bearing deposits .....	\$ 819,711	829,355	750,000
Interest bearing deposits .....	2,547,409	2,378,178	2,090,000
Advances from Federal Home Loan Bank of Seattle .....	251,908	307,522	370,000
Securities sold under agreements to repurchase .....	181,301	170,216	160,000
Other borrowed funds .....	214,135	168,770	170,000
Accrued interest payable .....	18,742	11,041	10,000
Deferred tax liability .....	--	1,927	--
Subordinated debentures .....	118,559	118,559	110,000
Other liabilities .....	33,220	29,587	20,000
	-----	-----	-----
Total liabilities .....	4,184,985	4,015,155	3,710,000
	-----	-----	-----
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 .....	536	523	310,000
Paid-in capital .....	373,474	344,265	90,000
Retained earnings - substantially restricted .....	139,023	108,286	90,000
Accumulated other comprehensive income .....	2,239	3,069	--
	-----	-----	-----
Total stockholders' equity .....	515,272	456,143	410,000
	-----	-----	-----
	\$ 4,700,257	4,471,298	4,130,000
	=====	=====	=====
Number of shares outstanding .....	53,612,211	52,302,820	50,760,000
Book value per share .....	\$ 9.61	8.72	--

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See accompanying notes to condensed consolidated financial statements.

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## GLACIER BANCORP, INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED SEPTEMBER 30,	
(UNAUDITED - dollars in thousands, except per share data)	2007	2006
INTEREST INCOME:		
Real estate loans .....	\$ 15,617	13,708
Commercial loans .....	40,379	29,687
Consumer and other loans .....	12,423	10,348
Investment securities and other .....	10,011	10,149
Total interest income .....	78,430	63,892
INTEREST EXPENSE:		
Deposits .....	21,449	15,351
Federal Home Loan Bank of Seattle advances .....	5,027	5,340
Securities sold under agreements to repurchase .....	2,012	1,804
Subordinated debentures .....	2,023	1,519
Other borrowed funds .....	936	873
Total interest expense .....	31,447	24,887
NET INTEREST INCOME .....	46,983	39,005
Provision for loan losses .....	1,315	1,320
Net interest income after provision for loan losses .....	45,668	37,685
NON-INTEREST INCOME:		
Service charges and other fees .....	10,055	7,703
Miscellaneous loan fees and charges .....	1,798	1,700
Gains on sale of loans .....	3,203	2,992
Loss on sale of investments .....	--	(3)
Other income .....	1,422	1,370
Total non-interest income .....	16,478	13,762
NON-INTEREST EXPENSE:		
Compensation, employee benefits and related expenses .....	20,286	15,992
Occupancy and equipment expense .....	4,840	3,875
Outsourced data processing expense .....	553	620
Core deposit intangibles amortization .....	827	411
Other expenses .....	8,690	6,946
Total non-interest expense .....	35,196	27,844
EARNINGS BEFORE INCOME TAXES .....	26,950	23,603
Federal and state income tax expense .....	9,311	7,797

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NET EARNINGS .....	\$ 17,639	15,806	
	=====	=====	=====
Basic earnings per share .....	\$ 0.33	0.32	
Diluted earnings per share .....	\$ 0.33	0.31	
Dividends declared per share .....	\$ 0.13	0.11	
Return on average assets (annualized) .....	1.50%	1.58%	
Return on average equity (annualized) .....	13.76%	16.24%	
Average outstanding shares - basic .....	53,566,477	49,702,838	53,
Average outstanding shares - diluted .....	54,004,828	50,403,314	53,

See accompanying notes to condensed consolidated financial statements.

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## GLACIER BANCORP, INC. CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2006 AND UNAUDITED NINE MONTHS ENDED SEPTEMBER 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 .....	--	--	--	50,457
Unrealized loss on securities, net of reclassification adjustment and taxes .....	--	--	--	--
Total comprehensive income .....				
Cash dividends declared (\$.37 per share) .....	--	--	--	(19,720)
Stock options exercised .....	515,811	5	5,778	--
Stock issued in connection with acquisitions ....	793,580	8	18,992	--
Stock based compensation and tax benefit .....	--	--	4,439	--
Balance at September 30, 2007 (unaudited) .....	53,612,211	\$536	373,474	139,023

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(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.

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## GLACIER BANCORP, INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	NINE MONTHS ENDED SEPTEMBER	
(UNAUDITED - dollars in thousands)	2007	2006
OPERATING ACTIVITIES :		
NET CASH PROVIDED BY OPERATING ACTIVITIES .....	\$ 64,038	51,82
INVESTING ACTIVITIES:		
Proceeds from sales, maturities and prepayments of investments available-for-sale .....	230,485	170,68
Purchases of investments available-for-sale .....	(86,938)	(40,79
Principal collected on installment and commercial loans .....	901,555	823,03
Installment and commercial loans originated or acquired .....	(1,143,875)	(1,068,14
Principal collections on mortgage loans .....	365,337	266,59
Mortgage loans originated or acquired .....	(383,393)	(395,99
Net purchase of FHLB and FRB stock .....	(3,803)	(45
Net cash paid for sale of Western's Lewistown branch .....	(6,846)	-
Net cash received (paid) from acquisitions .....	8,953	17,17
Funds in escrow for Citizens Development Company acquisition ....	--	(47,17
Net addition of premises and equipment .....	(855)	(16,40
NET CASH USED IN INVESTING ACTIVITIES	(119,380)	(291,48
FINANCING ACTIVITIES:		
Net increase in deposits .....	85,427	249,45
Net decrease in FHLB advances and other borrowed funds .....	(10,249)	(41,08
Net increase in securities sold under repurchase agreements .....	11,086	32,87
Proceeds from issuance of subordinated debentures .....	--	30,00
Cash dividends paid .....	(19,720)	(16,28
Excess tax benefits from stock options .....	1,667	99
Proceeds from exercise of stock options and other stock issued ..	5,783	34,91
NET CASH PROVIDED BY FINANCING ACTIVITIES .....	73,994	290,86
NET INCREASE IN CASH AND CASH EQUIVALENTS .....	18,652	51,21
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD .....	173,017	132,60
CASH AND CASH EQUIVALENTS AT END OF PERIOD .....	\$ 191,669	183,82
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for: Interest .....	\$ 82,462	63,72
Income taxes .....	\$ 24,242	22,96

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The following schedule summarizes the acquisitions of North Side State Bank in 2007 and First National Bank of Morgan in 2006

Acquired -----	NORTH SIDE STATE BANK April 30, 2007 -----	FIRST NATIONAL BANK OF MORGAN Sept. 1, 2006 -----
Fair Value of assets acquired	\$127,871	88,443
Cash paid for the capital stock	8,953	10,109
Capital stock issued	19,000	9,999
Liabilities assumed	99,967	68,411

See accompanying notes to condensed consolidated financial statements.

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### 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 September 30, 2007 and 2006, stockholders' equity for the nine months ended September 30, 2007, the results of operations for the three and nine months ended September 30, 2007 and 2006, and cash flows for the nine months ended September 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 nine months ended September 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 incorporated in 2004 as a successor corporation to the Delaware corporation incorporated in 1990. The Company is the parent company for eleven wholly-owned banking subsidiaries: Glacier Bank ("Glacier"), First Security Bank of Missoula ("First Security"), Western Security Bank ("Western"), Big Sky Western Bank ("Big Sky"), Valley Bank of Helena ("Valley"), Glacier Bank of Whitefish ("Whitefish"), First Bank of Montana ("First Bank-MT"), all located in Montana, Mountain West Bank ("Mountain West") which is located in Idaho, Utah, and Washington, Citizens Community Bank

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("Citizens") located in Idaho, 1st Bank ("1st Bank") located in Wyoming, and First National Bank of Morgan ("Morgan") located in Utah.

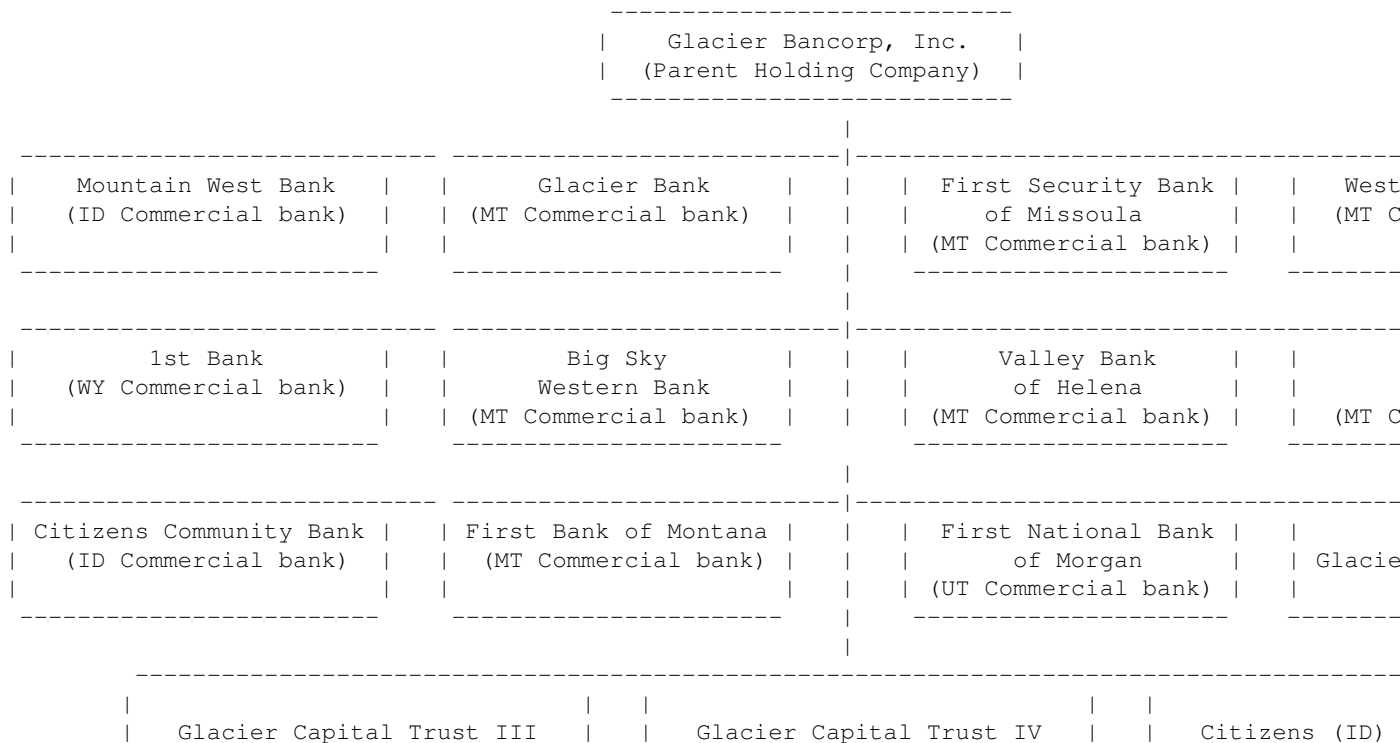
In addition, the Company owns four trust subsidiaries, Glacier Capital Trust II ("Glacier Trust II"), Glacier Capital Trust III ("Glacier Trust III"), Glacier Capital Trust IV ("Glacier Trust IV"), and Citizens (ID) Statutory Trust I ("Citizens Trust I") for the purpose of issuing trust preferred securities and in accordance with Financial Accounting Standards Board Interpretation ("FASB") 46(R) the subsidiaries are not consolidated into the Company's financial statements. The Company does not have any off-balance sheet entities.

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

On October 1, 2006, the Company acquired Citizens Development Company ("CDC") and its five subsidiaries which include: Citizens State Bank, First Citizens Bank of Billings ("FCB-Billings"), First National Bank of Lewistown, Western Bank of Chinook, and First Citizens Bank, N.A. On January 26, 2007, Citizens State Bank, FCB-Billings, and First Citizens Bank, N.A. were merged into First Security, Western, and Glacier, respectively, without name change for First Security, Western, and Glacier. On June 22, 2007, Western Bank of Chinook was merged into First National Bank of Lewistown and renamed First Bank of Montana.

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The following abbreviated organizational chart illustrates the various relationships:



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## 3) Ratios

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

## 4) Dividends Declared

On September 26, 2007, the Board of Directors declared a \$.13 per share cash dividend payable on October 18, 2007 to stockholders of record on October 9, 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.

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

	Three months ended September 30, 2007	Three months ended September 30, 2006	Nine months end September 30,
Net earnings available to common stockholders .....	\$17,639,000	15,806,000	50,457,000
Average outstanding shares - basic ....	53,566,477	49,702,838	53,086,380
Add: Dilutive stock options .....	438,351	700,476	518,540
Average outstanding shares - diluted ..	54,004,828	50,403,314	53,604,920
Basic earnings per share .....	\$ 0.33	0.32	0.9
Diluted earnings per share .....	\$ 0.33	0.31	0.9

There were approximately 699,747 and 807,650 average shares excluded from the nine months ended diluted share calculation as of September 30, 2007, and 2006, respectively, due to the option exercise price exceeding the market price.

## 6) Investments

A comparison of the amortized cost and estimated fair value of the Company's investment securities, available-for-sale and other investments, is as follows:

INVESTMENTS AS OF SEPTEMBER 30, 2007

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(Dollars in thousands)	Weighted Yield	Amortized Cost	Gross Unrealized		Estimated Fair Value
-----	-----	-----	Gains	Losses	-----
AVAILABLE-FOR-SALE:					
U.S. GOVERNMENT AND FEDERAL AGENCIES:					
maturing within one year .....	3.78%	\$ 2,304	--	(2)	2,300
GOVERNMENT-SPONSORED ENTERPRISES:					
maturing within one year .....	5.26%	9,644	6	--	9,650
maturing five years through ten years ....	7.85%	242	--	(1)	241
maturing after ten years .....	5.75%	134	--	--	134
		-----	-----	-----	-----
	5.34%	10,020	6	(1)	10,025
		-----	-----	-----	-----
STATE AND LOCAL GOVERNMENTS AND OTHER ISSUES:					
maturing within one year .....	3.83%	1,932	4	(2)	1,934
maturing one year through five years ....	4.28%	4,129	37	(12)	4,153
maturing five years through ten years ....	4.95%	16,539	812	(4)	17,347
maturing after ten years .....	5.08%	259,203	8,199	(233)	267,169
		-----	-----	-----	-----
	5.06%	281,803	9,052	(251)	290,604
		-----	-----	-----	-----
MORTGAGE-BACKED SECURITIES .....	4.55%	374,930	333	(4,988)	370,275
FHLMC AND FNMA STOCK .....	5.74%	7,593	--	(455)	7,138
OTHER INVESTMENTS:					
CERTIFICATES OF DEPOSITS WITH OVER 90 DAY					
MATURITY .....	4.98%	298	--	--	298
FHLB AND FRB STOCK, AT COST .....	1.68%	59,764	--	--	59,764
		-----	-----	-----	-----
TOTAL INVESTMENTS .....	4.53%	\$736,712	9,391	(5,697)	740,406
		=====	=====	=====	=====

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INVESTMENTS AS OF DECEMBER 31, 2006

	Weighted	Amortized	Gross Unrealized		Estimated
(Dollars in thousands)	Yield	Cost	-----	-----	Fair
-----	-----	-----	Gains	Losses	Value
-----	-----	-----	-----	-----	-----
AVAILABLE-FOR-SALE:					
U.S. GOVERNMENT AND FEDERAL AGENCIES:					
maturing within one year .....	4.78%	\$ 10,982	--	(6)	10,976
GOVERNMENT-SPONSORED ENTERPRISES:					
maturing within one year .....	4.90%	8,177	--	(17)	8,160
maturing one year through five years .....	5.15%	648	--	--	648
maturing five years through ten years .....	7.73%	352	5	--	357
maturing after ten years .....	6.68%	153	1	--	154
		-----	-----	-----	-----
	5.05%	9,330	6	(17)	9,319
		-----	-----	-----	-----

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## STATE AND LOCAL GOVERNMENTS AND OTHER ISSUES:

maturing within one year .....	3.65%	2,190	2	(1)	2,190
maturing one year through five years .....	4.08%	5,736	43	(21)	5,755
maturing five years through ten years ....	4.92%	15,180	818	(11)	15,988
maturing after ten years .....	5.12%	276,756	11,794	(86)	288,460
		-----	-----	-----	-----
	5.08%	299,862	12,657	(119)	312,400
		-----	-----	-----	-----
MORTGAGE-BACKED SECURITIES .....	4.21%	434,224	195	(7,869)	426,550
FHLMC AND FNMA STOCK .....	5.74%	7,593	218	--	7,811
OTHER INVESTMENTS:					
CERTIFICATES OF DEPOSITS WITH OVER 90 DAY					
MATURITY .....	4.83%	2,864	--	--	2,864
FHLB AND FRB STOCK, AT COST .....	1.26%	55,717	--	--	55,717
		-----	-----	-----	-----
TOTAL INVESTMENTS .....	4.36%	\$820,572	13,076	(8,011)	825,637
		=====	=====	=====	=====

Interest income includes tax-exempt interest for the nine months ended September 30, 2007 and 2006 of \$10,207,000 and \$10,428,000, respectively, and for the three months ended September 30, 2007 and 2006 of \$3,279,000 and \$3,481,000, respectively.

Gross proceeds from sales of investment securities for the nine months ended September 30, 2007 and 2006 were \$55,501,000 and \$488,000, respectively, resulting in gross gains of approximately \$1,000 and \$0, respectively, and gross losses of approximately \$9,000 and \$3,000, respectively. Investment securities of \$54,346,000 from North Side were sold immediately after the acquisition was completed. The cost of any investment sold is determined by specific identification.

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## 7) Loans

The following table summarizes the Company's loan portfolio:

TYPE OF LOAN (Dollars in thousands)	At 9/30/2007		At 12/31/2006		At 9/30/2006	
	Amount	Percent	Amount	Percent	Amount	Percent
-----						
Real Estate Loans:						
Residential real estate	\$ 805,125	23.5%	\$ 758,921	24.0%	\$ 732,863	26.0%
Loans held for sale	30,860	0.9%	35,135	1.1%	28,780	1.0%
	-----	-----	-----	-----	-----	-----
Total	835,985	24.4%	794,056	25.1%	761,643	27.0%
Commercial Loans:						
Real estate	1,240,239	36.1%	954,290	30.2%	867,862	30.8%
Other commercial	793,889	23.1%	902,994	28.5%	696,696	24.7%
	-----	-----	-----	-----	-----	-----
Total	2,034,128	59.2%	1,857,284	58.7%	1,564,558	55.5%
Consumer and other Loans:						
Consumer	207,330	6.0%	218,640	6.9%	193,015	6.9%
Home equity	420,097	12.2%	356,477	11.3%	347,760	12.4%

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Total	627,427	18.2%	575,117	18.2%	540,775	19.3%
Net deferred loan fees, premiums and discounts	(10,477)	-0.3%	(11,674)	-0.4%	(8,711)	-0.3%
Allowance for loan losses	(52,616)	-1.5%	(49,259)	-1.6%	(43,216)	-1.5%
Loan receivable, net	\$3,434,447	100.0%	\$3,165,524	100.0%	\$2,815,049	100.0%

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

NONPERFORMING ASSETS (Dollars in thousands)	At 9/30/2007	At 12/31/2006	At 9/30/2006
Non-accrual loans:			
Real estate loans	\$ 1,286	1,806	2,121
Commercial loans	5,741	3,721	3,848
Consumer and other loans	478	538	500
Total	\$ 7,505	6,065	6,469
Accruing Loans 90 days or more overdue:			
Real estate loans	979	554	365
Commercial loans	1,037	638	1,940
Consumer and other loans	451	153	221
Total	\$ 2,467	1,345	2,526
Real estate and other assets owned, net	1,750	1,484	510
Total non-performing loans and real estate and other assets owned, net	\$11,722	8,894	9,505
As a percentage of total bank assets	0.24%	0.19%	0.22%
Interest Income (1)	\$ 447	462	363

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

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The following table illustrates the loan loss experience:

## ALLOWANCE FOR LOAN LOSSES

(Dollars in thousands)	Nine months ended September 30, 2007	Year ended December 31, 2006	Nine months ended September 30, 2006
Balance at beginning of period	\$49,259	38,655	38,655
Charge offs:			

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Real estate loans	(103)	(14)	(12)
Commercial loans	(1,489)	(1,187)	(405)
Consumer and other loans	(383)	(448)	(304)
	-----	-----	-----
Total charge-offs	\$ (1,975)	(1,649)	(721)
	-----	-----	-----
Recoveries:			
Real estate loans	158	341	309
Commercial loans	520	331	135
Consumer and other loans	295	298	235
	-----	-----	-----
Total recoveries	\$ 973	970	679
	-----	-----	-----
Net recoveries (charge-offs)	(1,002)	(679)	(42)
Acquisition (1)	639	6,091	763
Provision	3,720	5,192	3,840
	-----	-----	-----
Balance at end of period	\$52,616	49,259	43,216
	=====	=====	=====
Ratio of net charge-offs to average loans outstanding during the period	0.030%	0.024%	0.002%

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

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

	September 30, 2007		December 31, 2006		September 30, 2006	
	-----		-----		-----	
		Percent of loans in		Percent of loans in		Percent of loans in
(Dollars in thousands)	Allowance	category	Allowance	category	Allowance	category
	-----	-----	-----	-----	-----	-----
Real estate loans	\$ 5,682	23.9%	5,421	24.6%	5,328	26.6%
Commercial real estate loans	20,121	35.5%	16,741	29.6%	15,583	30.3%
Other commercial loans	17,587	22.7%	18,361	28.0%	14,090	24.3%
Consumer and other loans	9,226	17.9%	8,736	17.8%	8,215	18.8%
	-----	-----	-----	-----	-----	-----
Totals	\$52,616	100.0%	49,259	100.0%	43,216	100.0%
	=====	=====	=====	=====	=====	=====

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## 8) Intangible Assets

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

	Core Deposit	Mortgage Servicing
--	--------------	-----------------------

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(Dollars in thousands)	Intangible -----	Rights (1) -----	Total -----
Gross carrying value	\$ 25,706		
Accumulated Amortization	(10,958)		
	-----		
Net carrying value	\$ 14,748 =====	1,207	15,955
WEIGHTED-AVERAGE AMORTIZATION PERIOD			
(Period in years)	10.0	9.7	10.0
AGGREGATE AMORTIZATION EXPENSE			
For the three months ended September 30, 2007	\$ 827	45	872
For the nine months ended September 30, 2007	\$ 2,416	148	2,564
ESTIMATED AMORTIZATION EXPENSE			
For the year ended December 31, 2007	\$ 3,202	168	3,370
For the year ended December 31, 2008	3,032	81	3,113
For the year ended December 31, 2009	2,738	79	2,817
For the year ended December 31, 2010	2,369	77	2,446
For the year ended December 31, 2011	1,662	75	1,737

(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 nine months ended September 30, 2007.

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(Dollars in thousands)	Goodwill -----
Balance as of December 31, 2006	\$129,716
Sale of Western's Lewistown branch	(454)
Adjustment for FCB-Billings' building	(760)
Adjustment for FCB-Billings' loan	3,605
Acquisition of North Side State Bank	8,081
Other adjustments	100
	-----

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Balance as of September 30, 2007	\$140,288
	=====

As a condition of acquiring FCB - Billings, a subsidiary of CDC which was acquired on October 1, 2006, bank regulators required Western to divest of Western's branch in Lewistown, Montana. Western was acquired in February 2001 through the purchase of WesterFed Financial Corporation ("WesterFed"), its parent company. The WesterFed acquisition was accounted for using the purchase method of accounting with a portion of goodwill allocated to Western's Lewistown branch. With the January 2007 sale of the Lewistown branch, \$454,000 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 \$1,250,000 with a related \$490,000 increase in deferred tax liability, resulting in a \$760,000 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 \$5,900,000 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 \$3,605,000. Management continues to pursue additional recoveries and remedies from the guarantors and other third parties, with any recoveries occurring after September 30, 2007 recorded in earnings in the period in which the recoveries are received or accrued.

On April 30, 2007, the Company acquired North Side, and the purchase price included core deposit intangible of \$2,524,000 and goodwill of \$8,081,000.

9) Deposits

The following table illustrates the amounts outstanding for deposits \$100,000 and greater at September 30, 2007 according to the time remaining to maturity. Included in the CD maturities are brokered CDs in the amount of \$200,907,000.

(Dollars in thousands)	Certificates of Deposit	Non-Maturity Deposits	Totals
	-----	-----	-----
Within three months .....	\$305,968	1,230,658	1,536,626
Three to six months .....	96,281	--	96,281
Seven to twelve months .....	104,470	--	104,470
Over twelve months .....	45,669	--	45,669
	-----	-----	-----
Totals .....	\$552,388	1,230,658	1,783,046
	=====	=====	=====

## 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:

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(Dollars in thousands)	As of and for the nine months ended September 30, 2007 -----	As of and for the year ended December 31, 2006 -----	As of for the months September -----
FHLB Advances:			
Amount outstanding at end of period .....	\$251,908	307,522	377,
Average balance .....	\$376,381	487,112	484,
Maximum outstanding at any month-end ....	\$509,519	655,492	572,
Weighted average interest rate .....	5.02%	4.20%	4
Repurchase Agreements:			
Amount outstanding at end of period .....	\$181,301	170,216	162,
Average balance .....	\$165,592	153,314	145,
Maximum outstanding at any month-end ....	\$185,051	164,338	163,
Weighted average interest rate .....	4.54%	4.32%	4

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 September 30, 2007.

CONSOLIDATED

(Dollars in thousands)	Tier 1 (Core) Capital -----	Tier 2 (Total) Capital -----	Leverage Capital -----
GAAP Capital .....	\$ 515,272	515,272	515,272
Less: Goodwill and intangibles .....	(155,037)	(155,037)	(155,037)
Other adjustments .....	(455)	(455)	(455)
Plus: Allowance for loan losses .....	--	48,494	--
Accumulated other comprehensive			
Unrealized loss on AFS securities .....	2,239	2,239	2,239
Subordinated debentures .....	115,000	115,000	115,000
Regulatory capital computed .....	\$ 477,019	525,513	477,019
Risk weighted assets .....	\$3,874,078	3,874,078	
Total average assets .....			\$4,515,591
Capital as % of defined assets .....	12.31%	13.56%	10.56%
Regulatory "well capitalized" requirement .....	6.00%	10.00%	5.00%
Excess over "well capitalized" requirement ....	6.31%	3.56%	5.56%

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

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On January 1, 2007, the Company adopted FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes. There was no cumulative effect recognized in retained earnings as a result of adopting FIN 48. The Company determined its unrecognized tax benefit to be \$300,000 as of September 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 34.2 percent to 33.9 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 nine months ended September 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 September 30, 2007 and 2006, respectively. The Company had accrued \$0 for the payment of penalties at September 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.

	For the three months ended September 30,		For the ni ended Sept
Dollars in thousands	2007	2006	2007
Net earnings .....	\$17,639	15,806	50,457
Unrealized holding gain (loss) arising during the period ....	4,533	11,435	(1,378)
Tax (benefit) expense .....	(1,786)	(4,505)	543
Net after tax.....	2,747	6,930	(835)
Reclassification adjustment for losses included in net earnings .....	--	3	8
Tax benefit .....	--	(1)	(3)

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Net after tax.....	--	2	5
Net unrealized gain (loss) on securities .....	2,747	6,932	(830)
	-----	-----	-----
Total comprehensive income .....	\$20,386	22,738	49,627
	=====	=====	=====

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## 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.

Nine months ended and as of September 30, 2007						
(Dollars in thousands)	Mountain West	Glacier	First Security	Western	1st Bank	Big Sky
Revenues from external customers	\$ 65,098	48,679	44,051	29,721	19,246	17,596
Intersegment revenues	42	116	1,590	1,538	1,013	15
Expenses	(54,500)	(38,245)	(35,389)	(25,380)	(16,243)	(13,826)
Intercompany eliminations	--	--	--	--	--	--
Net Earnings	\$ 10,640	10,550	10,252	5,879	4,016	3,785
Total Assets	\$1,005,535	894,556	837,202	559,573	438,653	297,721
	=====	=====	=====	=====	=====	=====

	Whitefish	Citizens	First Bank of MT	Morgan	Other	To Consolidated
Revenues from external customers	\$ 10,648	11,413	7,131	3,749	523	274
Intersegment revenues	--	105	317	920	63,070	68
Expenses	(8,580)	(9,852)	(5,994)	(4,009)	1,329	(223)
Intercompany eliminations	--	--	--	--	(68,870)	(68)
Net Earnings	\$ 2,068	1,666	1,454	660	(3,948)	50
Total Assets	\$196,192	189,735	140,501	96,644	(240,327)	4,700
	=====	=====	=====	=====	=====	=====

Nine months ended and as of September 30, 2006

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(Dollars in thousands)	Mountain West	Glacier	First Security	Western	1st Bank	Big S
Revenues from external customers	\$ 53,018	39,944	38,506	21,962	13,780	15,4
Intersegment revenues	25	778	179	62	461	
Expenses	(43,609)	(30,956)	(29,213)	(17,152)	(11,608)	(11,8
Intercompany eliminations	--	--	--	--	--	
Net Earnings	\$ 9,434	9,766	9,472	4,872	2,633	3,6
Total Assets	\$893,260	814,126	792,063	438,175	293,021	275,0

	Valley	Whitefish	Citizens	Morgan	Other	Tota Consolid
Revenues from external customers	\$ 14,032	9,626	10,458	424	376	217,5
Intersegment revenues	100	8	--	22	54,251	55,9
Expenses	(11,081)	(7,549)	(8,863)	(338)	(1,233)	(173,4
Intercompany eliminations	--	--	--	--	(55,978)	(55,9
Net Earnings	\$ 3,051	2,085	1,595	108	(2,584)	44,1
Total Assets	\$285,180	193,301	170,354	89,038	(113,308)	4,130,2

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Three months ended and as of September 30, 2007

(Dollars in thousands)	Mountain West	Glacier	First Security	Western	1st Bank	Big Sky
Revenues from external customers	\$ 22,652	17,103	14,864	9,266	7,437	6,157
Intersegment revenues	18	38	670	825	461	--
Expenses	(18,979)	(13,456)	(11,892)	(8,477)	(6,277)	(4,802)
Intercompany eliminations	--	--	--	--	--	--
Net Earnings	\$ 3,691	3,685	3,642	1,614	1,621	1,355
Total Assets	\$1,005,535	894,556	837,202	559,573	438,653	297,721

Whitefish	Citizens	First Bank of MT	Morgan	Other	Conso
-----------	----------	---------------------	--------	-------	-------

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Revenues from external customers	\$ 3,686	3,864	2,527	1,322	328	
Intersegment revenues	--	105	1	288	21,882	
Expenses	(2,951)	(3,391)	(2,025)	(1,407)	896	
Intercompany eliminations	--	--	--	--	(24,337)	
	-----	-----	-----	-----	-----	-----
Net Earnings	\$ 735	578	503	203	(1,231)	
	=====	=====	=====	=====	=====	=====
Total Assets	\$196,192	189,735	140,501	96,644	(240,327)	4,7
	=====	=====	=====	=====	=====	=====

## Three months ended and as of September 30, 2006

(Dollars in thousands)	Mountain West	Glacier	First Security	Western	1st Bank	Big Sky
	-----	-----	-----	-----	-----	-----
Revenues from external customers	\$ 19,235	14,172	13,373	7,906	4,909	5,305
Intersegment revenues	10	578	83	43	107	--
Expenses	(16,019)	(11,483)	(10,362)	(6,002)	(4,109)	(4,147)
Intercompany eliminations	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
Net Earnings	\$ 3,226	3,267	3,094	1,947	907	1,158
	=====	=====	=====	=====	=====	=====
Total Assets	\$893,260	814,126	792,063	438,175	293,021	275,045
	=====	=====	=====	=====	=====	=====

	Valley	Whitefish	Citizens	Morgan	Other	Total Consolidated
	-----	-----	-----	-----	-----	-----
Revenues from external customers	\$ 4,953	3,428	3,803	424	146	77,65
Intersegment revenues	34	8	--	22	18,219	19,10
Expenses	(4,011)	(2,716)	(3,271)	(338)	610	(61,84
Intercompany eliminations	--	--	--	--	(19,104)	(19,10
	-----	-----	-----	-----	-----	-----
Net Earnings	\$ 976	720	532	108	(129)	15,80
	=====	=====	=====	=====	=====	=====
Total Assets	\$285,180	193,301	170,354	89,038	(113,308)	4,130,25
	=====	=====	=====	=====	=====	=====

## 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.

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(Dollars in thousands)	Nine Months Ended September 30, 2007 vs. 2006		
	Increase (Decrease) due to:		
	Volume	Rate	Net
INTEREST INCOME			
Residential real estate loans	\$ 6,924	1,396	8,320
Commercial loans	25,671	6,839	32,510
Consumer and other loans	5,349	1,391	6,740
Investment securities and other	(3,023)	1,319	(1,704)
Total Interest Income	34,921	10,945	45,866
INTEREST EXPENSE			
NOW accounts	448	1,229	1,677
Savings accounts	236	234	470
Money market accounts	4,233	4,208	8,441
Certificates of deposit	4,336	5,459	9,795
FHLB advances	(3,245)	2,811	(434)
Other borrowings and repurchase agreements	2,878	708	3,586
Total Interest Expense	8,886	14,649	23,535
NET INTEREST INCOME	\$ 26,035	(3,704)	22,331

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16) Average Balance Sheet

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

AVERAGE BALANCE SHEET (Dollars in thousands)	For the Three months ended 9-30-07			For the Nine months ended 9-30-07	
	Average Balance	Interest and Dividends	Average Yield/ Rate	Average Balance	Interest and Dividends
ASSETS					
Residential real estate loans	\$ 819,617	15,617	7.62%	\$ 798,500	15,617
Commercial loans	1,987,812	40,379	8.06%	1,909,361	40,379

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Consumer and other loans	614,804	12,423	8.02%	595,991	
	-----	-----		-----	
Total Loans	3,422,233	68,419	7.93%	3,303,852	1
Tax - exempt investment securities (1)	268,145	3,279	4.89%	274,838	
Other investment securities	581,651	6,732	4.63%	578,393	
	-----	-----		-----	
Total Earning Assets	4,272,029	78,430	7.28%	4,157,083	2
		-----			
Goodwill and core deposit intangible	154,842			148,319	
Other non-earning assets	243,758			243,459	
	-----			-----	
TOTAL ASSETS	\$4,670,629			\$4,548,861	
	=====			=====	
LIABILITIES					
AND STOCKHOLDERS' EQUITY					
NOW accounts	\$ 452,425	1,147	1.01%	\$ 455,476	
Savings accounts	269,030	678	1.00%	268,248	
Money market accounts	787,097	7,223	3.64%	743,424	
Certificates of deposit	1,039,415	12,401	4.73%	998,820	
FHLB advances	391,042	5,027	5.10%	376,381	
Repurchase agreements					
and other borrowed funds	371,304	4,971	5.31%	395,891	
	-----	-----		-----	
Total Interest Bearing Liabilities	3,310,313	31,447	3.77%	3,238,240	
		-----			
Non-interest bearing deposits	803,511			778,071	
Other liabilities	48,266			45,451	
	-----			-----	
Total Liabilities	4,162,090			4,061,762	
	-----			-----	
Common stock	536			531	
Paid-in capital	372,072			356,650	
Retained earnings	135,909			127,705	
Accumulated other					
Comprehensive income	22			2,213	
	-----			-----	
Total Stockholders' Equity	508,539			487,099	
	-----			-----	
TOTAL LIABILITIES AND					
STOCKHOLDERS' EQUITY	\$4,670,629			\$4,548,861	
	=====			=====	
Net interest income		\$46,983			\$ 1
		=====			=====
Net interest spread			3.51%		
Net interest margin					
on average earning assets (1)			4.36%		
Return on average assets (annualized)			1.50%		
Return on average equity (annualized)			13.76%		

- (1) Excludes tax effect on non-taxable investment security income of \$4,519 and \$1,452 for the nine and three months ended September 30, 2007.

## 17) Recent Acquisition

On April 30, 2007, the Company completed the acquisition of North Side, which was merged into 1st Bank, the Company's Evanston, Wyoming subsidiary.

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As of April 30, 2007, North Side had approximate total assets of \$118,803,000, loans of \$39,541,000, and deposits of \$99,568,000. A portion of the purchase price was allocated to core deposit intangible of \$2,524,000 and goodwill of \$8,081,000.

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

#### 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.

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact of the adoption of this standard, but does not expect it to have a material effect on the Company's financial position or results of operations.

#### Financial Condition

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

Effective with its acquisition on April 30, 2007, North Side 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 the second

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quarter, each

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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 \$9.0 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 September 30, 2007 were \$4.7 billion, which is \$229 million, or 5.1 percent, greater than the total assets of \$4.5 billion at December 31, 2006, and \$570 million, or 13.8 percent, greater than the total assets of \$4.1 billion at September 30, 2006.

ASSETS (\$ IN THOUSANDS)	September 30, 2007 (unaudited) -----	December 31, 2006 -----	September 30 2006 (unaudited) -----
Cash on hand and in banks	\$ 128,230	136,591	113,268
Investment securities, interest bearing deposits, FHLB stock, FRB stock, and fed funds	803,845	862,063	915,858
Loans:			
Real estate	832,038	789,843	757,470
Commercial	2,029,117	1,850,417	1,560,433
Consumer and other	625,908	574,523	540,362
	-----	-----	-----
Total loans	3,487,063	3,214,783	2,858,265
Allowance for loan losses	(52,616)	(49,259)	(43,216)
	-----	-----	-----
Total loans net of allowance for loan losses	3,434,447	3,165,524	2,815,049
	-----	-----	-----
Other assets	333,735	307,120	286,080
	-----	-----	-----
Total Assets	\$4,700,257 =====	4,471,298 =====	4,130,255 =====

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At September 30, 2007, total loans were \$3.487 billion, an increase of \$103 million, or 3 percent (12 percent annualized) over total loans of \$3.384 billion at June 30, 2007. Total loans increased \$272 million, or 8.5 percent (11.3 percent annualized) from December 31, 2006. For the first three quarters of 2007, commercial loans have increased \$179 million, or 9.7 percent, real estate loans increased \$42 million, or 5.3 percent, and consumer loans grew by \$51 million, or 8.9 percent. Total loans have increased \$629 million, or 22 percent, from September 30, 2006, with all loan categories showing increases. Commercial loans grew the most with an increase of \$469 million, or 30 percent, followed by real estate loans which increased \$75 million, or 10 percent, and consumer loans, which are primarily comprised of home equity loans, increasing by \$86 million, or 16 percent.

Investment securities, including interest bearing deposits in other financial institutions and federal funds sold, have decreased \$58 million from December 31, 2006, or 6.8 percent, and have declined \$112 million, or 12.2 percent, from September 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 September 30, 2007 represented 17 percent of total assets versus 22 percent the prior year.

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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 nine months ended September 30, 2007 and 2006 were \$472 million and \$329 million, respectively, and for the three months ended September 30, 2007 and 2006 were \$163 million and \$119 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 September 30, 2007 was approximately \$173 million.

LIABILITIES (\$ IN THOUSANDS)	September 30, 2007 (unaudited)	December 31, 2006	September 30 2006 (unaudited)	\$ change December 2006
	-----	-----	-----	-----
Non-interest bearing deposits	\$ 819,711	829,355	751,593	(9,642)
Interest bearing deposits	2,547,409	2,378,178	2,099,742	169,233
Advances from Federal Home Loan Bank	251,908	307,522	377,104	(55,614)
Securities sold under agreements to repurchase and other borrowed funds	395,436	338,986	334,099	56,455
Other liabilities	51,962	42,555	38,148	9,407
Subordinated debentures	118,559	118,559	118,559	-
	-----	-----	-----	-----
Total liabilities	\$4,184,985	4,015,155	3,719,245	169,833
	=====	=====	=====	=====

Non-interest bearing deposits decreased \$10 million, or 1.16 percent, since December 31, 2006 and decreased by \$1 million since June 30, 2007. However, non-interest bearing deposits increased by \$68 million, or 9 percent, since September 30, 2006. Increasing non-interest bearing deposits remains a primary focus of each of our banks. Interest bearing deposits increased \$169 million from December 31, 2006, with \$123 million of such growth occurring in the second

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quarter, such changes attributable to growth in certificates of deposits ("CD's"). The September 30, 2007 balance of interest bearing deposits includes \$201 million in broker originated CD's. Since September 30, 2006, interest bearing deposits increased \$448 million, or 21 percent, including a decrease of \$29 million in CD's from broker sources. Federal Home Loan Bank ("FHLB") advances decreased \$56 million from year end and decreased \$125 million from September 30, 2006. Repurchase agreements and other borrowed funds increased \$56 million from December 31, 2006, of which \$43 million are U. S. Treasury Tax and Loan Term Auction funds.

### 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 September, 2007, the Company had \$918 million of available FHLB credit of which \$252 million was utilized. Accordingly, management of the Company has a wide range of versatility in managing the liquidity and asset/liability mix for each individual institution as well as the Company as a whole.

### Lending Commitments

In the normal course of business, there are various outstanding commitments to extend credit, such as letters of credit and un-advanced loan commitments, which are not reflected in the accompanying condensed

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consolidated financial statements. Management does not anticipate any material losses as a result of these transactions.

STOCKHOLDERS' EQUITY (\$ IN THOUSANDS EXCEPT PER SHARE DATA)	September 30, 2007 (unaudited)	December 31, 2006	September 30 2006 (unaudited)	\$ cha Decem 2
	-----	-----	-----	-----
Common equity	\$ 513,033	453,074	408,556	5
Accumulated other comprehensive income	2,239	3,069	2,454	
	-----	-----	-----	---
Total stockholders' equity	515,272	456,143	411,010	5
Core deposit intangible, net, and goodwill	(155,036)	(144,466)	(97,494)	(1
	-----	-----	-----	---
	\$ 360,236	311,677	313,516	4
	=====	=====	=====	==
Stockholders' equity to total assets	10.96%	10.20%	9.96%	
Tangible stockholders' equity to total tangible assets	7.93%	7.20%	7.78%	
Book value per common share	\$ 9.61	8.72	8.09	
Market price per share at end of quarter	\$ 22.52	24.44	22.78	

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Total equity and book value per share amounts have increased \$59 million and \$.89 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, representing net unrealized gains or losses on investment securities designated as available for sale, decreased \$830 thousand from December 31, 2006, such decrease primarily a function of interest rate changes and the decreased balance of investment securities.

CREDIT QUALITY INFORMATION (\$ IN THOUSANDS)	September 30, 2007 (unaudited)	December 31, 2006	September 30, 2006 (unaudited)
Allowance for loan losses	\$52,616	\$ 49,259	\$43,259
Non-performing assets	\$11,722	8,894	9,894
Allowance as a percentage of non performing assets	449%	554%	449%
Non-performing assets as a percentage of total bank assets	0.24%	0.19%	0.25%
Allowance as a percentage of total loans	1.51%	1.53%	1.51%
Net charge-offs as a percentage of loans	0.029%	0.021%	0.021%

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

Non-performing assets as a percentage of total bank assets at September 30, 2007 were at .24 percent, down from the second quarter results of .25, up slightly from .22 percent at September 30, 2006, but increasing 5 basis points from .19 percent at December 31, 2006. These ratios compare favorably to the Federal Reserve Bank Peer Group average of .59 percent at June 30, 2007, the most recent information available. The allowance for loan losses was 449 percent of non-performing assets at September 30, 2007, down from 455 percent a year ago. The allowance, including \$6.434 million from acquisitions, has increased \$9.4 million, or 22 percent, from a year ago. The allowance of \$52.616 million is 1.51 percent of September 30, 2007 total loans outstanding, the same as the third quarter last year. The third quarter provision for loan losses expense was \$1.315 million, a decrease of \$5 thousand from the same quarter in 2006. Charged off loans exceeded recovery of previously charged-off loans during the quarter by \$1.1 million. Loan growth, average loan size, and credit quality considerations will determine the level of additional provision expense.

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

The Company reported record net earnings of \$17.6 million for the third quarter, an increase of \$1.8 million, or 12 percent, over the \$15.8 million for the third quarter of 2006. Diluted earnings per share of \$.33 for the quarter is an increase of 6.5 percent over the diluted earnings per share of \$.31 for the third quarter of 2006. Net earnings for the third quarter of 2007 and 2006 were reduced by \$544 thousand, or \$.01 per share, and \$519 thousand, or \$.01 per share, respectively, for stock-based compensation expense. Annualized return on average assets and return on average equity for the quarter were 1.50 percent and 13.76 percent, respectively, which compares with prior year returns for the third quarter of 1.58 percent and 16.24 percent.

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(UNAUDITED - \$ IN THOUSANDS)	Three months ended September 30,			
	2007	2006	\$ change	% change
Interest income	\$78,430	\$63,892	14,538	23%
Interest expense	31,447	24,887	6,560	26%
Net interest income	46,983	39,005	7,978	20%
Non-interest income				
Service charges, loan fees, and other fees	11,853	9,403	2,450	26%
Gain on sale of loans	3,203	2,992	211	7%
Loss on sale of investments	--	(3)	3	-100%
Other income	1,422	1,370	52	4%
Total non-interest income	16,478	13,762	2,716	20%
	\$63,461	\$52,767	\$10,694	20%
	=====	=====	=====	=====
Tax equivalent net interest margin	4.50%	4.38%		
	=====	=====		

## Net Interest Income

Net interest income for the quarter increased \$7.978 million, or 20 percent, over the same period in 2006, and increased \$1.787 million, or 4 percent, from the second quarter of 2007. Total interest income increased \$14.538 million from the prior year's quarter, or 23 percent, while total interest expense was \$6.560 million, or 26 percent higher. The increase in 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 4.50 percent which is 1 basis point lower than the second quarter of 2007, and was 12 basis points higher than the 4.38 percent result for the third quarter of 2006. The net interest margin calculation has been revised to account for intercompany elimination entries. Previously reported net interest margins have been adjusted to reflect the change.

## Non-interest Income

Fee income increased \$2.450 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 \$211 thousand, or 7 percent, from the third quarter of last year.

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

Three months ended September 30,			
2007	2006	\$ change	% change
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Compensation and employee benefits	\$20,286	\$15,992	\$4,294	27%
Occupancy and equipment expense	4,840	3,875	965	25%
Outsourced data processing	553	620	(67)	-11%
Core deposit intangibles amortization	827	411	416	101%
Other expenses	8,690	6,946	1,744	25%
	-----	-----	-----	---
Total non-interest expense	\$35,196	\$27,844	\$7,352	26%
	=====	=====	=====	===

### Non-interest Expense

Non-interest expense increased by \$7.352 million, or 26 percent, from the same quarter of 2006. Compensation and benefit expense increased \$4.294 million, or 27 percent, which is primarily attributable to increased staffing levels, including staffing from the acquisitions of First National Bank of Morgan and CDC during 2006 and North Side in 2007, new branches, as well as increased compensation, including commissions tied to increased production, and benefits, including health insurance. The number of full-time-equivalent employees has increased from 1,200 to 1,476, a 23 percent increase, since September 30, 2006. Occupancy and equipment expense increased \$965 thousand, or 25 percent, reflecting the bank acquisitions, cost of additional branch locations and facility upgrades.

Other expenses increased \$1.744 million, or 25 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) was 55 percent for the 2007 third quarter, compared to 57 percent for the prior quarter, and 53 percent for the 2006 third quarter.

### RESULTS OF OPERATIONS - THE NINE MONTHS ENDED SEPTEMBER 30, 2007 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2006.

Record net earnings of \$50.5 million for the first three quarters of 2007 is an increase of \$6.4 million, or 14 percent over the prior year. Diluted earnings per share of \$0.94 versus \$0.89 for the same period last year is an increase of 5.6 percent. Included in net earnings for the first three quarters 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 three quarters' earnings is approximately \$500 thousand of non-recurring expenses and costs associated with the January 26, 2007 merger of three of the five CDC subsidiaries into Glacier Bancorp, Inc.'s subsidiaries. Effective with its acquisition on April 30, 2007, North Side was merged into 1st Bank, Glacier Bancorp, Inc.'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. During the second quarter of 2007, 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 subsidiaries.

### REVENUE SUMMARY (UNAUDITED - \$ IN THOUSANDS)

Nine months ended September 30,

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	2007	2006	\$ change	% change
Interest income	\$225,643	\$179,777	\$45,866	26%
Interest expense	90,373	66,838	23,535	35%
Net interest income	135,270	112,939	22,331	20%
Non-interest income				
Service charges, loan fees, and other fees	33,696	26,969	6,727	25%
Gain on sale of loans	9,953	7,952	2,001	25%
Loss on sale of investments	(8)	(3)	(5)	167%
Other income	4,940	2,898	2,042	70%
Total non-interest income	48,581	37,816	10,765	28%
	\$183,851	\$150,755	\$33,096	22%
	=====	=====	=====	===
Tax equivalent net interest margin	4.50%	4.39%		
	=====	=====		

## Net Interest Income

Net interest income for the nine months increased \$22.331 million, or 20 percent, over the same period in 2006. Total interest income increased \$45.866 million, or 26 percent, while total interest expense increased \$23.535 million, or 35 percent. The increase in 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 4.50 percent which is an increase of 11 basis points over the 4.39 percent for 2006. The net interest margin calculation has been revised to account for intercompany elimination entries and previously reported net interest margins have been adjusted to reflect the change.

## Non-interest Income

Total non-interest income increased \$10.765 million, or 28 percent in 2007. Fee income for the first nine months of 2007 increased \$6.727 million, or 25 percent, over the first nine months 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 \$2.001 million, or 25 percent, from the first nine months of last year. Loan origination volume in our markets, especially in the first half of 2007, was robust versus historical standards. Other income for the nine months increased \$2.042 million, or 70 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)

	Nine months ended September 30,			
	2007	2006	\$ change	% change
Compensation and employee benefits	\$ 60,386	\$47,042	\$13,344	28%
Occupancy and equipment expense	14,110	10,797	3,313	31%
Outsourced data processing	2,045	2,022	23	1%

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Core deposit intangibles amortization	2,416	1,231	1,185	96%
Other expenses	24,496	19,529	4,967	25%
	-----	-----	-----	---
Total non-interest expense	\$103,453	\$80,621	\$22,832	28%
	=====	=====	=====	===

### Non-interest Expense

Non-interest expense increased by \$22.832 million, or 28 percent, from the same nine months of 2006. Compensation and benefit expense increased \$13.344 million, or 28 percent, which is primarily attributable to increased staffing levels, including staffing from the acquisitions of First National Bank of Morgan and CDC

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during 2006 and North Side in 2007, de novo branches, increased compensation, including production based commissions, and benefits, including health insurance, and overtime associated with the merger and operating systems conversions in the first half of 2007. The first nine months 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 the Company's subsidiaries. Occupancy and equipment expense increased \$3.313 million, or 31 percent, reflecting the acquisitions, cost of additional locations and facility upgrades. Other expenses increased \$4.967 million, or 25 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 56 percent from 53 percent for the first nine months of 2006.

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

The provision for loan losses expense was \$3.720 million for the first nine months of 2007, a decrease of \$120 thousand, or 3 percent, from the same period in 2006. Charged-off loans during the nine months ended September 30, 2007 exceeded recovery of previously charged-off loans by \$1 million.

### 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

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Generally accepted accounting principles require the measurement of financial position and operating results in terms of historical dollars, without consideration for change in relative purchasing power over time due to inflation. Virtually all assets of a financial institution are monetary in nature; therefore, interest rates generally have a more significant impact on a 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.

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### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company believes that there have not been any material changes in information about the Company's market risk than was provided in the Form 10-K report for the year ended December 31, 2006.

### ITEM 4. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures (as required by Exchange Act Rules 240.13a-15(b) and 15d-14(c)) as of the date of this quarterly report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's current disclosure controls and procedures are effective and timely, providing them with material information relating to the Company required to be disclosed in the reports 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 third quarter 2007, to which this report relates that

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have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

### PART II - OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

There are no pending material legal proceedings to which the registrant or its subsidiaries are a party.

#### ITEM 1A. RISK FACTORS

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

#### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Not Applicable

(b) Not Applicable

(c) Not Applicable

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

(a) Not Applicable

(b) Not Applicable

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

(a) None

(b) Not Applicable

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(c) None

(d) None

#### ITEM 5. OTHER INFORMATION

(a) Not Applicable

(b) Not Applicable

#### ITEM 6. EXHIBITS

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

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

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

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### 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.

November 5, 2007

/s/ Michael J. Blodnick

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Michael J. Blodnick  
President/CEO

November 5, 2007

/s/ Ron J. Copher

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Ron J. Copher  
Senior Vice President/CFO