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, 2004 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: NONE

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

Common Stock, $.01 par value

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]

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. [ ]

Indicate by check mark whether the Registrant is an accelerated filer (as defined by Exchange Act Rule 12b-2). Yes [X] No [ ]

The aggregate market value of the voting common equity held by non-affiliates of the Registrant at June 30, 2004 (the last business day of the most recent second quarter), was $644,782,651 (based on the average bid and ask price as quoted on the NASDAQ National Market at the close of business on that date).

As of March 2, 2005, there were issued and outstanding 24,630,415 shares of the Registrant's common stock. No preferred shares are issued or outstanding.

DOCUMENT INCORPORATED BY REFERENCE

Portions of the 2005 Annual Meeting Proxy Statement dated March 23, 2005 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, 2004
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PART I.

This Annual Report and Form 10-K may be deemed to include forward looking statements, which management believes are a benefit to shareholders. These forward looking statements 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 economy. The words "will," "believe," "expect," "should," and "anticipate" and words of similar construction are intended in part to help identify forward looking statements. Future events are difficult to predict, and the expectations described above are 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 filings with the SEC, 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 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; and (7) the Company's ability to realize the efficiencies it expects to receive from its investments in personnel and infrastructure.

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 55 banking offices in Montana, Idaho, 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.

SUBSIDIARIES

The Company is the parent holding company of its nine wholly owned subsidiaries, Glacier Bank ("Glacier"), First Security Bank of Missoula ("First Security"), Western Security Bank ("Western"), Mountain West Bank in Idaho ("Mountain West"), Big Sky Western Bank ("Big Sky"), Valley Bank of Helena ("Valley"), Glacier Bank of Whitefish ("Whitefish"), Glacier Capital Trust I ("Glacier Trust I"), and Glacier Capital Trust II ("Glacier Trust II").

The Company formed Glacier Trust II as a financing subsidiary on March 24, 2004. Glacier Trust II issued 45,000 preferred securities at $1,000 per preferred security. The purchase of the securities entitles the shareholder to receive cumulative cash distributions at an annual interest of 5.788% for the first five years and then converts to a three month LIBOR plus 2.75% rate from payments on the junior subordinated debentures of Glacier Bancorp, Inc. The subordinated debentures will mature and the preferred securities must be redeemed by April 7, 2034. In exchange for the Company's capital contribution, the Company owns all of the outstanding common securities of Glacier Trust II.

The Company formed Glacier Capital Trust I as a financing subsidiary on December 18, 2000. On January 25, 2001, Glacier Trust issued 1,400,000 preferred securities at $25 per preferred security. The purchase of the securities entitles the shareholder to receive cumulative cash distributions at an annual interest rate of 9.40% from payments on the junior subordinated debentures of Glacier Bancorp, Inc. The subordinated debentures will mature and the preferred securities must be redeemed by February 1, 2031. In exchange for the Company's capital contribution, the Company owns all of the outstanding common securities of Glacier Trust I.

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, a non-affiliated company. 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. We continue to look for profitable expansion opportunities in existing and contiguous markets. On November 22, 2004, Glacier entered into a Plan and Agreement of Merger with First National Banks - West Co. and its wholly owned subsidiary First National Bank - West, Evanston, Wyoming, whereby First National Banks - West Co. merged with and into the Company. First National Bank - West operates as a separate wholly owned subsidiary of the Company. First National Bank - West maintains seven branches, its main and a second branch in Evanston, Wyoming, and five additional branches in Afton, Alpine, Kemmerer, Pinedale, and Mountain View, Wyoming. This transaction closed on February 28, 2005. On December 15, 2004, Glacier entered into a Plan and Agreement of Merger with Citizens Bank Holding Company and its wholly owned subsidiary Citizens Community Bank, Pocatello, Idaho, whereby Citizens Bank Holding Company would merge with and into the Company, and Citizens Community Bank will continue to operate as a wholly owned subsidiary of the Company. Citizens Community Bank operates three branches, two in Pocatello, and the other in Ammon, Idaho. This transaction is expected to close on March 31, 2005. On June 4, 2004, we acquired AmericanWest Bancorp.'s branch office in Ione, Washington which became a branch of Mountain West Bank. On July 15, 2003, we acquired Pend Oreille Bancorp and its branches also became additional branches of Mountain West. On March 15, 2001, we acquired seven Wells Fargo & Company and First Security Corporation branches located in Idaho and Utah. On February 28, 2001, we acquired Western, through the purchase of WesterFed Financial Corporation, its parent company. The acquisitions were accounted for under the purchase method of accounting. Accordingly, the assets and liabilities of the acquired banks were recorded by the Company at their respective fair values at the date of the acquisition and the results of the banks operations have been 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, was recorded as goodwill.

Mountain West was acquired February 4, 2000. The acquisition was accounted for using the pooling of interests method of accounting. Under this method, financial information for each of the periods presented includes the combined companies as though the merger had occurred prior to the earliest date presented.

FDIC, FHLB AND FRB

The Federal Deposit Insurance Corporation ("FDIC") insures each subsidiary bank's deposit accounts. Each subsidiary bank is a member of the Federal Home Loan Bank of Seattle ("FHLB"), which is one of twelve banks which comprise the Federal Home Loan Bank System and all subsidiaries, with the exception of Mountain West, are members of the Federal Reserve Bank of Minneapolis ("FRB").

BANK LOCATIONS AT DECEMBER 31, 2004

Glacier Bancorp, Inc.'s office is located at 49 Commons Loop, Kalispell, MT 59901 and its telephone number is (406) 756-4200. Glacier's address is 202 Main Street, Kalispell, MT 59901 (406) 756-4200, First Security's address is 1704 Dearborn, Missoula, MT 59801 (406) 728-3115, Western's address is 2929 3rd Avenue North, Billings, MT 59101 (406) 252-3700, Mountain West's address is 125 Ironwood Drive, Coeur d'Alene, Idaho 83814 (208) 765-0284, Big Sky's address is 55 Lone Peak Drive, Big Sky, MT, 59716 (406) 995-2321, Valley's address is 3030 North Montana Avenue, Helena, MT 59601 (406) 495-2400, and Whitefish's address is 319 East Second Street, Whitefish, MT 59937 (406) 863-6300. See "Item 2. Properties."

The following abbreviated organizational chart illustrates the various existing parent/subsidiary relationships at December 31, 2004:

Glacier Bancorp, Inc.
(Parent Holding Company)

Glacier Bank (Commercial bank)	First Security Bank of Missoula (Commercial bank)	Western Security Bank (Commercial bank)	Mountain West Bank of Coeur d'Alene (Commercial bank)
Big Sky Western Bank (Commercial bank)	Valley Bank of Helena (Commercial bank)	Glacier Bank of Whitefish (Commercial bank)	Glacier Capital Trust I and Glacier Capital Trust II

FINANCIAL INFORMATION ABOUT SEGMENTS

At December 31, 2004, the Company had seven wholly owned banking subsidiaries, Glacier, First Security, Western, Mountain West, Big Sky, Valley, and Whitefish. For information regarding the holding company, as separate from the subsidiaries, see "Item 7 - Management's Discussion & Analysis" and footnote 16 to the Consolidated Financial Statements in "Item 8 - Financial Statements and Supplementary Data".

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

BUSINESS SEGMENT RESULTS

The Company evaluates segment performance internally based on individual banking subsidiaries, 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 company, nonbank unit, and eliminations of transactions between segments.

(Dollars in thousands)	Glacier			First Security			Western		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Condensed Income Statements									
Net interest income	24,541	22,565	22,787	24,372	22,246	20,596	15,663	13,670	13,699
Noninterest income	8,652	8,184	7,554	3,684	4,392	3,880	3,583	4,043	2,782
Total revenues	33,193	30,749	30,341	28,056	26,638	24,476	19,246	17,713	16,481
Provision for loan losses	(1,075)	(375)	(1,080)	(600)	(1,250)	(1,800)	-	-	(325)
Core deposit intangible expense	(276)	(304)	(332)	(216)	(270)	(325)	(279)	(348)	(419)
Other noninterest expense	(14,980)	(14,283)	(12,913)	(10,184)	(9,766)	(9,192)	(9,016)	(8,661)	(7,832)
Pretax earnings	16,862	15,787	16,016	17,056	15,352	13,159	9,951	8,704	7,905
Income tax expense	(5,704)	(5,437)	(5,763)	(5,572)	(5,288)	(4,761)	(3,039)	(2,604)	(2,432)
Net income	11,158	10,350	10,253	11,484	10,064	8,398	6,912	6,100	5,473
Average Balance Sheet Data									
Total assets	631,213	534,774	477,195	602,407	528,791	455,039	453,151	427,786	397,277
Total loans	366,627	336,978	320,774	317,793	305,209	324,638	213,487	199,607	216,238
Total deposits	365,746	340,788	331,661	347,481	349,118	350,945	214,602	220,978	224,486
Stockholders' equity	62,230	56,866	51,014	53,247	47,822	41,457	48,731	47,782	45,065
End of Year Balance Sheet Data									
Total assets	646,523	595,778	490,999	626,341	578,803	487,699	446,502	446,405	405,282
Net loans	398,187	330,012	319,906	326,826	295,195	300,481	210,181	196,732	188,793
Total deposits	393,655	358,600	327,018	359,918	340,650	352,805	207,711	219,950	226,482
Stockholders' equity	64,207	58,703	53,492	56,004	49,334	44,678	49,095	47,242	46,647
Performance Ratios									
Return on average assets	1.77%	1.94%	2.15%	1.91%	1.90%	1.85%	1.53%	1.43%	1.38%
Return on average equity	17.93%	18.20%	20.10%	21.57%	21.04%	20.26%	14.18%	12.77%	12.14%
Efficiency ratio	45.96%	47.44%	43.65%	37.07%	37.68%	38.88%	48.30%	50.86%	50.06%
Regulatory Capital Ratios & Other									
Tier I risk-based capital ratio	13.22%	13.75%	13.54%	12.47%	12.04%	11.06%	15.38%	15.04%	15.33%
Tier II risk-based capital ratio	14.35%	14.90%	14.79%	13.72%	13.29%	12.31%	16.63%	16.30%	16.61%
Leverage capital ratio	8.90%	8.97%	9.48%	8.27%	7.80%	7.82%	9.67%	9.23%	9.83%
Full time equivalent employees	187	176	170	119	119	120	110	105	105
Locations	11	11	11	9	9	9	7	7	8

(Dollars in thousands)	Mountain West 2004	Mountain West 2003	Mountain West 2002	Big Sky 2004	Big Sky 2003	Big Sky 2002	Valley 2004	Valley 2003	Valley 2002
Condensed Income Statements									
Net interest income	22,552	17,061	13,629	9,361	7,264	6,860	8,959	7,845	7,522
Noninterest income	12,315	10,206	6,392	2,249	1,729	1,591	2,940	3,730	2,641
Total revenues	34,867	27,267	20,021	11,610	8,993	8,451	11,899	11,575	10,163
Provision for loan losses	(1,320)	(1,124)	(695)	(510)	(250)	(330)	(440)	(630)	(1,335)
Core deposit intangible expense	(210)	(205)	(224)	(33)	(41)	(49)	(60)	(75)	(90)
Other noninterest expense	(21,290)	(17,958)	(13,439)	(5,190)	(4,141)	(3,618)	(6,020)	(5,471)	(5,371)
Pretax earnings	12,047	7,980	5,663	5,877	4,561	4,454	5,379	5,399	3,367
Income tax expense	(3,769)	(2,216)	(1,633)	(2,157)	(1,730)	(1,705)	(1,632)	(1,754)	(1,053)
Net income	8,278	5,764	4,030	3,720	2,831	2,749	3,747	3,645	2,314
Average Balance Sheet Data									
Total assets	582,923	464,464	366,254	224,968	190,745	170,000	229,243	201,702	173,785
Total loans	347,718	264,418	186,233	146,579	121,080	111,911	110,228	96,045	96,471
Total deposits	394,149	318,196	260,420	120,900	106,743	92,894	144,351	131,687	127,243
Stockholders' equity	63,710	53,071	42,045	19,287	17,387	15,021	19,188	17,837	15,047
End of Year Balance Sheet Data									
Total assets	629,205	547,035	396,777	241,056	209,342	179,543	241,518	219,105	190,536
Net loans	382,819	313,021	214,453	161,761	125,664	111,378	119,626	97,292	97,937
Total deposits	431,662	372,936	275,809	132,853	115,496	95,897	146,660	134,405	126,418
Stockholders' equity	67,002	61,031	44,429	20,567	17,882	16,439	20,052	18,176	17,038
Performance Ratios									
Return on average assets	1.42%	1.24%	1.10%	1.65%	1.48%	1.62%	1.63%	1.81%	1.33%
Return on average equity	12.99%	10.86%	9.58%	19.29%	16.28%	18.30%	19.53%	20.44%	15.38%
Efficiency ratio	61.66%	66.61%	68.24%	44.99%	46.50%	43.39%	51.10%	47.91%	53.73%
Regulatory Capital Ratios & Other									
Tier I risk-based capital ratio	10.20%	10.48%	9.85%	9.22%	10.36%	10.77%	12.38%	13.25%	11.43%
Tier II risk-based capital ratio	11.39%	11.68%	10.85%	10.48%	11.61%	12.03%	13.62%	14.49%	12.45%
Leverage capital ratio	7.16%	7.34%	6.71%	7.88%	7.82%	8.04%	7.58%	7.35%	7.54%
Full time equivalent employees	220	204	152	59	54	43	65	62	61
Locations	16	15	11	4	4	3	6	6	6

(Dollars in thousands)	Whitefish 2004	Whitefish 2003	Whitefish 2002	Other 2004	Other 2003	Other 2002	Consolidated 2004	Consolidated 2003	Consolidated 2002
Condensed Income Statements									
Net interest income	6,393	5,194	4,901	(4,448)	(3,493)	(3,527)	107,393	92,352	86,467
Noninterest income	1,419	1,273	1,096	(277)	5	(19)	34,565	33,562	25,917
Total revenues	7,812	6,467	5,997	(4,725)	(3,488)	(3,546)	141,958	125,914	112,384
Provision for loan losses	(250)	(180)	(180)	-	-	-	(4,195)	(3,809)	(5,745)
Core deposit intangible expense	-	-	-	-	-	-	(1,074)	(1,243)	(1,439)
Other noninterest expense	(3,280)	(3,071)	(2,634)	(1,099)	(1,350)	(1,375)	(71,059)	(64,701)	(56,374)
Pretax earnings	4,282	3,216	3,183	(5,824)	(4,838)	(4,921)	65,630	56,161	48,826
Income tax (expense) benefit	(1,457)	(1,054)	(1,040)	2,316	1,930	1,963	(21,014)	(18,153)	(16,424)
Net income	2,825	2,162	2,143	(3,508)	(2,908)	(2,958)	44,616	38,008	32,402
Average Balance Sheet Data									
Total assets	161,364	139,516	121,757	11,847	(4,094)	(7,242)	2,897,116	2,483,684	2,154,065
Total loans	88,614	72,206	63,676	(346)	(356)	(364)	1,590,700	1,395,187	1,319,577
Total deposits	77,681	70,857	64,107	(21,615)	(11,056)	(9,868)	1,643,295	1,527,311	1,441,888
Stockholders' equity	13,129	11,652	10,080	(26,154)	(26,407)	(24,152)	253,368	226,010	195,577
End of Year Balance Sheet Data									
Total assets	169,411	149,531	129,255	10,181	(6,366)	1,253	3,010,737	2,739,633	2,281,344
Net loans	102,746	72,800	68,066	(341)	(351)	(361)	1,701,805	1,430,365	1,300,653
Total deposits	98,605	68,124	67,810	(41,356)	(12,536)	(12,316)	1,729,708	1,597,625	1,459,923
Stockholders' equity	13,839	12,126	11,078	(20,582)	(26,655)	(21,552)	270,184	237,839	212,249
Performance Ratios									
Return on average assets	1.75%	1.55%	1.76%				1.54%	1.53%	1.50%
Return on average equity	21.52%	18.55%	21.26%				17.61%	16.82%	16.57%
Efficiency ratio	41.99%	47.49%	43.92%				50.81%	52.37%	51.44%
Regulatory Capital Ratios & Other									
Tier I risk-based capital ratio	11.67%	12.32%	11.64%				15.06%	12.98%	12.99%
Tier II risk-based capital ratio	12.91%	13.57%	12.88%				16.31%	14.23%	14.24%
Leverage capital ratio	7.75%	7.60%	8.09%				10.16%	8.45%	8.95%
Full time equivalent employees	40	33	30	57	54	56	857	807	737
Locations	2	2	2				55	54	50

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.

MARKET AREA

The Company's primary market area includes the three northwest Montana counties of Flathead, Lake, and Lincoln; the west central Montana counties of Missoula, Silver Bow, Lewis & Clark, Gallatin, and Yellowstone; in Idaho, the Company's primary market area includes Ada, Kootenai, Bonner and Blaine counties. Kalispell, the location of its home office, is the county seat of Flathead County, and is the primary trade center of what is known as the Flathead Basin. Glacier has its main office and a branch office in Kalispell, branches in Columbia Falls, Evergreen, Bigfork, Polson (the county seat of Lake County), Libby (the county seat of Lincoln County), Anaconda (the county seat of Deer Lodge County), and three branches in Butte (the county seat of Silver Bow County). First Security's main office and seven of the branch locations are in Missoula (the county seat of Missoula County) and its ninth branch is in Hamilton (the county seat of Ravailli County). Western Security's main office and five of its branches are located in Billings (the county seat of Yellowstone County) and two branches are located in Laurel and Lewistown (the county seat of Fergus County). Mountain West has twelve offices in Idaho, Coeur d'Alene, Post Falls, Hayden Lake, Meridian, Nampa, Hailey, Ketchum, two offices in Sandpoint and three offices in Boise, two offices in Utah, Brigham City and Park City, and two offices in Washington, Newport and Ione. Big Sky's main office is in Big Sky, with three branches in Bozeman (the county seat of Gallatin County). Valley's main office and five branch locations are in Helena (the state capital and the county seat of Lewis & Clark County). Whitefish's main office is located in Whitefish with its one branch in Eureka.

Northwest Montana has a diversified economic base, primarily comprised of wood products, primary metal manufacturing, medical services, agriculture, high-tech related manufacturing and tourism. Tourism is heavily influenced by the close proximity of Glacier National Park, which has in excess of 1.5 million visitors per year. The area also contains the Big Mountain Ski Area, and Flathead Lake, the largest natural freshwater lake west of the Mississippi. Missoula, the home of the University of Montana, has a large population base with a diverse economy comprised of government services, transportation, medical services, forestry, technology, tourism, trade and education. Missoula is located on Interstate Highway 90, and has good air service. Helena, the county seat of Lewis and Clark County and the state capital, is highly dependent on state and federal government, but also has tourism, trade, transportation, and education contributing to its economy. Bozeman, the home of Montana State University, is the gateway to Yellowstone National Park, which has in excess of 2.5 million visitors per year, and the Big Sky ski resort, both of which are very active tourist areas. Bozeman also has a high-tech center and is located on Interstate 90, and has good air service. Billings, the largest city in Montana, is located on Interstate 90 and is the western termination point of Interstate 94, and has very good air service. Agriculture, medical services, transportation, oil related industries and education are the primary economical activities. Coeur d'Alene, located in northern Idaho on Interstate 90, is one of the fastest growing areas in the United States. Boise, the state capital located on Interstate 84, is also growing rapidly, with much of the growth related to high-tech manufacturing.

COMPETITION

Glacier and Whitefish comprise the largest financial institution group in terms of total deposits in the three county area of northwest Montana, and have approximately 24% of the total deposits in this area. Glacier's three Butte, Montana offices have approximately 21% of the deposits in Silver Bow County and Glacier's Anaconda office has 20% of the deposits in Deer Lodge County. First Security has approximately 26% of the total deposits in Missoula County. Western has approximately 11% of the deposits in Yellowstone and Fergus counties combined. Big Sky has approximately 10% of Gallatin County's deposits and Valley has approximately 21% of Lewis and Clark County's total deposits. In Idaho, Mountain West has approximately 11% of the deposits in Kootenai and Blaine counties, 7% in Bonner County, and 1% in Ada and Canyon counties. In Utah, Mountain West has 5% of the deposits in the Box Elder and Summit counties combined. In Washington, Mountain West has 63% of the deposits in Pend Oreille County.

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 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; (iv) interest rate spread; and (v) net interest margin.

AVERAGE BALANCE SHEET	For the year ended 12-31-04			For the year ended 12-31-03		
(Dollars in Thousands) ASSETS	Average Balance	Interest and Dividends	Average Yield/ Rate	Average Balance	Interest and Dividends	Average Yield/ Rate
Residential First Mortgage	$ 346,575	22,942	6.62%	$ 336,494	23,883	7.10%
Commercial Loans	924,798	57,312	6.20%	770,352	50,203	6.52%
Consumer and Other Loans	319,327	20,331	6.37%	288,341	20,013	6.94%
Total Loans	1,590,700	100,585	6.32%	1,395,187	94,099	6.74%
Tax-Exempt Investment Securities (1)	281,743	13,917	4.94%	226,971	11,410	5.03%
Taxable Investment Securities	844,051	32,783	3.88%	688,239	25,321	3.68%
Total Earning Assets	2,716,494	147,285	5.42%	2,310,397	130,830	5.66%
Non-Earning Assets	180,622			173,287		
TOTAL ASSETS	$ 2,897,116			$ 2,483,684		
LIABILITIES AND STOCKHOLDERS' EQUITY						
NOW Accounts	$ 259,279	474	0.18%	$ 227,154	484	0.21%
Savings Accounts	159,237	471	0.30%	139,958	500	0.36%
Money Market Demand Accounts	402,157	3,776	0.94%	375,402	3,840	1.02%
Certificate Accounts	422,342	9,333	2.21%	456,790	12,397	2.71%
Advances from FHLB	791,245	18,540	2.34%	601,679	16,860	2.80%
Securities Sold Under agreements to Reprchase and Other Borrowed Funds	181,461	7,298	4.02%	101,075	4,397	4.35%
Total Interest Bearing Liabilities	2,215,721	39,892	1.80%	1,902,058	38,478	2.02%
Non-interest Bearing Deposits	400,280			328,007		
Other Liabilities	27,747			27,609		
Total Liabilities	2,643,748			2,257,674		
Common Stock	226			186		
Paid-In Capital	225,065			203,543		
Retained Earnings	22,804			14,217		
Accumulated Other Comprehensive Earnings	5,273			8,064		
Total Stockholders' Equity	253,368			226,010		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,897,116			$ 2,483,684		
NET INTEREST INCOME		$ 107,393			$ 92,352	
NET INTEREST SPREAD			3.62%			3.64%
NET INTEREST MARGIN ON AVERAGE EARNING ASSETS (1)			3.95%			4.00%
RETURN ON AVERAGE ASSETS (2)			1.54%			1.53%
RETURN ON AVERAGE EQUITY (3)			17.61%			16.82%

AVERAGE BALANCE SHEET	For the year ended 12-31-02		
(Dollars in Thousands) ASSETS	Average Balance	Interest and Dividends	Average Yield/ Rate
Residential First Mortgage	$ 380,993	29,290	7.69%
Commercial Loans	649,665	47,013	7.24%
Consumer and Other Loans	288,919	22,559	7.81%
Total Loans	1,319,577	98,862	7.49%
Tax-Exempt Investment Securities (1)	156,315	8,074	5.17%
Taxable Investment Securities	509,137	27,053	5.31%
Total Earning Assets	1,985,029	133,989	6.75%
Non-Earning Assets	169,036		
TOTAL ASSETS	$ 2,154,065		
LIABILITIES AND STOCKHOLDERS' EQUITY			
NOW Accounts	$ 206,410	723	0.35%
Savings Accounts	127,245	857	0.67%

Money Market Demand Accounts	355,211	6,771	1.91%
Certificate Accounts	495,951	17,917	3.61%
Advances from FHLB	409,168	16,959	4.15%
Securities Sold Under agreements to Reprchase and Other Borrowed Funds	76,087	4,295	5.64%
Total Interest Bearing Liabilities	1,670,072	47,522	2.85%
Non-interest Bearing Deposits	257,072		
Other Liabilities	31,344		
Total Liabilities	1,958,488		
Common Stock	171		
Paid-In Capital	170,291		
Retained Earnings	19,195		
Accumulated Other Comprehensive Earnings	5,920		
Total Stockholders' Equity	195,577		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,154,065		
NET INTEREST INCOME		$ 86,467	
NET INTEREST SPREAD			3.90%
NET INTEREST MARGIN ON AVERAGE EARNING ASSETS (1)			4.36%
RETURN ON AVERAGE ASSETS (2)			1.50%
RETURN ON AVERAGE EQUITY (3)			16.57%

(1) Without tax effect on non-taxable securities income

(2) Net income divided by average total assets

(3) Net income divided by average equity

RATE/VOLUME ANALYSIS

Net interest income can be evaluated from the perspective of relative dollars of change in each period. Interest income and interest expense, which are the components of net interest income, are shown in the following table on the basis of the amount of any increases (or decreases) attributable to changes in the dollar levels of the Company's interest-earning assets and interest-bearing liabilities ("Volume") and the yields earned and rates paid on such assets and liabilities ("Rate"). The change in interest income and interest expense attributable to changes in both volume and rates has been allocated proportionately to the change due to volume and the change due to rate.

(Dollars in Thousands)	Years Ended December 31, 2004 vs. 2003			Years Ended December 31, 2003 vs. 2002		
	Increase (Decrease) due to:			Increase (Decrease) due to:		
INTEREST INCOME	Volume	Rate	Net	Volume	Rate	Net
Real Estate Loans	$ 716	$ (1,657)	$ (941)	$ (3,421)	$ (1,986)	$ (5,407)
Commercial Loans	10,064	(2,955)	7,109	8,733	(5,543)	3,190
Consumer and Other Loans	2,151	(1,833)	318	(45)	(2,501)	(2,546)
Investment Securities	8,092	1,877	9,969	13,185	(11,581)	1,604
Total Interest Income	21,023	(4,568)	16,455	18,452	(21,611)	(3,159)
INTEREST EXPENSE						
NOW Accounts	69	(79)	(10)	73	(312)	(239)
Savings Accounts	69	(98)	(29)	86	(443)	(357)
Money Market Accounts	274	(338)	(64)	385	(3,316)	(2,931)
Certificates of Deposit	(935)	(2,129)	(3,064)	(1,415)	(4,105)	(5,520)
FHLB Advances	5,312	(3,632)	1,680	7,979	(8,078)	(99)
Other Borrowings and Repurchase Agreements	3,496	(595)	2,901	1,411	(1,309)	102
Total Interest Expense	8,285	(6,871)	1,414	8,519	(17,563)	(9,044)
NET INTEREST INCOME	$ 12,738	$ 2,303	$ 15,041	$ 9,933	$ (4,048)	$ 5,885

Net interest income increased $15 million in 2004 over 2003. The increase was primarily due to increases in volumes and the decrease in rates on deposits and borrowings. For additional information see "Item 7 - Management's Discussion and Analysis".

INVESTMENT ACTIVITIES

It has generally been the Company's policy to maintain a liquidity portfolio only slightly above policy limits because higher yields can generally be obtained from loan originations than from short-term deposits and investment securities.

Liquidity levels may be increased or decreased depending upon yields on investment alternatives and upon management's judgment as to the attractiveness of the yields then available in relation to other opportunities and its expectation of the level of yield that will be available in the future.

The Company's investment securities are generally classified as available for sale and are carried at estimated fair value with unrealized gains or losses reflected as an adjustment to stockholders' equity.

The Company uses an effective tax rate of 35% in calculating the tax equivalent yield. Approximately $293 million of the investment portfolio is comprised of tax exempt investments which is an increase of $14 million from the prior year. The increase in tax exempt investments is the result of higher after tax yields on tax exempt investment securities versus taxable investment securities.

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

For additional information, see "Item 7 - Management's Discussion & Analysis" and footnote 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 several 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 footnote 4 to the Consolidated Financial Statements in "Item 8 - Financial Statements and Supplementary Data" contain more information about the lending portfolio.

LOAN PORTFOLIO COMPOSITION

The following table summarizes the Company's loan portfolio:

LOAN PORTFOLIO COMPOSITION

(Dollars in Thousands) TYPE OF LOAN	At 12/31/04 Amount	At 12/31/04 Percent	At 12/31/03 Amount	At 12/31/03 Percent	At 12/31/02 Amount	At 12/31/02 Percent
REAL ESTATE LOANS:						
Residential first mortgage	$ 382,750	22.49%	$ 305,372	21.35%	$ 315,043	24.22%
Held for sale	$ 14,476	0.85%	$ 16,973	1.19%	$ 51,987	4.00%
Total	$ 397,226	23.34%	$ 322,345	22.54%	$ 367,030	28.22%
COMMERCIAL LOANS:						
Real estate	$ 526,455	30.94%	$ 483,684	33.82%	$ 397,803	30.58%
Other commercial	$ 466,582	27.42%	$ 359,030	25.10%	$ 276,675	21.27%
Total	$ 993,037	58.36%	$ 842,714	58.92%	$ 674,478	51.85%
INSTALLMENT AND OTHER LOANS:						
Consumer	$ 95,663	5.62%	$ 95,739	6.69%	$ 112,893	8.68%
Home equity	$ 248,684	14.61%	$ 199,693	13.96%	$ 174,033	13.38%
Total	$ 344,347	20.23%	$ 295,432	20.65%	$ 286,926	22.06%
Net deferred loan fees, premiums and discounts	($ 6,313)	-0.37%	($ 6,136)	-0.43%	($ 6,837)	-0.52%
Allowance for loan losses	($ 26,492)	-1.56%	($ 23,990)	-1.68%	($ 20,944)	-1.61%
LOANS RECEIVABLE, NET	$1,701,805	100.00%	$1,430,365	100.00%	$1,300,653	100.00%

(Dollars in Thousands) TYPE OF LOAN	At 12/31/01 Amount	At 12/31/01 Percent	At 12/31/00 Amount	At 12/31/00 Percent
REAL ESTATE LOANS:				
Residential first mortgage	$ 401,133	30.33%	$ 224,631	30.62%
Held for sale	$ 27,403	2.07%	$ 7,058	0.96%
Total	$ 428,536	32.40%	$ 231,689	31.58%
COMMERCIAL LOANS:				
Real estate	$ 379,346	28.69%	$ 198,414	27.05%
Other commercial	$ 241,811	18.29%	$ 142,519	19.43%
Total	$ 621,157	46.98%	$ 340,933	46.48%
INSTALLMENT AND OTHER LOANS:				
Consumer	$ 142,875	10.80%	$ 86,336	11.77%
Home equity	$ 156,140	11.81%	$ 83,539	11.39%
Total	$ 299,015	22.61%	$ 169,875	23.16%
Net deferred loan fees, premiums and discounts	($ 7,727)	-0.58%	($ 1,137)	-0.16%
Allowance for loan losses	($ 18,654)	-1.41%	($ 7,799)	-1.06%
LOANS RECEIVABLE, NET	$1,322,327	100.00%	$ 733,561	100.00%

(Dollars in Thousands)	Real Estate	Commercial	Consumer	Totals
Variable Rate Maturing or Repricing in:				
One year or less	$ 107,963	438,676	201,638	748,277
One to five years	89,651	307,172	7,676	404,499
Thereafter	6,454	13,551	-	20,005
Fixed Rate Maturing or Repricing in:				
One year or less	87,436	88,683	35,754	211,873
One to five years	79,629	118,170	79,889	277,688

Thereafter	26,093	26,785	19,390	72,268
Totals	$ 397,226	993,037	344,347	1,734,610

LOAN PORTFOLIO MATURITIES OR REPRICING TERM

The stated maturities or first repricing term (if applicable) for the loan portfolio at December 31, 2004 was as follows:

REAL ESTATE LENDING

The Banks' lending activities consist of the origination of both construction and permanent loans on residential and commercial real Estate. The Banks actively solicit real estate loan applications from real estate brokers, contractors, existing customers, customer referrals, and walk-ins to their offices. The Banks' lending policies generally limit the maximum loan-to-value ratio on residential mortgage loans to 80% of the lesser of the appraised value or purchase price or above 80% of the loan if insured by a private mortgage insurance company. The Banks also provide interim construction financing for single-family dwellings, and makes land acquisition and development loans on properties intended for residential use.

CONSUMER LENDING

The majority of all consumer loans are secured by real estate, automobiles, or other assets. The Banks intend to continue lending for such loans because of their short-term nature, generally between three months and five years, with an average term of approximately two years. Moreover, interest rates on consumer loans are generally higher than on 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% of the current appraised value of the property.

COMMERCIAL LENDING

The Banks make commercial loans of various types including operating loans, equipment loans and a relatively small amount of unsecured loans. The Company's credit risk management includes stringent credit policies, regular credit examinations, management review of loans experiencing deterioration of credit quality, individual loan approval limits, and committee approval of larger loan requests. The Company has focused on increasing the mix of loans to include more commercial loans. Commercial lenders at each of the banks are actively seeking new and expanded lending relationships within their markets.

LOAN APPROVAL LIMITS

Individual loan approval limits have been established for each lender based on the loan type and experience of the individual. Each subsidiary bank has an Officer Loan Committee consisting of senior lenders and members of senior management. The Officer Loan Committee has approval authority up to $500,000 ($300,000 at Valley Bank of Helena, $1,000,000 at Western Security Bank and $1,500,000 at Mountain West Bank). Loans between $500,000 and $2,000,000 (up to $3,500,000 for Glacier Bank, First Security Bank of Missoula and Mountain West Bank) go to the individual Bank's Board of Directors for approval. Loans over these limits up to $5,000,000 are approved by the Executive Loan Committee of the Company's Board of Directors. The membership of the Executive Loan Committee consists of the bank's senior loan officers and the Company's Credit Administrator. Loans greater than $5,000,000 are approved 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 the bank.

LOAN PURCHASES AND SALES

Fixed-rate, long-term mortgage loans are generally sold in the secondary market. The Banks have been active in the secondary market, primarily through the origination of conventional FHA and VA residential mortgages for sale in whole, or in part, to savings associations, banks and other purchasers in the secondary market. The sale of loans in the secondary mortgage market reduces the Banks' risk of increases in interest rates of holding long-term, fixed-rate loans in the loan portfolio and allows the Banks to continue to make loans during periods when deposit flows decline or funds are not otherwise available for lending purposes. In connection with conventional loan sales, the Banks typically sell a majority of mortgage loans originated, retaining servicing only on loans sold to certain lenders. The Banks have also been very active in generating commercial SBA loans, and other commercial loans, with a portion of those loans sold to other investors. As of December 31, 2004, loans serviced for others aggregated approximately $175 million.

LOAN ORIGINATION AND OTHER FEES

In addition to interest earned on loans, the Banks receive loan origination 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% to 1.5% on residential mortgages and .5% to 1.5% on commercial loans. Consumer loans require a flat fee as well as a minimum interest amount. The Banks also receive other fees and charges relating to existing loans, which include charges and fees collected in connection with loan modifications and tax service fees.

NON-PERFORMING LOANS AND ASSET CLASSIFICATION

Loans are reviewed on a regular basis and are placed on a non-accrual status when the collection of principal or interest is unlikely. The Banks typically place loans on non-accrual when principal or interest is due and has remained unpaid for 90 days or more unless the loan is secured by collateral having realizable value sufficient to discharge the debt in full. Once a loan has been classified as non-accrual previously accrued unpaid interest is reversed. Interest accrued and unpaid at the time a loan is placed on non-accrual status is charged against interest income. Subsequent payments are either applied to the outstanding principal balance or recorded as interest income, depending on the assessment of the ultimate repayment of the loan.

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

NONPERFORMING ASSETS
(Dollars in Thousands)

	At 12/31/04	At 12/31/03	At 12/31/02	At 12/31/01	At 12/31/00
NON-ACCRUAL LOANS:					
Mortgage loans	$ 847	$ 1,129	$ 2,476	$ 4,044	$ 687
Commercial loans	4,792	8,246	5,157	4,568	442
Consumer loans	311	687	409	620	25
Total	5,950	10,062	8,042	9,232	1,154
ACCRUING LOANS 90 DAYS OR MORE OVERDUE:					
Mortgage loans	179	379	846	818	576
Commercial loans	1,067	1,798	968	376	91
Consumer loans	396	242	184	243	83
Total	1,642	2,419	1,998	1,437	750
Real estate and other assets owned, net	2,016	587	1,542	593	291
TOTAL NON-PERFORMING LOANS AND REAL ESTATE AND OTHER ASSETS OWNED, NET	9,608	13,068	11,582	$ 11,262	$ 2,195
AS A PERCENTAGE OF TOTAL ASSETS	0.32%	0.48%	0.51%	0.53%	0.21%
Interest Income (1)	$ 372	$ 665	$ 596	$ 658	$ 101

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

Non-performing assets as a percentage of total assets at December 31, 2004 were ..32 percent versus .48 percent at the same time last year, which compares favorably to the Peer Group average of .49 percent at September 30, 2004, the most recent information available. The reserve for loan losses was 276 percent of non-performing assets at December 31, 2004, up from 184 percent a year ago.

With the continuing change in loan mix from residential real estate to commercial and consumer loans, which historically have greater credit risk, the Company has increased the balance in the reserve for loan losses account. The reserve balance has increased $2,502,000, or 10 percent, to $26,492,000, which is 1.53 percent of total loans outstanding, down from 1.65 percent of loans at December 31, 2003.

ALLOWANCE FOR LOAN LOSSES

The Allowance for Loan Losses ("ALL") is maintained at a level that allows for the absorption of loan losses inherent within the bank's loan portfolios. The Company is committed to the early recognition of problem loans and to a strong conservative allowance.

Determining the adequacy of the ALL involves a high degree of judgment and is inevitably imprecise. Accordingly, the ALL is maintained within a range based upon a best estimate. The adequacy of the ALL is based on management's current judgment about the credit quality of the loan portfolio and considers all known relevant internal and external factors that affect loan losses. An evaluation of the adequacy of the ALL is conducted at a minimum on a quarterly basis and is documented and approved by the subsidiary Banks' Boards of Directors.

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

The ALL methodology is designed to reasonably estimate the probable loan and lease loss within the Bank's loan portfolios. The methodology is based upon a process of estimating general, specific, and other allowance allocations.

- General allocations are estimated by applying loan loss rates to groups of loans as defined by Financial Accounting Standards Board (FASB) Statement No. 5 Accounting for Contingencies.

- Specific allocations are estimated for loans that are impaired or have been selected for individual review as defined by FASB Statement No. 114 Accounting by Creditors for Impairment of a Loan--an amendment of FASB Statements No. 5 and 15.

- Allocations that include other factors that warrant an increase or decrease in the ALL balance.

At a minimum, the process includes the following elements:

- Is well documented with clear explanations of the supporting analyses

- Includes an analysis of the loan portfolio whether on an individual or group basis

- Considers all known relevant internal and external factors that may affect loan losses

- Applies procedures consistently but, when appropriate, is modified for new factors

- Ensures the ALL balance is recorded in accordance with U.S. generally accepted accounting principals

The Banks' charge-off policy is generally consistent with bank regulatory standards. Consumer loans generally are charged off when the loan becomes over 120 days delinquent. Real estate acquired as a result of foreclosure or by deed-in-lieu of foreclosure is classified as real estate owned until such time as it is sold. When such property is acquired, it is recorded at the lower of the unpaid principal balance or estimated fair value, not to exceed estimated net realizable value. Any write-down at the time of recording real estate owned is charged to the allowance for loan losses. Any subsequent write-downs are a charge to current expenses.

LOAN LOSS EXPERIENCE

	Years ended December 31,				
(Dollars in Thousands)	2004	2003	2002	2001	2000
BALANCE AT BEGINNING OF PERIOD	$ 23,990	20,944	18,654	7,799	6,722
CHARGE OFFS:					
Residential real estate	(419)	(416)	(887)	(677)	(98)
Commercial loans	(1,150)	(912)	(2,522)	(723)	(450)
Consumer loans	(776)	(1,078)	(1,328)	(2,029)	(424)
Total charge offs	$ (2,345)	(2,406)	(4,737)	(3,429)	(972)
RECOVERIES:					
Residential real estate	171	126	276	33	5
Commercial loans	120	274	326	266	43
Consumer loans	361	284	680	567	137
Total recoveries	$ 652	684	1,282	866	185
CHARGEOFFS, NET OF RECOVERIES	(1,693)	(1,722)	(3,455)	(2,563)	(787)
Acquisitions (1)	-	959	-	8,893	-
PROVISION	4,195	3,809	5,745	4,525	1,864
BALANCE AT END OF PERIOD	$ 26,492	23,990	20,944	18,654	7,799
Ratio of net charge offs to average loans outstanding during the period	0.10%	0.12%	0.26%	0.20%	0.11%

(1) Acquisition of Pend Oreille Bank, WesterFed Financial Corporation and several branches

ALLOCATION OF THE ALLOWANCE FOR LOAN LOSS

(Dollars in thousands)	2004 Allowance	2004 Percent of loans in category	2003 Allowance	2003 Percent of loans in category	2002 Allowance	2002 Percent of loans in category
Residential first mortgage and loans held for sale	$ 2,693	22.9%	2,147	21.8%	2,334	27.4%
Commercial real estate	9,222	30.3%	7,464	33.2%	7,088	30.1%
Other commercial	9,836	26.9%	9,951	24.7%	7,670	20.9%
Consumer	4,741	19.9%	4,428	20.3%	3,852	21.6%
Totals	$26,492	100.0%	23,990	100.0%	20,944	100.0%

(Dollars in thousands)	2001 Allowance	2001 Percent of loans in category	2000 Allowance	2000 Percent of loans in category
Residential first mortgage and loans held for sale	2,722	31.5%	1,227	31.2%
Commercial real estate	5,906	28.3%	2,300	26.7%
Other commercial	6,225	18.0%	2,586	19.2%
Consumer	3,801	22.2%	1,686	22.9%
Totals	18,654	100.0%	7,799	100.0%

SOURCES OF FUNDS

GENERAL

Deposits are the most important source of the Banks' funds for lending and other business purposes. In addition, the Banks derive funds from loan repayments, advances from the FHLB of Seattle, 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 money 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 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, 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.

"Item 7 - Management's Discussion and Analysis" contains information relating to changes in the overall deposit portfolio.

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

(Dollars in thousands)	Certificate Accounts	Demand Deposits	Totals
Within three months............	$ 32,013	612,673	644,686
Three months to six months......	11,096	--	11,096
Seven months to twelve months...	19,026	--	19,026
Over twelve months.............	24,258	--	24,258
Totals	$ 86,393	612,673	699,066

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

In addition to funds obtained in the ordinary course of business, the Company formed Glacier Trust I and Glacier trust II as financing subsidiaries. Glacier Trust II issued 45,000 preferred securities at $1,000 per preferred security. The purchase of the securities entitles the shareholder to receive cumulative cash distributions at an annual interest of 5.788% for the first five years and then converts to a three month LIBOR plus 2.75% rate from payments on the junior subordinated debentures of Glacier Bancorp, Inc. The subordinated debentures will mature and the preferred securities must be redeemed by April 7, 2034. In exchange for the Company's capital contribution, the Company owns all of the outstanding common securities of Glacier Trust II. The proceeds were used for general corporate purposes. Glacier Trust I issued 1,400,000 preferred securities at $25 per preferred security. The purchase of the securities entitles the shareholder to receive cumulative cash distributions at an annual interest rate of 9.40% from payments on the junior subordinated debentures of Glacier Bancorp, Inc. The subordinated debentures will mature and the preferred securities must be redeemed by February 1, 2031. In exchange for the Company's capital contribution, the Company owns all of the outstanding common securities of the trust. The purpose of the issuance of the securities was to finance the acquisition of WesterFed Financial

Corporation and seven Wells Fargo & Company and First Security Corporation branches in 2001. For additional information regarding the subordinated debentures, see Note 10 to the Consolidated Financial Statements "Item 8 - Financial Statements and Supplementary Data".

ADVANCES AND OTHER BORROWINGS

As a member of the Federal Home Loan Bank of Seattle ("FHLB"), the Banks may borrow from the FHLB on the security of stock which it is required to own in that bank and certain of its home mortgages and other assets (principally, securities which are obligations of, or guaranteed by, the United States), 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 capital 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 savings accounts and to expand lending by matching a portion of the estimated amortization and prepayments of retained fixed rate mortgages. All of the Banks are members in the FHLB.

From time to time, primarily as a short-term financing arrangement for investment or liquidity purposes, the Banks have made use of repurchase agreements with various securities dealers. 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 to the dealer 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 the Board of Directors, the Banks enter into repurchase agreements with local municipalities, and large balance 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 and repurchase agreements:

(Dollars in thousands)	For the year ended December 31,		
	2004	2003	2002
FHLB Advances			
Amount outstanding at end of period.......	$818,933	777,294	483,660
Average balance...........................	$791,245	601,679	409,168
Maximum outstanding at any month-end......	$862,136	777,294	483,660
Weighted average interest rate............	2.34%	2.80%	4.15%
Repurchase Agreements:			
Amount outstanding at end of period.......	$ 76,158	56,968	46,206
Average balance...........................	$ 69,480	61,609	35,479
Maximum outstanding at any month-end......	$ 80,265	74,808	46,206
Weighted average interest rate............	1.25%	1.09%	1.46%

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

EMPLOYEES

As of December 31, 2004, the Company employed 935 persons, 776 of who were full time, none of whom were represented by a collective bargaining group. The Company provides its with a comprehensive benefit program, including medical insurance, dental plan, life and accident insurance, long-term disability coverage, sick leave, profit sharing plan and employee stock options. Prior to 2002, the Company had a noncontributory defined contribution retirement plan and an employee savings plan; however as of January 1, 2002, both plans were merged into the new profit sharing plan. 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 profit sharing plan costs and eligibility.

SUPERVISION AND REGULATION

INTRODUCTION

Banking is a highly regulated industry. Banking laws and regulations are primarily intended to protect depositors, not shareholders. The following discussion identifies some of the more significant state and federal laws and regulations affecting the banking industry. It is intended to provide a brief summary of these laws and regulations and, therefore, is not complete and is qualified by the statutes and regulations referenced in the discussion.

BANK HOLDING COMPANY REGULATION

General. The Company is a bank holding company as defined in the Bank Holding Company Act of 1956, as amended, because of its ownership of Glacier Bank, Glacier Bank of Whitefish, Valley Bank of Helena, First Security Bank of Missoula, Big Sky Western Bank, Western Security Bank and Mountain West Bank, all of which are Montana-state chartered commercial banks (with the exception of Mountain West Bank, an Idaho state-chartered bank), and all of which are members of the Federal Reserve (with the exception of Mountain West Bank, a non-Fed member FDIC-insured bank). As a bank holding company, the Company is subject to regulation, supervision and examination by the Federal Reserve. In general, the Bank Holding Company Act 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 and provide additional information with 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 Bank Holding Company Act requires every bank holding company to obtain the prior approval of the Federal Reserve before (1) 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, (2) acquiring all or substantially all of the assets of another bank or bank holding company, or (3) merging or consolidating with another bank holding company.

Holding Company Control of Nonbanks. With some exceptions, the Bank Holding Company Act 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 which 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 which, by statute or by Federal Reserve regulation or order, have been identified as activities closely related to the business of banking or of managing or controlling banks.

Transactions with Affiliates. Subsidiary banks 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 for its cash needs, including funds for payment of dividends, interest and operational expenses.

Tying Arrangements. We are 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 its subsidiaries may condition an extension of credit to a customer on either (1) a requirement that the customer obtain additional services provided by us or (2) an agreement by the customer to refrain from obtaining other services from a competitor.

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

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 SUBSIDIARIES

With the exception of Mountain West Bank, the Company's subsidiaries are subject to extensive regulation and supervision by the Montana Department of Commerce's Banking and Financial Institutions Division and the FRB as a result of their membership in the Federal Reserve System. Mountain West Bank is subject to regulation the Idaho Department of Finance and by the FDIC as a state non-member commercial bank. 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.

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 and 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 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. These factors are also considered in evaluating mergers, acquisitions, and applications to open a branch or facility.

Insider Credit Transactions. Banks are also subject to certain restrictions on extensions of credit to insiders--executive officers, directors, principal shareholders, and their related interests. Extensions of credit to insiders must be made on substantially the same terms, including interest rates and collateral, and follow credit underwriting procedures that are not less stringent than those prevailing at the time for comparable transactions with non-insiders. Also, extensions of credit to insiders must not involve more than the normal risk of repayment or present other unfavorable features.

Safety and Soundness Standards. Federal law imposes upon banks certain non-capital safety and soundness standards. These standards cover, among other things, internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation and benefits. Additional standards apply to asset quality, earnings and stock valuation. An institution that fails to meet these standards must develop a plan acceptable to its regulators, specifying the steps that the institution will take to meet the standards. Failure to submit or implement such a plan may subject the institution to regulatory sanctions.

INTERSTATE BANKING AND BRANCHING

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Act") permits nationwide interstate banking and branching under certain circumstances. This legislation generally authorizes interstate branching and relaxes federal law restrictions on interstate banking. Currently, bank holding companies may purchase banks in any state, and states may not prohibit such purchases. Additionally, banks are permitted to merge with banks in other states as long as the home state of neither merging bank has opted out. The Interstate Act requires regulators to consult with community organizations before permitting an interstate institution to close a branch in a low-income area.

Federal bank regulations prohibit banks from using their interstate branches primarily for deposit production and have implemented a loan-to-deposit ratio screen to ensure compliance with this prohibition.

With regard to interstate bank mergers, Montana "opted-out" of the Interstate Act. Subject to certain conditions, an in-state bank that has been in existence for at least 5 years may merge with an out-of-state bank. Banks, bank holding companies, and their respective subsidiaries cannot acquire control of a bank located in Montana if, after the acquisition, the acquiring institution, together with its affiliates, would directly or indirectly control more than 22% of the total deposits of insured depository institutions and credit unions located in Montana. Montana law does not authorize the establishment of a branch bank in Montana by an out-of-state bank.

Idaho has enacted "opting in" legislation in accordance with the Interstate Act provisions allowing banks to engage in interstate merger transactions subject to certain "aging" requirements. Branches may not be acquired or opened separately in Idaho by an out-of-state bank, but once an out-of-state bank has acquired a bank within Idaho, either through merger or acquisition of all or substantially all of the bank's assets, the out-of-state bank may open additional branches within Idaho.

Utah and Washington have each enacted "opting in" legislation similar in certain respects to that enacted by Idaho, allowing banks to engage in interstate merger transactions subject to certain aging requirements. De novo branching by an out of state bank is generally prohibited; however, once an out of state bank has acquired a Utah or Washington branch, that bank may establish additional branches within that state.

DEPOSIT INSURANCE

The deposits of the Banks are currently insured to a maximum of $100,000 per depositor through the Bank Insurance Fund ("BIF") administered by the FDIC. All insured banks are subject to semi-annual deposit insurance premium assessments by the FDIC. The FDIC has implemented a risk-based insurance premium system under which banks are assessed insurance premiums based on how much risk they present to the Bank Insurance Fund. Banks with higher levels of capital and a low degree of supervisory concern are assessed lower premiums than banks with lower levels of capital or a higher degree of supervisory concern.

DIVIDENDS

The principal source of the Company's cash revenues is dividends received from the Company's subsidiary Banks. 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. In addition, a bank may not pay cash dividends if that payment could reduce the amount of its capital below that necessary to meet minimum applicable regulatory capital requirements. State laws also limit a bank's ability to pay dividends.

CAPITAL ADEQUACY

Regulatory Capital Guidelines. Federal bank regulatory agencies use capital adequacy guidelines in the examination and regulation of bank holding companies and banks. The guidelines are "risk-based," meaning that they are designed to make capital requirements more sensitive to differences in risk profiles among banks and bank holding companies.

Tier I and Tier II Capital. Under the guidelines, an institution's capital is divided into two broad categories, Tier I capital and Tier II capital. Tier I capital generally consists of common shareholders' equity, surplus and undivided profits. Tier II capital generally consists of the allowance for loan losses, hybrid capital instruments, and subordinated debt. The sum of Tier I capital and Tier II capital represents an institution's total capital. The guidelines require that at least 50% of an institution's total capital consist of Tier I capital.

Risk-based Capital Ratios. The adequacy of an institution's capital is gauged primarily with reference to the institution's risk-weighted assets. The guidelines assign risk weightings to an institution's assets in an effort to quantify the relative risk of each asset and to determine the minimum capital required to support that risk. An institution's risk-weighted assets are then compared with its Tier I capital and total capital to arrive at a Tier I risk-based ratio and a total risk-based ratio, respectively. The guidelines provide that an institution must have a minimum Tier I risk-based ratio of 4% and a minimum total risk-based ratio of 8%.

Leverage Ratio. The guidelines also employ a leverage ratio, which is Tier I capital as a percentage of total assets, less intangibles. The principal objective of the leverage ratio is to constrain the maximum degree to which a bank holding company may leverage its equity capital base. The minimum leverage ratio is 3%; however, for all but the most highly rated bank holding companies and for bank holding companies seeking to expand, regulators expect an additional cushion of at least 1% to 2%.

Prompt Corrective Action. Under the guidelines, an institution is assigned to one of five capital categories depending on its total risk-based capital ratio, Tier I risk-based capital ratio, and leverage ratio, together with certain subjective factors. The categories range from "well capitalized" to "critically undercapitalized." Institutions that are "undercapitalized" or lower are subject to certain mandatory supervisory corrective actions.

CORPORATE GOVERNANCE AND ACCOUNTING LEGISLATION

Sarbanes-Oxley Act of 2002. The Sarbanes-Oxley Act of 2002 (the "Act") addresses corporate and accounting fraud. The Act establishes a new accounting oversight board to enforce auditing standards and restricts the scope of services that accounting firms may provide to their public company audit clients. Among other things, the Act also (i) requires chief executive officers and chief financial officers to certify to the accuracy of periodic reports filed with the Securities and Exchange Commission (the "SEC"); (ii) imposes new disclosure requirements regarding internal controls, off-balance-sheet transactions, and pro forma (non-GAAP) disclosures; (iii) accelerates the time frame for reporting of insider transactions and periodic disclosures by public companies; and (iv) requires companies to disclose whether or not they have adopted a code of ethics for senior financial officers and whether the audit committee includes at least one "audit committee financial expert."

The Act also requires the SEC, based on certain enumerated factors, to regularly and systematically review corporate filings. To deter wrongdoing, the Act: (i) subjects bonuses issued to top executives to disgorgement if a restatement of a company's financial statements was due to corporate misconduct; (ii) prohibits an officer or director from misleading or coercing an auditor; (iii) prohibits insider trades during pension fund "blackout periods"; (iv) imposes new criminal penalties for fraud and other wrongful acts; and (v) extends the period during which certain securities fraud lawsuits can be brought against a company or its officers.

As a publicly reporting company, we are subject to the requirements of the Act and related rules and regulations issued by the SEC and NASDAQ. We anticipate that we will incur additional expense, including ongoing compliance with Section 404, as a result of the Act, but we do not expect that such compliance will have a material impact on our business.

ANTI-TERRORISM LEGISLATION

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("USA Patriot Act") is intended to combat terrorism. Among other things, the USA Patriot Act (1) prohibits banks from providing correspondent accounts directly to foreign shell banks; (2) imposes due diligence requirements on banks opening or holding accounts for foreign financial institutions or wealthy foreign individuals (3) requires financial institutions to establish an anti-money-laundering compliance program, and (4) generally eliminates civil liability for persons who file suspicious activity reports. The Act also increases governmental powers to investigate terrorism, including expanded government access to account records. The Department of the Treasury is empowered to administer and make rules to implement the Act. While the USA Patriot Act may, to some degree, affect the Company's record-keeping and reporting expenses, the Company does not believe that the Act will have a material adverse effect on its business and operations.

FINANCIAL SERVICES MODERNIZATION

Gramm-Leach-Bliley Act of 1999. The Financial Services Modernization Act of 1999, also known as the Gramm-Leach-Bliley Act, brought about significant changes to the laws affecting banks and bank holding companies. Generally, the Act (i) repealed the historical restrictions on preventing banks from affiliating with securities firms, (ii) provided a uniform framework for the activities of banks, savings institutions and their holding companies, (iii) broadened the activities that may be conducted by national banks and banking subsidiaries of bank holding companies, (iv) provided an enhanced framework for protecting the privacy of consumer information and (v) addressed a variety of other legal and regulatory issues affecting both day-to-day operations and long-term activities of financial institutions.

Bank holding companies that qualify and elect to become financial holding companies can engage in a wider variety of financial activities than permitted under previous law, particularly with respect to insurance and securities underwriting activities. In addition, in a change from previous law, bank holding companies will be in a position to be owned, controlled or acquired by any company engaged in financially related activities, so long as the company meets certain regulatory requirements. The act also permits national banks (and, in states with wildcard statutes, certain state banks), either directly or through operating subsidiaries, to engage in certain non-banking financial activities.

We do not believe that the act will negatively affect our operations in the short term. However, to the extent the legislation permits banks, securities firms and insurance companies to affiliate, the financial services industry may experience further consolidation. This consolidation could result in a growing number of larger financial institutions that offer a wider variety of financial services than we currently offer, and these companies may be able to aggressively compete in the markets we currently serve.

EFFECTS OF GOVERNMENT MONETARY POLICY

The Company's earnings and growth are affected by general economic conditions, and by the fiscal and monetary policies of the federal government, particularly the Federal Reserve. The Federal Reserve implements a national monetary policy for such purposes as curbing inflation and combating recession, but its open market operations in U.S. government securities, control of the discount rate applicable to borrowings from the Federal Reserve, and establishment of reserve requirements against certain deposits, influence the growth of bank loans, investments and deposits, and also affect interest rates charged on loans or paid on deposits. The Company cannot predict with certainty the nature and impact of future changes in monetary policies and their impact on the Company or its subsidiary Banks.

TAXATION

FEDERAL TAXATION

The Company files consolidated federal, Montana, Idaho, and Utah income tax returns, using the accrual method of accounting. All required tax returns have been filed.

Financial institutions are subject to the provisions of the Internal Revenue Code of 1986, as amended in the same general manner as other corporations. See note 12 to the Consolidated Financial Statements in "Item 8 - Financial Statements and Supplementary Data" for additional information.

STATE TAXATION

Under Montana, Idaho and Utah law, financial institutions are subject to a corporation license tax, which incorporates or is substantially similar to applicable provisions of the Internal Revenue Code. The corporation license tax is imposed on federal taxable income, subject to certain adjustments. State taxes are incurred at the rate of 6.75% in Montana, 7.6% in Idaho, and 5% in Utah.

ITEM 2. PROPERTIES

At December 31, 2004, the Company owned 42 of its 55 offices, including its headquarters and other property having an aggregate book value of approximately $43 million, and leased the remaining branches. 8 offices are leased in Montana, 3 offices are leased in Idaho, 1 office is leased in Utah, and 1 office is leased in Washington. The following schedule provides property information for the Company's operating segments as of December 31, 2004.

(dollars in thousands)	Properties Leased	Properties Owned	Net Book Value
Glacier	2	9	$ 7,806
First Security	3	6	6,493
Western	1	6	4,835
Mountain West	5	11	12,308
Big Sky	1	3	6,452
Valley	1	5	3,201
Whitefish	-	2	1,485
	13	42	$ 42,580

The Company believes that all of its facilities are well maintained, adequate and suitable for the current operations of its business, as well as fully utilized.

For additional information concerning the Company's premises and equipment and lease obligations, see Note 5 and 19 to the Consolidated Financial Statements in "Item 8 - Financial Statements and Supplementary Data".

ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are parties to various claims, legal actions and complaints in the ordinary course of their businesses. In the Company's opinion, all such matters are adequately covered by insurance, are without merit or are of such kind, or involve such amounts, that unfavorable disposition would not have a material adverse effect on the consolidated financial position or results of operations of the Company.

ITEM 4. SUBMISSION OF MATTER TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders in the fourth quarter of 2004.

PART II

ITEM 5. MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASE OF EQUITY SECURITIES

The Company's stock trades on the NASDAQ National Market under the symbol: GBCI. The primary market makers are: D.A. Davidson & Company, Goldman, Sachs & Co., Keefe, Bruyette & Woods, Inc., Knight Equity Markets, L.P., Morgan Stanley & Co., Inc., and Piper Jaffray Companies.

The market range of high and low bid prices for the Company's common stock for the periods indicated are shown below. The sale price information has been adjusted retroactively for all stock dividends and splits previously issued. As of December 31, 2004, there were approximately 9,570 shareholders of Company common stock. Following is a schedule of quarterly common stock price ranges:

	2004		2003	
Quarter	High	Low	High	Low
First..........	$ 27.04	$ 23.60	$ 21.59	$ 17.00
Second.........	$ 28.25	$ 24.49	$ 20.96	$ 18.36
Third..........	$ 30.35	$ 25.75	$ 23.72	$ 19.56
Fourth.........	$ 35.89	$ 28.90	$ 26.40	$ 21.54

The Company paid cash dividends on its common stock of $.68 and $.60 per share for the years ended December 31, 2004 and 2003, respectively.

UNREGISTERED SECURITIES

There have been no securities of the Company sold within the last three years which were not registered under the Securities Act.

ISSUER STOCK PURCHASES

The Company made no stock repurchases during the fourth quarter of 2004.

EQUITY COMPENSATION PLAN INFORMATION

We currently maintain two compensation plans that provide for the issuance of the Company's common stock to officers and other employees, directors and consultants. These consist of the 1994 Director Stock Option Plan, amended, and the 1995 Employee Stock Option Plan, as amended, each of which have been approved by the shareholders. The following table sets forth information regarding outstanding options and shares reserved for future issuance under the foregoing plans as of December 31, 2004:

Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants, and rights (a) (1) (2)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a)) (c) (1)
Equity compensation plans approved by the shareholders	1,208,505	$ 18.315	1,792,215
Equity compensation plans not approved by shareholders	-	$ 0	-

(1) Includes shares to be issued upon exercise of options under plans of Mountain West Bank and WesterFed, which were assumed as a result of their acquisitions.

(2) Consists of shares that are outstanding, and shares available for future issuance, under the respective plans. The material features of the plans are described above.

ITEM 6. SELECTED FINANCIAL DATA

The following financial data of the Company are derived from the Company's historical audited financial statements and related footnotes. The information set forth below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and related footnotes contained elsewhere in this report.

SUMMARY OF OPERATIONS AND SELECTED FINANCIAL DATA

(dollars in thousands, except per share data)	At December 31, 2004	2003	2002	2001	2000
SUMMARY OF FINANCIAL CONDITION:					
Total assets	$ 3,010,737	2,739,633	2,281,344	2,085,747	1,056,712
Investment securities, available for sale	1,085,626	1,096,954	782,825	545,585	229,986
Loans receivable, net	1,701,805	1,430,365	1,300,653	1,322,327	733,561
Allowance for loan losses	(26,492)	(23,990)	(20,944)	(18,654)	(7,799)
Intangibles	42,315	42,816	40,011	41,771	6,493
Deposits	1,729,708	1,597,625	1,459,923	1,446,064	720,570
Advances from Federal Home Loan Bank	818,933	777,294	483,660	367,295	196,791
Securities sold under agreements to repurchase and other borrowed funds	81,215	64,986	61,293	32,585	29,529
Stockholders' equity	270,184	237,839	212,249	176,983	98,113
Equity per common share*	11.01	9.83	8.93	7.63	6.23
Equity as a percentage of total assets	8.97%	8.68%	9.30%	8.49%	9.28%

(dollars in thousands, except per share data)	Years ended December 31, 2004	2003	2002	2001	2000
SUMMARY OF OPERATIONS:					
Interest income	$ 147,285	130,830	133,989	137,920	78,837
Interest expense	39,892	38,478	47,522	65,546	37,357
Net interest income	107,393	92,352	86,467	72,374	41,480
Provision for loan losses	4,195	3,809	5,745	4,525	1,864
Non-interest income	34,565	33,562	25,917	23,251	13,294
Non-interest expense	72,133	65,944	57,813	57,385	31,327
Earnings before income taxes	65,630	56,161	48,826	33,715	21,583
Income taxes	21,014	18,153	16,424	12,026	7,580
Net earnings	44,616	38,008	32,402	21,689	14,003
Basic earnings per common share*	1.82	1.58	1.37	1.00	0.89
Diluted earnings per common share*	1.79	1.55	1.35	0.97	0.88
Dividends declared per share*	0.68	0.60	0.49	0.44	0.43

	At or for the years ended December 31, 2004	2003	2002	2001	2000
RATIOS:					
Net earnings as a percent of					
average assets	1.54%	1.53%	1.50%	1.10%	1.39%
average stockholders' equity	17.61%	16.82%	16.57%	13.49%	15.83%
Dividend payout ratio	37.36%	38.07%	35.45%	43.48%	48.36%
Average equity to average asset ratio	8.75%	9.10%	9.08%	8.26%	8.78%
Net interest margin on average earning assets (tax equivalent)	4.15%	4.20%	4.51%	4.08%	4.48%
Allowance for loan losses as a percent of loans	1.53%	1.65%	1.58%	1.39%	1.05%
Allowance for loan losses as a percent of nonperforming assets	276%	184%	181%	165%	372%

(dollars in thousands)	At or for the years ended December 31, 2004	2003	2002	2001	2000
OTHER DATA:					
Loans originated and purchased	$ 1,543,595	1,509,850	1,204,852	994,527	570,652
Loans serviced for others	$ 174,805	189,601	253,063	286,996	146,534
Number of full time equivalent employees	857	807	737	728	423
Number of offices	55	54	50	51	30
Number of shareholders of record	1,784	1,763	1,586	1,645	1,228

*revised for stock splits and dividends

All amounts have been restated to include mergers using the poolinf interests accounting method. Acquisitions using the purchase method of accounting include the operations since the acquisition date.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS YEAR ENDED DECEMBER 31, 2004 COMPARED TO DECEMBER 31, 2003

The following discussion is intended to provide a more comprehensive review of the Company's operating results and financial condition than can be obtained from reading the Consolidated Financial Statements alone. The discussion should be read in conjunction with the audited financial statements and the notes thereto included later in this report. All numbers, except per share data, are expressed in thousands of dollars.

HIGHLIGHTS AND OVERVIEW

This past year the Company experienced strong loan growth with total loans outstanding increasing by $274 million, or 19 percent from the prior year. All loan classifications experienced increases with commercial loan growth leading the way with an increase of $150 million, or 18 percent. The low interest rates for real estate loans continued through 2004 however the pace of home loan refinancing slowed substantially from the 2003 level. The slowing of refinance activity combined with a renewed focus on shorter term, and variable rate loans resulted in an increase in real estate loans of $75 million, or 24 percent, during the year. Consumer loans, primarily home equity loans, increased by $49 million, or 17 percent. The average interest rate on loans continued to decline as repayments on higher rate loans continued to occur and new loans were booked at reduced rates. Increases in targeted interest rates by the Federal Reserve Board during 2004 and into 2005 should help reverse this trend. The increased volume of loans more than offset the lower rates so that loan interest income increased from 2003. Because of the increased loan balances which used available funding, and reduced spreads on funding costs versus investment returns, total investments declined from the prior year. With the reduction in refinancing of home loans, prepayments on mortgage backed securities were substantially reduced resulting in a lower level of premium amortization which increased the earnings on investments. Maturing higher rate certificates of deposit and borrowed funds reduced average interest rates paid from the prior year, however, increased borrowed funds by the subsidiary banks and the issuance of $45 million in subordinated debentures by the parent company, resulted in increased interest expense.

Non-interest bearing deposits increased 25% during the year providing a stable low-cost funding source for a portion of the asset growth. Interest bearing deposits also ended the year with increased totals. Asset growth that exceeded the increase in deposits was funded with Federal Home Loan Bank advances and other borrowed funds.

With the reduction in mortgage loan refinance activity, the origination of residential loans decreased by 17 percent from 2003; however the gain-on-sale of loans declined 25 percent, the result of retaining more of the loans originated. Service charges and fee income increased nicely in 2004, primarily the result of increased account volumes. The net gain on the sale of securities of $1 million during 2003 was not repeated in 2004 with a net of zero for the year.

Total revenue from net interest income and non-interest income increased $16 million, or 13%, over the prior year, the cumulative effect of the above described items.

Non-interest expense increased $6 million, or 9%, from last year with the largest increase occurring in compensation and benefits. Additional locations and related staffing and merit increases were the primary reasons for this increase. Other operating expenses also increased reflecting the increased volume of activities in loan and deposit operations.

Looking forward, our future performance will depend on many factors including economic conditions, interest rate changes, increasing competition for deposits and quality loans, and regulatory burden. Increasing interest rates slow the volume of real estate loan originations which reduces the fee income from that activity while at the same time reducing commission expense for loan originators. Increasing rates result in increased earnings on assets, however, the cost of interest bearing funds also increases. The Company goal of asset and liability management practices is to maintain or increase the level of net interest income within an acceptable level of interest rate risk.

Regulatory burden seems to be never-ending as additional regulations continue to add cost. The Sarbanes-Oxley Act (SOX) resulted in substantial increases in audit and consulting fees during 2004, and a major diversion of internal staff time from normal duties, primarily to satisfy the internal control requirements of Section 404 of SOX. Costs to assure compliance in future years, including ongoing compliance with SOX, are projected to remain high.

FINANCIAL CONDITION
ASSETS

The following table summarizes the asset balances as of December 31, 2004 and 2003, the amount of change, and percentage change during 2004:

ASSETS ($ IN THOUSANDS)	December 31, 2004	2003	$ change	% change
Cash on hand and in banks	$ 79,300	$ 77,093	$ 2,207	3%
Investment securities, FHLB and FRB stock, and interest bearing deposits	1,098,633	1,106,001	(7,368)	-1%
Loans:				
Real estate	393,141	317,774	75,367	24%
Commercial	991,081	841,305	149,776	18%
Consumer	344,075	295,276	48,799	17%
Total loans	1,728,297	1,454,355	273,942	19%
Allowance for loan losses	(26,492)	(23,990)	(2,502)	10%
Total loans net of allowance for loan losses	1,701,805	1,430,365	271,440	19%
Other assets	130,999	126,174	4,825	4%
Total Assets	$ 3,010,737	$ 2,739,633	$ 271,104	10%

At December 31, 2004 total assets were $3.011 billion which is $271 million greater than the December 31, 2003 assets of $2.740 billion, an increase of 10 percent.

Total loans have increased $274 million from December 31, 2003, an increase of 19 percent, with the growth occurring in all loan categories. Commercial loans increased $150 million, or 18 percent, real estate loans gained $75 million, or 24 percent, and consumer loans grew by $49 million, or 17 percent. Loan volume continues to be very strong with loans increasing $43 million during the fourth quarter which has historically been a slow quarter for loan growth.

Investment securities, including interest bearing deposits in other financial institutions, have decreased $7 million from December 31, 2003. Without the approximately $18 million of proceeds of the March 2004 issuance of Trust Preferred Securities that are invested in investment securities, total investments would have declined $25 million from last year. Some of the cash flow from investment maturities is now being used to fund the significant growth in loans.

The following table summarizes the major asset components as a percentage of total assets as of December 31, 2004, 2003, and 2002:

	December 31, 2004	2003	2002
ASSETS:			
Cash, and cash equivalents, investment securities, FHLB and Federal Reserve stock	39.1%	43.2%	37.8%
Real estate loans and loans held for sale	13.0%	11.5%	15.7%
Commercial loans	32.3%	30.1%	28.9%
Consumer loans	11.3%	10.6%	12.4%
Other assets	4.3%	4.6%	5.2%
	100.0%	100.0%	100.0%

The percentage of assets held as cash, and cash equivalents, investment securities, FHLB and Federal Reserve stock has decreased from 43.2 percent at December 31, 2003 to 39.1 percent at December 31, 2004. The decrease is attributed to a $14 million reduction in investment securities during 2004 and the increase in total assets resulting from the large increase in loans outstanding. Strong economic activity in the markets served by the Company, combined with excellent customer service, made the loan growth possible. The Company continues to focus on quality loan growth of all types.

LIABILITIES

The following table summarizes the liability balances as of December 31, 2004 and 2003, the amount of change, and percentage change during 2004:

LIABILITIES ($ IN THOUSANDS)	December 31, 2004	2003	$ change	% change
Non-interest bearing deposits	$ 460,059	$ 369,052	$ 91,007	25%
Interest-bearing deposits	1,269,649	1,228,573	41,076	3%
Advances from Federal Home Loan Bank	818,933	777,294	41,639	5%
Securities sold under agreements to repurchase and other borrowed funds	81,215	64,986	16,229	25%
Other liabilities	30,697	26,889	3,808	14%
Subordinated debentures	80,000	35,000	45,000	129%
Total liabilities	$2,740,553	$2,501,794	$ 238,759	10%

Non-interest bearing deposits have increased $91 million, or 25 percent, since December 31, 2003. This continues to be a primary focus of our banks and the programs we have initiated this past year continue to gain momentum. Total deposits have increased $132 million from December 31, 2003. This growth in deposits, a low cost stable funding source, gives us increased flexibility in managing our asset mix. Federal Home Loan Bank advances have also increased, $42 million from December 31, 2003, as we continue to take advantage of the flexibility of that funding source. In addition, repurchase agreements and other borrowed funds have increased from the prior year as we continue to use these cost effective sources of funding. On March 24, 2004, subordinated debentures in the form of trust preferred securities of $45 million, with an interest rate of 5.79 percent, were issued. The proceeds will be used to fund the pending acquisitions.

	December 31, 2004	2003	2002
LIABILITIES AND STOCKHOLDER'S EQUITY:			
Deposit accounts	57.4%	58.3%	64.0%
FHLB advances	27.2%	28.4%	21.2%
Other borrowings and repurchase agreements...	2.7%	2.4%	2.7%
Other liabilities	3.7%	2.2%	2.8%
Stockholders' equity	9.0%	8.7%	9.3%
	100.0%	100.0%	100.0%

With a $32 million increase in stockholders' equity and the $45 million increase in subordinated debentures included in the other liabilities line above, the percentage of assets funded by deposits decreased even with the substantial increase in deposit balances.

STOCKHOLDERS' EQUITY ($ IN THOUSANDS EXCEPT PER SHARE DATA)	December 31, 2004	2003	$ change	% change
Common equity	$ 264,250	$ 231,223	$ 33,027	14%
Accumulated other comprehensive income	5,934	6,616	(682)	-10%
Total stockholders' equity	$ 270,184	$ 237,839	$ 32,345	14%
Stockholders' equity to total assets	8.97%	8.68%		
Book value per common share	$ 11.01	$ 9.83	$ 1.18	12%
Market price per share at end of quarter	$ 34.04	$ 25.98	$ 8.06	31%

STOCKHOLDERS' EQUITY

Total equity and book value per share amounts have increased substantially from the prior year, primarily the result of earnings retention, and stock options exercised. Accumulated other comprehensive income, representing net unrealized gains on securities available for sale of $6 million at December 31, 2004 is slightly less than the $7 million at year end 2003, with the decline primarily a function of interest rate changes.

RESULTS OF OPERATIONS

Operating results include amounts related to the operation of the three branches acquired with the Pend Oreille Bank as of July 15, 2003 and the Ione, Washington branch as of June 4, 2004.

REVENUE SUMMARY ($ IN THOUSANDS)	Years ended December 31, 2004	2003	$ change	% change
Net interest income	$107,393	$ 92,352	$ 15,041	16%
Fees and other revenue:				
Service charges, loan fees, and other fees	24,260	19,756	4,504	23%
Gain on sale of loans	8,015	10,674	(2,659)	-25%
Gain on sale of investments, net of impairment charge	-	1,253	(1,253)	-100%
Other income	2,290	1,879	411	22%
Total non-interest income	34,565	33,562	1,003	3%
	$141,958	$125,914	$ 16,044	13%
Tax equivalent net interest margin	4.15%	4.20%		

NET INTEREST INCOME

Net interest income increased $15.041 million, or 16 percent, over 2003. Total interest income was $16.455 million, or 13 percent higher than 2003, while total interest expense was $1.414 million, or 4 percent higher. The investment portfolio generated approximately 61 percent of the increase in interest income. Additional interest income from the large increase in loans outstanding was partially offset by lower rates on the loan portfolio due to refinancing, and re-pricing of existing loans. The increase in interest expense is attributed to the increase in the subordinated debentures which increased interest expense by $2.004 million. Interest expense on deposits declined $3.167 million, or 18 percent, from reductions in rates on maturing fixed term interest bearing deposits. Interest on Federal Home Loan Bank borrowings and other borrowed funds increased $2.577 million, or 15 percent, from increased volumes and increasing interest rates. The net interest margin as a percentage of earning assets, on a tax equivalent basis, was 4.15 percent which was a decrease from 4.20 percent for 2003.

NON-INTEREST INCOME

Fee income increased $4.504 million, or 23 percent, over last year, driven primarily by an increased number of loan and deposit accounts and the fee income associated with this growth in accounts. Gain on sale of loans decreased $2.659 million, or 25 percent, from last year, because of greatly reduced refinance activity. Loan origination activity for housing, especially new construction, remains quite strong in our markets. In 2003 gains on sale of investments, net of impairment charge, of $1.253 million were recorded and zero gains were realized in 2004.

NON-INTEREST EXPENSE SUMMARY ($ IN THOUSANDS)	Years ended December 31, 2004	2003	$ change	% change
Compensation and employee benefits and related expense	$39,955	$36,173	$ 3,782	10%
Occupancy and equipment expense	10,797	9,931	866	9%
Outsourced data processing	1,551	1,650	(99)	-6%
Core deposit intangibles amortization	1,074	1,243	(169)	-14%
Other expenses	18,756	16,947	1,809	11%
Total non-interest expense	$72,133	$65,944	$ 6,189	9%

NON-INTEREST EXPENSE

Non-interest expense increased by $6.189 million, or 9 percent, from 2003 including expenses from the acquisitions, two additional branches in Boise, Idaho, and a new branch in downtown Bozeman, Montana. Compensation and benefit expense increased $3.782 million, or 10 percent, with the additional bank branches, normal compensation increases for job performance and increased cost for benefits tied to Company performance, accounting for the majority of the increase. Occupancy and equipment expense increased $866 thousand, or 9 percent, reflecting the cost of the additional locations and facility upgrades. Other expenses increased $1.809 million, or 11 percent, primarily from start up expenses on implementing the High Performance Checking program at the four banks not previously on the program, additional advertising expense, $700 thousand increase in audit and consulting expenses, and costs associated with new branch offices and the acquisitions. The efficiency ratio (non-interest expense/net interest income + non-interest income) was 51 percent, improving slightly from the 53 percent in 2003, excluding the gain on sale of securities.

CREDIT QUALITY INFORMATION ($ IN THOUSANDS)	December 31, 2004	December 31, 2003
Allowance for loan losses	$ 26,492	$ 23,990
Non-performing assets	9,608	13,068
Allowance as a percentage of non performing assets	276%	184%
Non-performing assets as a percentage of total assets	0.32%	0.48%
Allowance as a percentage of total loans	1.53%	1.65%
Net charge-offs as a percentage of loans	0.098%	0.118%

PROVISION FOR LOAN LOSSES - Non-performing assets as a percentage of total assets at December 31, 2004 were at .32 percent, a decrease from .48 percent at December 31, 2003. This compares favorably to the Federal Reserve Bank Peer Group average of .49 percent at September 30, 2004, the most recent information available. The allowance for loan losses was 276 percent of non-performing assets at December 31, 2004, compared to 184 percent a year ago. The allowance has increased $2.502 million, or 10 percent, from a year ago to $26.492 million, which is 1.53 percent of December 31, 2004 total loans outstanding, down slightly from the 1.65 percent a year ago. The fourth quarter provision for loan losses expense was $1.200 million, an increase of $504 thousand from the same quarter in 2003.

EFFECT OF INFLATION AND CHANGING PRICES

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

COMMITMENTS

In the normal course of business, there are various outstanding commitments to extend credit, such as letter of credit and un-advanced loan commitments, which are not reflected in the accompanying consolidated financial statements. Management does not anticipate any material losses as a result of these transactions. The Company has outstanding debt maturities, the largest of which are the advances from the Federal Home Loan Bank. See footnote 8 for the maturity schedule of the advances. The following table represents our contractual obligations as of December 31, 2004:

	Payments Due by Period							
(dollars in thousands)	Total	Indeterminate Maturity (1)	2005	2006	2007	2008	2009	Thereafter
Deposits...................	$1,729,708	1,322,681	287,641	59,368	43,768	7,298	8,875	77
Advances from the FHLB.....	818,933	-	480,222	110,419	124,919	21,302	48	82,023
Repurchase agreements......	76,158	-	76,158	-	-	-	-	-
Subordinated debentures....	80,000	-	-	-	-	-	-	80,000
Capital lease obligations..	1,682	-	81	83	84	87	89	1,258
Operating lease obligations.............	7,487	-	1,171	1,050	861	770	685	2,950
	$2,713,968	1,322,681	845,273	170,920	169,632	29,457	9,697	166,308

(1) Represents interest and non-interest bearing checking, money market, and savings accounts

MARKET RISK

Market risk is the risk of loss in a financial instrument arising from adverse changes in market rates/prices such as interest rates, foreign currency exchange rates, commodity prices, and equity prices. The Company's primary market risk exposure is interest rate risk. The ongoing monitoring and management of this risk is an important component of the Company's asset/liability management process which is governed by policies established by its Board of Directors that are reviewed and approved annually. The Board of Directors delegates responsibility for carrying out the asset/liability management policies to the Asset/Liability Committee (ALCO). In this capacity ALCO develops guidelines and strategies impacting the Company's asset/liability management related activities based upon estimated market risk sensitivity, policy limits and overall market interest rate levels/trends.

INTEREST RATE RISK

The objective of interest rate risk management is to contain the risks associated with interest rate fluctuations. The process involves identification and management of the sensitivity of net interest income to changing interest rates. Managing interest rate risk is not an exact science. The interval between repricing of interest rates of assets and liabilities changes from day to day as the assets and liabilities change. For some assets and liabilities contractual maturity and the actual cash flows experienced are not the same. A good example is residential mortgages that have long term contractual maturities but may be repaid well in advance of the maturity when current prevailing interest rates become lower than the contractual rate. Interest-bearing deposits without a stated maturity could be withdrawn after seven days, however, the Bank's experience indicates that these funding pools have a much longer duration and are not as sensitive to interest rate changes as other financial instruments. Prime based loans generally have rate changes when the Federal Reserve Bank changes short term interest rates, however, depending on the magnitude of the rate change and the relationship of the current rates to rate floors and rate ceilings that may be in place on the loans, the loan rate may not change.

GAP ANALYSIS

The following table gives a description of our GAP position for various time periods. As of December 31, 2004, we had a negative GAP position at six months and a positive GAP position at twelve months. The cumulative GAP as a percentage of total assets for six months is a negative 5.55% which compares to a negative 4.00% at December 31, 2003 and a negative 2.77% at December 31, 2002. The table also shows the GAP earnings sensitivity, and earnings sensitivity ratio, along with a brief description as to how they are calculated. The methodology used to compile this GAP information is based on our mix of assets and liabilities and the historical experience accumulated regarding their rate sensitivity.

	Projected maturity or repricing				
(dollars in thousands)	0-6 Months	6-12 Months	1 - 5 years	More than 5 years	Total
ASSETS:					
Interest bearing deposits................	$ 12,722	285	-	-	13,007
Investment securities.....................	3,786	2,233	83,524	231,691	321,234
Mortgage-backed securities...............	153,565	123,199	402,362	35,463	714,589
FHLB stock and FRB stock.................	44,004	-	-	5,799	49,803
Floating rate loans......................	661,054	87,222	404,500	20,005	1,172,781
Fixed rate loans.........................	126,667	85,207	277,687	72,268	561,829
TOTAL INTEREST BEARING ASSETS.................	$ 1,001,798	298,146	1,168,073	365,226	2,833,243
LIABILITIES:					
Interest-bearing deposits................	646,057	87,230	112,518	423,844	1,269,649
FHLB advances............................	431,695	41,040	262,476	83,722	818,933
Repurchase agreements and other borrowed funds..........................	81,215	-	-	-	81,215
TOTAL INTEREST BEARING LIABILITIES............	$ 1,158,967	128,270	374,994	507,566	2,169,797
Repricing gap.................................	$ (157,169)	169,876	793,079	(142,340)	663,446
Cumulative repricing gap......................	$ (157,169)	12,707	805,786	663,446	
Cumulative gap as a % of total assets.........	-5.55%	0.45%	28.44%	23.42%	
Gap Earnings Sensitivity (1)..................		$ 78			
Gap Earnings Sensitivity Ratio (2)............		0.17%			

(1) Gap Earnings Sensitivity is the estimated effect on income, after taxes of 39%, of a 1% increase or decrease in interest rates (1%

of ($12,707 - $4,956))

(2) Gap Earnings Sensitivity Ratio is Gap Earnings Sensitivity divided by the estimated yearly earnings of $44,616. A 1% increase in interest rates has this estimated percentage increase effect on annual income.

This table estimates the repricing maturities of the Company's assets and liabilities, based upon the Company's assessment of the repricing characteristics of the various instruments. Interest-bearing checking and regular savings are included in the more than 5 years category. Money market balances are included in the less than 6 months category. Mortgage-backed securities are at the anticipated principal payments based on the weighted-average-life.

NET INTEREST INCOME SIMULATION

The traditional one-dimensional view of GAP is not sufficient to show a bank's ability to withstand interest rate changes. Because of limitations in GAP modeling the Asset/Liability Management Committee (ALCO) of the Company uses a detailed and dynamic simulation model to quantify the estimated exposure of net interest income (NII) to sustained interest rate changes. While ALCO routinely monitors simulated NII sensitivity over a rolling two-year horizon, it also utilizes additional tools to monitor potential longer-term interest rate risk. The simulation model captures the impact of changing interest rates on the interest income received and interest expense paid on all assets and liabilities reflected on the Company's statement of financial condition. This sensitivity analysis is compared to ALCO policy limits which specify a maximum tolerance level for NII exposure over a one year horizon, assuming no balance sheet growth, given a 200 or 100 basis point (bp) upward and downward shift in interest rates. A parallel and pro rata shift in rates over a 12-month period is assumed as a benchmark. Other non-parallel rate movement scenarios are also modeled to determine the potential impact on net interest income. The following reflects the Company's NII sensitivity analysis as of December 31, 2004 and 2003 as compared to the 10% Board approved policy limit.

	2004	2003
+200 bp		
Estimated sensitivity..........................	-3.47%	-4.57%
Estimated decrease in net interest income	$(3,727)	(4,220)
-100 bp		
Estimated sensitivity..........................	0.38%	1.28%
Estimated increase in net interest income	$ 408	1,182

The preceding sensitivity analysis does not represent a forecast and should not be relied upon as being indicative of expected operating results. These hypothetical estimates are based upon numerous assumptions including: the nature and timing of interest rate levels including yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, reinvestment/replacement of assets and liability cash flows, and others. While assumptions are developed based upon current economic and local market conditions, the Company cannot make any assurances as to the predictive nature of these assumptions including how customer preferences or competitor influences might change. Also, as market conditions vary from those assumed in the sensitivity analysis, actual results will also differ due to prepayment/refinancing levels likely deviating from those assumed, the varying impact of interest rate change caps or floors on adjustable rate assets, the potential effect of changing debt service levels on customers with adjustable rate loans, depositor early withdrawals and product preference changes, and other internal/external variables. Furthermore, the sensitivity analysis does not reflect actions that ALCO might take in responding to or anticipating changes in interest rates.

LIQUIDITY RISK

Liquidity risk is the possibility that the Company will not be able to fund present and future obligations. 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. Core deposits, FHLB credit lines, available-for-sale investment securities, and net income are the key elements in meeting these objectives. All seven subsidiaries are members of the FHLB. This membership provides for established lines of credit in the form of advances that are a supplemental source of funds for lending and other general business purposes. As of year ended December 31, 2004, the Company had $1,139 million of available FHLB line of which $819 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. During 2004, all seven financial institutions maintained liquidity levels in excess of regulatory requirements and deemed sufficient to meet operating cash needs.

CAPITAL RESOURCES AND ADEQUACY

Maintaining capital strength has been a long term objective. Ample capital is necessary to sustain growth, provide protection against unanticipated declines in asset values, and to safeguard the funds of depositors. Capital also is a source of funds for loan demand and enables the Company to effectively manage its assets and liabilities. Shareholders' equity increased $32.345 million during 2004, or 14 percent the net result of earnings of $44.616 million, less cash dividend payments and a decline of $682 thousand in the net unrealized gains on available-for-sale investment securities. For additional information see footnote 11 in the Consolidated Financial Statements. Dividend payments were increased by $.08 per share, or 13 percent in 2004. 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.

CRITICAL ACCOUNTING POLICIES

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

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2003, the AICPA issued Statement of Position 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer (SOP 03-3) which addresses the accounting for certain acquired loans or debt securities that have experienced a deterioration of credit quality between the loan origination date and the date the loan is acquired by an investor, and for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments on the loan. When loans within the scope of this SOP are acquired by the completion of a transfer, it is not appropriate at acquisition to establish an allowance for loan losses related to those acquired loans. The purchase price represents the fair value of the loans on the date of acquisition and an allowance for loan losses should be recorded by the investor only to the extent there is a change in the estimate of credit losses subsequent to acquisition of the loan (and only to the extent of losses incurred subsequent to acquisition). Likewise, loans within the scope of this SOP that are acquired in a purchase business combination should be recognized initially at the present value of amounts expected to be received and no allowance for loan losses should be carried over related to these loans at acquisition. SOP 03-3 requires initial application for loans acquired in fiscal years beginning after December 15, 2004.

In December 2004, the Financial Accounting Standards Board issued a revised version of SFAS No. 123 Share-Based Payment, mandating that companies measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). The intrinsic value method of accounting for such awards, as previously elected by the company and provided for in APB Opinion No. 25, Accounting for Stock Issued to Employees will no longer acceptable under GAAP for public companies effective for accounting periods ending after June 15, 2005. If no comparable market values are available, the grant-date fair value of employee share options and similar instruments is to be estimated using option-pricing models adjusted for the unique characteristics of those instruments.

Under the previous provisions of SFAS No. 123, Accounting for Stock Based Compensation companies using the intrinsic value method were required to disclose in a footnote to their financial statements the effect on net income of using the intrinsic value rather than the grant-date fair value method. The company has continued to use the intrinsic value method, with appropriate disclosures, in its financial statements through December 31, 2004 (See Stock Based Compensation under Note 1 to the company's consolidated financial statements). The company expects to adopt SFAS No. 123 (Revised) effective with its reporting for the third quarter of 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 2003 COMPARED TO DECEMBER 31, 2002

RESULTS OF OPERATIONS

Operating results include amounts related to the operation of the three branches acquired in the Pend Oreille acquisition as of July 15, 2003.

REVENUE SUMMARY
($ IN THOUSANDS)

	Years ended December 31,			
	2003	2002	$ change	% change
Net interest income	$ 92,352	$ 86,467	$ 5,885	7%
Fees and other revenue:				
Service charges, loan fees, and other fees	19,756	17,954	1,802	10%
Gain on sale of loans	10,674	5,709	4,965	87%
Gain on sale of investments, net of impairment charge	1,253	238	1,015	426%
Other income	1,879	2,016	(137)	-7%
Total non-interest income	33,562	25,917	7,645	29%
Total revenue	$125,914	$112,384	$ 13,530	12%
Tax equivalent net interest margin	4.20%	4.51%		

Net income of $38.008 million was a $5.606 million increase over the $32.402 million for the year ended December 31, 2002, an increase of 17 percent. The following narrative provides additional information on those results.

INTEREST INCOME -Historical low interest rates during most of the year resulted in a $3 million reduction in interest income even though the earning assets of the Company increased significantly. With the sustained low rates throughout the year many loans of all types were refinanced with the rate on the new loans substantially lower than the prepaid loans. New loans also were at much lower rates than the average rates earned on the existing loans. Mortgage related investment securities experienced much of the same results as the loan portfolio. Investments were prepaid which negatively impacted interest income in two ways: 1) securities that were purchased at a premium that experienced prepayments had an acceleration of the amortization of the premium which reduced the income; 2) reinvestment of the proceeds was at a lower rate than previously enjoyed on the amounts invested. The weighted average yield on earning assets (tax free income adjusted for tax effects) decreased from 6.91 percent for the year 2002 to 5.86 percent in 2003. Increased balances in earning assets offset much of the rate impact.

INTEREST EXPENSE - Interest expense decreased even more with total interest expense $9 million, or 19 percent, lower in 2003. Most of the expense reduction came from deposits as rates continued to decline during the year. In addition higher rate certificates of deposits matured which further reduced interest expense. These rate reductions coupled with increasing balances in non-interest bearing deposits resulted in the deposit expense reduction. The balance in FHLB advances increased $294 million during the year, however, with a combination of maturing higher cost advances and lower rates on new advances the interest expense on total advances decreased by $99,000 from the prior year. The weighted average rate on advances decreased from 4.15 percent for 2002 to 2.80 for 2003. The weighted rate on total advances outstanding at December 31, 2003 was 2.19 percent.

The prolonged low interest rates have resulted in a reduction in the net interest margin (ratio of net interest income divided by average earning assets) from 4.51 percent in 2002 to 4.20 percent in 2003 with the third quarter of 2003 being the lowest level at 4.12 percent. The ratio increased to 4.17 percent in the fourth quarter of 2003 primarily due to increased earnings on investments. With the low interest rates many real estate loans have either been refinanced which lowers the future earnings rate on the loans that are retained, or the loan is paid off which also lowers future earnings. To remain competitive it has become necessary to reduce rates to market levels on all loan types which reduces interest income on those loans. Investment income also is lower on securities purchased during this low rate period than on securities previously held in the portfolio. Prepayment of mortgage-backed securities also has occurred as underlying mortgage loans have been prepaid. This prepayment not only reduced the level of assets with higher rates but also resulted in much faster amortization of premiums associated with the securities further reducing interest income. To offset the reduction in interest income, rates on interest bearing deposits have been reduced and matured borrowings have been renewed at lower rates. The increased level of non-interest bearing deposits has reduced the need for additional borrowings which also has resulted in lower interest expense.

NON-INTEREST INCOME - Total non-interest income increased $8 million, or 29 percent over the prior year. $2 million of the increase was from increased volumes in loan and deposit activity and the resulting fees. $1 million of the increase was contributed by net gains on sale of investment securities. The largest portion of the increase was from a $5 million increase in the gain on sale of loans, the majority of which was from residential real estate loans. The low interest rates during 2003 resulted in a very large increase in the number of loans being refinanced to obtain low long term financing, and an increase in new home loans because of affordable monthly payments.

Increasing rates affect the level of fee income created from the origination and sale of mortgage loans as the refinance of loans is substantially reduced or eliminated. Purchases of homes can also be affected because of reduced affordability due to higher monthly payments with higher interest rates. The subsidiary banks are located in areas of robust population growth which somewhat mitigates the risk of significant reduction in home purchases. Reduction in refinance activity also reduces the variable expenses such as commissions for loan origination and could result in additional reductions in expense.

NON-INTEREST EXPENSE SUMMARY

($ IN THOUSANDS)	Years ended December 31,			
	2003	2002	$ change	% change
Compensation and employee benefits	$36,173	$30,448	$ 5,725	19%
Occupancy and equipment expense	9,931	9,591	340	4%
Outsourced data processing	1,650	2,048	(398)	-19%
Core deposit intangibles amortization	1,243	1,439	(196)	-14%
Other expenses	16,947	14,287	2,660	19%
Total non-interest expense	$65,944	$57,813	$ 8,131	14%

NON-INTEREST EXPENSE - Non-interest expense also increased $8 million, a 14 percent increase, with $6 million of the increase in the compensation and benefits classification. The Pend Oreille acquisition, additional branches in the Boise and Bozeman markets, commissions paid to mortgage loan originators, normal increases for job performance, and some benefits that are tied to the Company stock price performance account for the majority of the increase. Advertising and marketing, start up expenses for the High Performance Checking program, and other volume related expenses made up most of the remainder of the increased expense.

The efficiency ratio, which measures the cost per dollar of revenue generated, increased from 51 percent in 2002 to 52 percent in 2003. Although this increased from the prior year it is still significantly less than the 61 percent average of similar sized banking companies.

CREDIT QUALITY INFORMATION	December 31,	December 31,
($ IN THOUSANDS)	2003	2002
Allowance for loan losses	$ 23,990	$ 20,944
Non-performing assets	13,068	11,582
Allowance as a percentage of non performing assets	184%	181%
Non-performing assets as a percentage of total assets	0.48%	0.51%
Allowance as a percentage of total loans	1.65%	1.58%
Net charge-offs as a percentage of loans	0.118%	0.261%

PROVISION FOR LOAN LOSSES - The provision for loan losses was $3.809 million in 2003 which was a reduction of $1.936 million from 2002. Charged off loans, net of recoveries of loans previously charged off, were $1.733 million lower in 2003 than the prior year. The balance in the allowance for loan losses increased $3.046 million from the prior year end. At December 31, 2003 non-performing assets (non-accrual loans, accruing loans 90 days or more overdue, real estate acquired by foreclosure, and repossessed personal property) totaled $13.068 million, or .48 percent of total assets; compared to $11.582 million, or .51 percent at December 31,

2002. The peer group average according to the Federal Reserve Bank Performance Report as of September 30, 2003, the most recent information available, for banking companies similar to our size was .65 percent of total assets. The allowance for loan losses was 184 percent of non-performing assets, and 1.65 percent of total loans as of December 31, 2003 which compares to 181 percent and 1.58 percent, respectively, at December 31, 2002.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information regarding "Quantitative and Qualitative Disclosures about Market Risk" is set fourth under "Item 7 - Management's Discussion and Analysis".

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Glacier Bancorp, Inc.:

We have audited management's assessment, included in the accompanying Report of Management, that Glacier Bancorp, Inc. and subsidiaries (the Company) maintained effective internal control over financial reporting as of December 31, 2004 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Glacier Bancorp, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Glacier Bancorp, Inc. and subsidiaries maintained effective internal control over financial reporting as of December 31, 2004 is fairly stated, in all material respects, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Glacier Bancorp, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial condition of Glacier Bancorp, Inc. and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2004, and our report dated March 15, 2005 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG

March 15, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Glacier Bancorp, Inc.:

We have audited the accompanying consolidated statements of financial condition of Glacier Bancorp, Inc. and subsidiaries as of December 31, 2004 and 2003 and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Glacier Bancorp, Inc. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Glacier Bancorp, Inc.'s internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO), and our report dated March 15, 2005 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/ KPMG

Billings, Montana
March 15, 2005

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(dollars in thousands, except per share data)	December 31, 2004	December 31, 2003
ASSETS:		
Cash on hand and in banks	$ 79,300	77,093
Interest bearing cash deposits	13,007	9,047
Cash and cash equivalents	92,307	86,140
Investment securities, available-for-sale	1,085,626	1,096,954
Loans receivable, net of allowance for loan losses of $26,492 and $23,990 at December 31, 2004, and 2003, respectively	1,687,329	1,413,392
Loans held for sale	14,476	16,973
Premises and equipment, net	55,732	53,251
Real estate and other assets owned, net	2,016	587
Accrued interest receivable	15,637	14,941
Core deposit intangible, net of accumulated amortization of $5,331 and $4,257 at December 31, 2004, and 2003, respectively	4,939	5,865
Goodwill	37,376	36,951
Other assets	15,299	14,579
	$3,010,737	2,739,633
LIABILITIES:		
Non-interest bearing deposits	$ 460,059	369,052
Interest bearing deposits	1,269,649	1,228,573
Advances from Federal Home Loan Bank of Seattle	818,933	777,294
Securities sold under agreements to repurchase	76,158	56,968
Other borrowed funds	5,057	8,018
Accrued interest payable	4,864	4,353
Deferred tax liability	8,392	7,369
Subordinated debentures	80,000	35,000
Other liabilities	17,441	15,167
Total liabilities	2,740,553	2,501,794
STOCKHOLDERS' EQUITY:		
Preferred shares, 1,000,000 shares authorized. None outstanding at December 31, 2004 and 2003	--	--
Common stock, $.01 par value per share. 62,500,000 shares authorized, 24,549,410 and 24,203,338 issued and outstanding at December 31, 2004 and 2003, respectively	245	242
Paid-in capital	227,614	222,588
Retained earnings - substantially restricted	36,391	8,393
Accumulated other comprehensive income	5,934	6,616
Total stockholders' equity	270,184	237,839
	$3,010,737	2,739,633

See accompanying notes to consolidated financial statements.

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share data)	Years ended December 31, 2004	2003	2002
INTEREST INCOME:			
Real estate loans	$ 22,942	23,883	29,290
Commercial loans	57,312	50,203	47,013
Consumer and other loans	20,331	20,013	22,559
Investment securities and other	46,700	36,731	35,127
Total Interest Income	147,285	130,830	133,989
INTEREST EXPENSE:			
Deposits	14,054	17,221	26,268
Federal Home Loan Bank of Seattle advances	18,540	16,860	16,959
Securities sold under agreements to repurchase	873	673	591
Subordinated debentures	5,619	3,615	3,616
Other borrowed funds	806	109	88
Total Interest Expense	39,892	38,478	47,522
NET INTEREST INCOME	107,393	92,352	86,467
Provision for loan losses	4,195	3,809	5,745
Net interest income after provision for loan losses	103,198	88,543	80,722
NON-INTEREST INCOME:			
Service charges and other fees	19,550	15,458	14,011
Miscellaneous loan fees and charges	4,710	4,298	3,943
Gain on sale of loans	8,015	10,674	5,709
Gain on sale of investments, net of impairment charge	--	1,253	238
Other income	2,290	1,879	2,016
Total Non-Interest Income	34,565	33,562	25,917
NON-INTEREST EXPENSE:			
Compensation, employee benefits and related expense	39,955	36,173	30,448
Occupancy and equipment expense	10,797	9,931	9,591
Outsourced data processing expense	1,551	1,650	2,048
Core deposit intangibles amortization	1,074	1,243	1,439
Other expense	18,756	16,947	14,287
Total Non-Interest Expense	72,133	65,944	57,813
EARNINGS BEFORE INCOME TAXES	65,630	56,161	48,826
Federal and state income tax expense	21,014	18,153	16,424
NET EARNINGS	$ 44,616	38,008	32,402
BASIC EARNINGS PER SHARE	$ 1.82	1.58	1.37
DILUTED EARNINGS PER SHARE	$ 1.79	1.55	1.35

See accompanying notes to consolidated financial statements.

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2004, 2003, AND 2002

(Dollars in thousands, except per share data)	Common Stock Shares	Common Stock Amount	Paid-in capital	Retained earnings (accumulated deficit) substantially restricted	Accumulated other comprehensive income	Total stockholders' equity
Balance at December 31, 2001	23,202,330	$ 232	210,892	(35,897)	1,756	176,983
Comprehensive income:	--	--	--	32,402	--	32,402
Net earnings	--	--	--	--	8,355	8,355
Unrealized gain on securities, net of reclassification adjustment	--	--	--	--	--	40,757
Total comprehensive income						
Cash dividends declared ($.49 per share)	--	--	--	(11,532)	--	(11,532)
Stock options exercised	565,670	6	4,955	--	--	4,961
Tax benefit from stock related compensation	--	--	1,080	--	--	1,080
Balance at December 31, 2002	23,768,000	$ 238	216,927	(15,027)	10,111	212,249
Comprehensive income:						
Net earnings	--	--	--	38,008	--	38,008
Unrealized loss on securities, net of reclassification adjustment	--	--	--	--	(3,495)	(3,495)
Total comprehensive income	--	--	--	--	--	34,513
Cash dividends declared ($.60 per share)	--	--	--	(14,573)	--	(14,573)
Stock options exercised	435,338	4	4,670	--	--	4,674
Acquisition of fractional shares	--	--	--	(15)	--	(15)
Tax benefit from stock related compensation	--	--	991	--	--	991
Balance at December 31, 2003	24,203,338	$ 242	222,588	8,393	6,616	237,839
Comprehensive income:						
Net earnings	--	--	--	44,616	--	44,616
Unrealized loss on securities, net of reclassification adjustment	--	--	--	--	(682)	(682)
Total comprehensive income	--	--	--	--	--	43,934
Cash dividends declared ($.68 per share)	--	--	--	(16,618)	--	(16,618)
Stock options exercised	417,322	4	5,435	--	--	5,439
Repurchase and retirement of stock	(71,250)	(1)	(1,804)	--	--	(1,805)
Acquisition of fractional shares	--	--	(9)	--	--	(9)
Tax benefit from stock related compensation	--	--	1,404	--	--	1,404
Balance at December 31, 2004	24,549,410	$ 245	227,614	36,391	5,934	270,184

Disclosure of reclassification amount:	Year ended December 31, 2004	2003	2002
Unrealized and realized holding (loss) gain arising during the year ...	$(1,124)	(2,225)	13,980
Tax benefit (expense) ...	442	866	(5,480)
Net after tax ...	(682)	(1,359)	8,500
Reclassification adjustment for net gains included in net income ...	--	(3,502)	(238)
Tax expense ...	--	1,366	93
Net after tax ...	--	(2,136)	(145)
Net change in unrealized (loss) gain on available-for-sale securities ...	$ (682)	(3,495)	8,355

See accompanying notes to consolidated financial statements.

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)	Years ended December 31, 2004	2003	2002
OPERATING ACTIVITIES :			
Net earnings	$ 44,616	38,008	32,402
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Mortgage loans held for sale originated or acquired	(292,017)	(521,323)	(409,481)
Proceeds from sales of mortgage loans held for sale	302,529	567,010	390,353
Provision for loan losses	4,195	3,809	5,745
Depreciation of premises and equipment	4,567	4,283	4,178
Amortization of core deposit intangible	1,074	1,243	1,439
Gain on sale of investments, net of impairment charge	--	(1,253)	(238)
Gain on sale of loans	(8,015)	(10,674)	(5,709)
Amortization of investment securities premiums and discounts, net	11,263	14,360	5,640
Federal Home Loan Bank of Seattle stock dividends	(1,218)	(2,179)	(2,170)
Deferred tax expense	284	722	1,466
Tax benefit from stock related compensation	1,404	991	1,080
Net increase in accrued interest receivable	(696)	(1,270)	(1,012)
Net increase (decrease) in accrued interest payable	495	(1,795)	(3,089)
Net increase (decrease) in current income taxes	1,201	1,645	(915)
Net (increase) decrease in other assets	(2,145)	1,808	(1,041)
Net increase (decrease) in other liabilities	2,253	(99)	(1,205)
NET CASH PROVIDED BY OPERATING ACTIVITIES	69,790	95,286	17,443
INVESTING ACTIVITIES:			
Proceeds from sales, maturities and prepayments of investment securities available-for-sale	317,273	389,400	206,554
Purchases of investment securities available-for-sale	(315,172)	(715,454)	(429,596)
Principal collected on installment and commercial loans	677,004	566,245	576,109
Installment and commercial loans originated or acquired	(875,539)	(705,249)	(617,200)
Principal collections on mortgage loans	296,482	303,251	260,027
Mortgage loans originated or acquired	(376,039)	(283,278)	(178,171)
Net purchase of FHLB and FRB stock	(1,942)	(973)	(3,687)
Acquisition of Ione branch and Pend Oreille Bank	14,524	(243)	--
Net addition of premises and equipment	(7,032)	(7,579)	(828)
NET CASH USED IN INVESTING ACTIVITIES	(270,441)	(453,880)	(186,792)
FINANCING ACTIVITIES:			
Net increase in deposits	116,943	77,943	13,859
Net increase in FHLB advances	41,639	293,634	116,364
Net increase in securities sold under repurchase agreements	19,190	10,762	13,621
Net (decrease) increase in other borrowed funds	(2,961)	(7,069)	14,027
Proceeds from issuance of subordinated debentures	45,000	--	--
Cash dividends paid	(16,618)	(14,572)	(11,532)
Proceeds from exercise of stock options and other stock issued	5,439	4,674	4,961
Repurchase and retirement of stock	(1,805)	--	--
Cash paid for stock dividends	(9)	(15)	--
NET CASH PROVIDED BY FINANCING ACTIVITIES	206,818	365,357	151,300
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,167	6,763	(18,049)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	86,140	79,377	97,426
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 92,307	86,140	79,377
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for interest	$ 39,382	40,219	62,762
Cash paid during the year for income taxes	$ 18,424	14,721	14,793

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) GENERAL

Glacier Bancorp, Inc. (the "Company"), is a Montana corporation incorporated in 2004 as a successor corporation to the Delaware corporation incorporated in 1990. The Company is a multi-bank holding company that provides a full range of banking services to individual and corporate customers in Montana, Idaho, Utah and Washington through its subsidiary banks. The subsidiary banks are subject to competition from other financial service providers. The subsidiary banks are also subject to the regulations of certain government agencies and undergo periodic examinations by those regulatory authorities.

The accounting and consolidated financial statement reporting policies of the Company conform with accounting principles generally accepted in the United States of America. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities as of the date of the statement of financial condition and income and expenses for the period. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses. Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the subsidiary banks' allowance for loan losses. Such agencies may require the subsidiary banks to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

(b) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its nine wholly owned operating subsidiaries, Glacier Bank ("Glacier"), First Security Bank of Missoula ("First Security"), Western Security Bank ("Western"), Mountain West Bank in Idaho, ("Mountain West"), Big Sky Western Bank, ("Big Sky"), Valley Bank of Helena ("Valley"), Glacier Bank of Whitefish ("Whitefish"), Glacier Capital Trust I ("Glacier Trust I"), and Glacier Capital Trust II ("Glacier Trust II"). All significant inter-company transactions have been eliminated in consolidation.

On June 4, 2004, AmericanWest Bancorp.'s branch office in Ione, Washington was acquired and became a branch of Mountain West Bank. Pend Oreille Bancorp was acquired July 15, 2003 and its branches became additional branches of Mountain West. The acquisitions were accounted for using the purchase method of accounting. Accordingly, the financial information presented includes the operations since the date of the acquisitions. See footnote 20 for additional information related to these transactions.

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash held as demand deposits at various banks and regulatory agencies, interest bearing deposits and federal funds sold with original maturities of three months or less.

(d) INVESTMENT SECURITIES

Debt securities for which the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity and are stated at amortized cost. Debt and equity securities held primarily for the purpose of selling in the near term are classified as trading securities and are reported at fair market value, with unrealized gains and losses included in income. Debt and equity securities not classified as held-to-maturity or trading are classified as available-for-sale and are reported at fair value with unrealized gains and losses, net of income taxes, shown as a separate component of stockholders' equity. Currently, the Company only holds available-for-sale securities.

Premiums and discounts on investment securities are amortized or accreted into income using a method that approximates the level-yield interest method. The cost of any investment, if sold, is determined by specific identification. Declines in the fair value of securities below carrying value that are other than temporary are charged to expense as realized losses and the related carrying value is reduced to fair value.

The Company holds stock in the Federal Home Loan Bank of Seattle (FHLB) and the Federal Reserve Bank (FRB). FHLB and FRB stocks are restricted because they may only be sold to another member institution or the FHLB or FRB at their par values. Due to restrictive terms, and the lack of a readily determinable market value, FHLB and FRB stocks are carried at cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES . . . CONTINUED

(e) LOANS RECEIVABLE

Loans that are intended to be held to maturity are reported at their unpaid principal balance less charge-offs, specific valuation accounts, and any deferred fees or costs on originated loans. Purchased loans are reported net of unamortized premiums or discounts. Discounts and premiums on purchased loans and net loan fees on originated loans are amortized over the expected life of loans using methods that approximate the effective interest method.

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. Accrual of interest on loans is discontinued either when reasonable doubt exists as to the full, timely collection of interest or principal or when a loan becomes contractually past due by ninety days or more with respect to interest or principal unless such past due loan is well secured and in the process of collection. When a loan is placed on nonaccrual status, interest previously accrued but not collected is reversed against current period interest income. 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.

(f) LOANS HELD FOR SALE

Mortgage and commercial loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses are recognized by charges to income. A sale is recognized when the Company surrenders control of the loan and consideration, other than beneficial interests in the loan, is received in exchange. A gain is recognized to the extent the selling price exceeds the carrying value.

(g) ALLOWANCE FOR LOAN LOSSES

Management's periodic evaluation of the adequacy of the allowance is based on factors such as the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, current economic conditions, and independent appraisals.

The Company also provides an allowance for losses on impaired loans. Groups of small balance homogeneous loans (generally consumer and residential real estate loans) are evaluated for impairment collectively. A loan is considered impaired when, based upon current information and events, it is probable that the Company will be unable to collect, on a timely basis, all principal and interest according to the contractual terms of the loan's original agreement. When a specific loan is determined to be impaired, the allowance for loan losses is increased through a charge to expense for the amount of the impairment. The amount of the impairment is measured using cash flows discounted at the loan's effective interest rate, except when it is determined that the sole source of repayment for the loan is the operations or liquidation of the underlying collateral. In such cases, impairment is measured by determining the current value of the collateral, reduced by anticipated selling costs. The Company recognizes interest income on impaired loans only to the extent the cash payments are received.

(h) PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less depreciation. Depreciation is computed on a straight-line method over the estimated useful lives or the term of the related lease. The estimated useful life for office building is 15-40 years and the estimated useful life for furniture, fixtures, and equipment is 3-10 years.

(i) REAL ESTATE OWNED

Property acquired by foreclosure or deed in lieu of foreclosure is carried at the lower of cost or 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 and the asset carrying value is reduced.

(j) GOODWILL

On an annual basis, as required by Financial Accounting Standards Board (FASB) Statement 142, Goodwill and Other Intangible Assets, the Company tests goodwill for impairment at the subsidiary level during the third quarter. In addition, goodwill is tested for impairment on an interim basis if an event or circumstance indicates that it is more likely than not that an impairment loss has occurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES ... CONTINUED

(k) CORE DEPOSIT INTANGIBLES

Core deposit intangibles represent the intangible value of depositor relationships resulting from deposit liabilities assumed in acquisitions and are amortized using an accelerated method based on an estimated runoff of the related deposits, not exceeding 10 years. The useful life of the core deposit intangible is reevaluated on an annual basis, with any changes in estimated useful life being accounted for prospectively over the revised remaining life.

(l) INCOME TAXES

Deferred tax assets and liabilities are recognized for estimated future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(m) STOCK-BASED COMPENSATION

Compensation cost for stock-based compensation to employees is measured at the grant date using the intrinsic value method. Under the intrinsic value method, compensation cost is the excess of the market price of the stock at the grant date over the amount an employee must pay to ultimately acquire the stock and is recognized over any related service period.

The per share weighted-average fair value of stock options granted during 2004, 2003 and 2002 was $1.59, $2.12, and $3.26, respectively, on the date of grant using the Black Scholes option-pricing model with the following assumptions: 2004 - expected dividend yield of 2.44%, risk-free interest rate of 2.82%, volatility ratio of 19%, and expected life of 4.8 years: 2003 - expected dividend yield of 3.01%, risk-free interest rate of 2.78%, volatility ratio of 21%, and expected life of 4.8 years: 2002 - expected dividend yield of 3.02%, risk-free interest rate of 2.73%, volatility ratio of 23%, and expected life of 4.8 years.

The exercise price of all options granted has been equal to the fair market value of the underlying stock at the date of grant and, accordingly, no compensation cost has been recognized for its stock options in the financial statements. Had the Company determined compensation cost based on the fair value of the option itself at the grant date for its stock options under SFAS 123, Accounting for Stock-Based Compensation, the Company's net income would have been reduced to the pro forma amounts indicated below:

		Years ended December 31,		
		2004	2003	2002
Net earnings (in thousands):	As reported	$ 44,616	38,008	32,402
	Compensation cost	(685)	(752)	(577)
	Pro forma	43,931	37,256	31,825
Basic earnings per share:	As reported	1.82	1.58	1.37
	Compensation cost	(0.02)	(0.03)	(0.02)
	Pro forma	1.80	1.55	1.35
Diluted earnings per share:	As reported	1.79	1.55	1.35
	Compensation cost	(0.03)	(0.03)	(0.02)
	Pro forma	1.76	1.52	1.33

In December 2004, the Financial Accounting Standards Board issued a revised version of SFAS No. 123 Share-Based Payment (SFAS 123R), which replaces SFAS 123 and supersedes APB 25. The Company is required to apply SFAS 123R as of the first interim or annual reporting period that begins after June 15, 2005. SFAS 123R requires the recognition of compensation cost related to share-based payment plans to be recognized in the financial statements based on the fair value of the equity or liability instruments issued. The company expects to adopt SFAS No. 123 (Revised) effective with its reporting for the third quarter of 2005.

(n) LONG-LIVED ASSETS

Long-lived assets, including core deposit intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is deemed impaired if the sum of the expected future cash flows is less than the carrying amount of the asset. If impaired, an impairment loss is recognized to reduce the carrying value of the asset to fair value. At December 31, 2004 and 2003 there were no assets that were considered impaired.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES ... CONTINUED

(o) MORTGAGE SERVICING RIGHTS

The Company recognizes the rights to service mortgage loans for others, whether acquired or internally originated. Loan servicing rights are initially recorded at fair value based on comparable market quotes and are amortized as other expense in proportion to and over the period of estimated net servicing income. Loan servicing rights are evaluated quarterly for impairment by discounting the expected future cash flows, taking into consideration the estimated level of prepayments based on current industry expectations and the predominant risk characteristics of the underlying loans including loan type, note rate and loan term. Impairment adjustments, if any, are recorded through a valuation allowance.

As of December 31, 2004 and 2003 the carrying value of servicing rights was approximately $1,241,000 and $1,388,000, respectively. Amortization expense of $328,000, $729,000, and $480,000 was recognized in the years ended December 31, 2004, 2003, and 2002, respectively. The servicing rights are included in other assets on the balance sheet and are amortized over the period of estimated net servicing income. There was no impairment of carrying value at December 31, 2004 or 2003. At December 31, 2004, the fair value of mortgage servicing rights was approximately $1,621,000.

(p) EARNINGS PER SHARE

Basic earnings per share is computed by dividing net earnings available to common stockholders by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share is computed by dividing such net earnings by the weighted average number of common shares used to compute basic EPS plus the incremental amount of potential common stock determined by the treasury stock method. Previous period amounts are restated for the effect of stock dividends and splits.

(q) STOCK SPLIT AND STOCK DIVIDEND

On April 28, 2004 the Board of Directors declared a five-for-four stock split, payable to shareholders of record on May 11, 2004, payable May 20, 2004. On April 30, 2003, the Board of Directors declared a 10 percent stock dividend, payable in common stock of the Company to shareholders of record on May 13, 2003, payable on May 22, 2003. All prior period amounts have been restated to reflect the stock split and dividend.

(r) COMPREHENSIVE INCOME

Comprehensive income includes net income, as well as other changes in stockholders' equity that result from transactions and economic events other than those with stockholders. The Company's only significant element of other comprehensive income is unrealized gains and losses on available-for-sale securities.

(s) RECLASSIFICATIONS

Certain reclassifications have been made to the 2003 and 2002 financial statements to conform to the 2004 presentation.

2. CASH ON HAND AND IN BANKS

The subsidiary banks are required to maintain an average reserve balance with either the Federal Reserve Bank or in the form of cash on hand. The amount of this required reserve balance at December 31, 2004 was $8,290,000.

3. INVESTMENT SECURITIES, AVAILABLE FOR SALE

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

INVESTMENTS AS OF DECEMBER 31, 2004

(Dollars in thousands)	Weighted Yield	Amortized Cost	Gross Gains	Unrealized Losses	Estimated Fair Value
U.S. GOVERNMENT AND FEDERAL AGENCIES					
maturing within one year	1.29%	$ 251	-	-	251
maturing five years through ten years	4.62%	350	6	-	356
maturing after ten years	3.08%	481	2	(1)	482
	3.16%	1,082	8	(1)	1,089
STATE AND LOCAL GOVERNMENTS AND OTHER ISSUES:					
maturing within one year	5.30%	518	8	-	526
maturing one year through five years	5.37%	1,205	64	-	1,269
maturing five years through ten years	4.69%	6,514	324	-	6,838
maturing after ten years	5.13%	292,102	12,971	(1,098)	303,975
	5.12%	300,339	13,367	(1,098)	312,608
MORTGAGE-BACKED SECURITIES	4.99%	56,629	919	(503)	57,045
REAL ESTATE MORTGAGE INVESTMENT CONDUITS	3.77%	660,389	1,624	(4,469)	657,544
FHLMC AND FNMA STOCK	5.74%	7,593	-	(56)	7,537
FHLB AND FRB STOCK, AT COST	3.22%	49,803	-	-	49,803
TOTAL INVESTMENTS	4.20%	$1,075,835	15,918	(6,127)	1,085,626

INVESTMENTS AS OF DECEMBER 31, 2003

(Dollars in thousands)	Weighted Yield	Amortized Cost	Gross Gains	Unrealized Losses	Estimated Fair Value
U.S. GOVERNMENT AND FEDERAL AGENCIES					
maturing within one year	0.85%.	$ 352	-	-	352
maturing one year through five years	1.29%	259	-	(1)	258
maturing after ten years	2.97%	957	15	(1)	971
	2.22%	1,568	15	(2)	1,581
STATE AND LOCAL GOVERNMENTS AND OTHER ISSUES:					
maturing within one year	5.69%	4,346	41	-	4,387
maturing one year through five years	4.30%	5,485	84	(102)	5,467
maturing five years through ten years	5.35%	4,910	197	-	5,107
maturing after ten years	5.11%	288,644	10,106	(1,683)	297,067
	5.11%	303,385	10,428	(1,785)	312,028
MORTGAGE-BACKED SECURITIES	4.30%	64,123	1,465	(342)	65,246
REAL ESTATE MORTGAGE INVESTMENT CONDUITS	4.03%	662,727	4,983	(3,911)	663,799
FHLMC AND FNMA STOCK	5.74%	7,593	64	-	7,657
FHLB AND FRB STOCK, AT COST	5.34%	46,643	-	-	46,643
TOTAL INVESTMENTS	4.41%	$1,086,039	16,955	(6,040)	1,096,954

3. INVESTMENT SECURITIES, AVAILABLE FOR SALE...CONTINUED

Maturities of securities do not reflect repricing opportunities present in adjustable rate securities, nor do they reflect expected shorter maturities based upon early prepayment of principal. Weighted yields on tax-exempt investment securities exclude the tax effect. The Real Estate Mortgage Investment Conduits are backed by the FNMA, GNMA, or FHLMC.

The book value of securities was as follows at:

(dollars in thousands)	December 31, 2002
U.S. Government and Federal Agencies	$ 1,086
State and Local Governments and Other Issues	244,665
Mortgage-Backed Securities	81,043
Real Estate Mortgage Investment Conduits	388,927
FHLMC and FNMA stock	7,593
FHLB and FRB stock	42,864
	$766,178

Investments with an unrealized loss position at December 31, 2004:

	Less than 12 months		12 months or more		Total	
(dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Government and Federal Agencies	136	1	314	1	450	2
State and Local Governments and other issues	18,767	260	18,409	838	37,176	1,098
FHLMC stock	7,444	56	-	-	7,444	56
Mortgage-Backed Securities	18,867	193	13,256	310	32,123	503
Real Estate Mortgage Investment Conduits	381,196	2,994	73,086	1,474	454,282	4,468
Total temporarily impaired securities	426,410	3,504	105,065	2,623	531,475	6,127

Most of the unrealized loss is the result of changing market values due to changes in intermediate and long term (10 year) interest rates. The value of real estate mortgage investment conduits and mortgage-backed securities is also affected by the level of mortgage refinancing activity and resulting prepayment of the underlying mortgages. During periods of rapid prepayments, values decline because of shortening of the expected maturity and reduced earning potential. During periods of increasing rates, values decline due to the opportunity to invest at current rates which are higher than the rates on the investments held. The ten year U.S. Treasury rates have seen significant volatility during 2004 with rates ranging from a low of 3.76% in March to a high of 4.84% in June and ending the year at 4.24%. The Company anticipates the unrealized losses to be temporary and therefore an impairment charge is not required as of December 31, 2004.

Interest Income includes tax-exempt interest for the years ended December 31, 2004, 2003, and 2002 of $13,917,000, $11,410,000, and $8,074,000, respectively.

Gross proceeds from sales of investment securities for the years ended December 31, 2004, 2003, and 2002 were approximately $66,910,000, $19,603,000 and $31,695,000 respectively, resulting in gross gains of approximately $304,000, $3,502,000 and $451,000 and gross losses of approximately $304,000, $0 and $213,000, respectively. The cost of any investment sold is determined by specific identification.

At December 31, 2004, the Company had investment securities with carrying values of approximately $194,795,000 pledged as security for deposits of several local government units, securities sold under agreements to repurchase, and as collateral for treasury tax and loan borrowings.

4. LOANS RECEIVABLE, NET AND LOANS HELD FOR SALE

The following is a summary of loans receivable, net and loans held for sale at:

(dollars in thousands)	December 31, 2004	December 31, 2003
Residential first mortgage	$ 382,750	305,372
Loans held for sale	14,476	16,973
Commercial real estate	526,455	483,684
Other commercial	466,582	359,030
Consumer	95,663	95,739
Home equity	248,684	199,693
	1,734,610	1,460,491
Net deferred loan fees, premiums and discounts	(6,313)	(6,136)
Allowance for loan losses	(26,492)	(23,990)
	$ 1,701,805	1,430,365

The following is a summary of activity in allowance for losses on loans:

(dollars in thousands)	Years ended December 31, 2004	2003	2002
Balance, beginning of period	$23,990	20,944	18,654
Acquisitions	--	959	--
Net charge offs	(1,693)	(1,722)	(3,455)
Provision	4,195	3,809	5,745
Balance, end of period	$26,492	23,990	20,944

The following is the allocation of allowance for loan losses and percent of loans in each category at:

	DECEMBER 31, 2004		December 31, 2003	
(dollars in thousands)	AMOUNT	PERCENT OF OF LOANS IN CATEGORY	Amount	Percent of of loans in category
Residential first mortgage and loans held for sale	$ 2,693	22.9%	$ 2,147	21.8%
Commercial real estate	9,222	30.4%	7,464	33.2%
Other commercial	9,836	26.9%	9,951	24.7%
Consumer	2,083	5.5%	2,220	6.6%
Home equity	2,658	14.3%	$ 2,208	13.7%
	$ 26,492	100.0%	23,990	100.0%

Substantially all of the Company's loan receivables are with customers within the Company's market area. Although the Company has a diversified loan portfolio, a substantial portion of its customers' ability to honor their contracts is dependent upon the economic performance in the Company's market areas. At December 31, 2004, no individual borrower had outstanding loans or commitments exceeding 10% of the Company's consolidated stockholders' equity.

4. LOANS RECEIVABLE, NET AND LOANS HELD FOR SALE ... CONTINUED

Impaired loans, which consists of those reported as non-accrual, for the years ended December 31, 2004, 2003, and 2002 were approximately $5,950,000, $10,062,000, and $8,042,000, respectively, of which no impairment allowance was deemed necessary. The average recorded investment in impaired loans for the years ended December 31, 2004, 2003, and 2002 was approximately $8,733,000, $8,620,000, and $8,275,000, respectively. Interest income that would have been recorded on impaired loans if such loans had been current for the entire period would have been approximately $372,000, $665,000, and $596,000 for the years ended December 31, 2004, 2003, and 2002, respectively. Interest income recognized on impaired loans for the years ended December 31, 2004, 2003, and 2002 was not significant. Loans ninety days overdue and still accruing interest for the years ended December 31, 2004, 2003, and 2002 were approximately $1,642,000, $2,419,000, and $1,998,000, respectively.

The weighted average interest rate on loans was 6.32% and 6.74% at December 31, 2004 and 2003, respectively.

At December 31, 2004, 2003 and 2002 loans sold and serviced for others were $174,805,000, $189,601,000, and $253,063,000, respectively.

At December 31, 2004 the Company had $1,172,781,000 in variable rate loans and $561,829,000 in fixed rate loans.

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit, and involve, to varying degrees, elements of credit risk. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. The Company did not have any outstanding commitments on impaired loans as of December 31, 2004.

The Company had outstanding commitments as follows:

	December 31,	
(dollars in thousands)	2004	2003
Loans and loans in process	$ 367,388	258,350
Unused consumer lines of credit	169,286	118,691
Letters of credit	18,842	13,636
	$ 555,516	390,677

Substantially all of the loans held for sale at December 31, 2004 and 2003 were committed to be sold.

The Company has entered into transactions with its executive officers, directors, significant shareholders, and their affiliates. The aggregate amount of loans to such related parties at December 31, 2004 and 2003 was approximately $33,180,000 and $27,313,000. During 2004 and 2003, new loans to such related parties were approximately $22,847,000 and $24,652,000, respectively, and repayments were approximately $16,980,000 and $18,525,000, respectively.

5. PREMISES AND EQUIPMENT, NET

Premises and equipment, net consist of the following at:

(dollars in thousands)	December 31, 2004	December 31, 2003
Land	$ 12,053	11,487
Office buildings and construction in progress	45,079	41,279
Furniture, fixtures and equipment	25,656	24,533
Leasehold improvements	2,827	2,590
Accumulated depreciation	(29,883)	(26,638)
	$ 55,732	53,251

6. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table sets forth information regarding the Company's core deposit intangibles and mortgage servicing rights:

(Dollars in thousands)	Core Deposit Intangible	Mortgage Servicing Rights (1)	Total
AS OF DECEMBER 31, 2004			
Gross carrying value	$ 10,270		
Accumulated Amortization	(5,331)		
Net carrying value	$ 4,939	1,241	6,180
AS OF DECEMBER 31, 2003			
Gross carrying value	$ 10,122		
Accumulated Amortization	(4,257)		
Net carrying value	$ 5,865	1,388	7,253
WEIGHTED-AVERAGE AMORTIZATION PERIOD			
(Period in years)	10.0	9.6	9.9
AGGREGATE AMORTIZATION EXPENSE			
For the year ended December 31, 2004	$ 1,074	328	1,402
For the year ended December 31, 2003	1,243	729	1,972
ESTIMATED AMORTIZATION EXPENSE			
For the year ended December 31, 2005	917	85	1,002
For the year ended December 31, 2006	841	83	924
For the year ended December 31, 2007	820	81	901
For the year ended December 31, 2008	807	78	885
For the year ended December 31, 2009	756	75	831

(1) Gross carrying value and accumulated amortization are not readily available

6. GOODWILL AND OTHER INTANGIBLE ASSETS ... CONTINUED

On June 4, 2004, the Company completed the acquisition of American West Bancorp, Inc.'s branch office in Ione, Washington. A portion of the purchase was allocated to core deposit intangible of $148 thousand and goodwill of $425 thousand. The following is a summary of activity in goodwill.

(Dollars in thousands)	Goodwill
Balance as of December 31, 2003	36,951
Acquisition of Ione branch	425
Balance as of December 31, 2004	37,376

7. DEPOSITS

Deposits consist of the following at:

(dollars in thousands)	DECEMBER 31, 2004 Weighted Average Rate	DECEMBER 31, 2004 AMOUNT	DECEMBER 31, 2004 PERCENT	December 31, 2003 Amount	December 31, 2003 Percent
Demand accounts	0.0%	$ 460,059	26.6%	$ 369,052	23.1%
NOW accounts	0.2%	280,455	16.2%	249,838	15.6%
Savings accounts	0.3%	166,350	9.6%	150,367	9.4%
Money market demand accounts	0.9%	415,817	24.0%	390,344	24.4%
Certificate accounts:					
1.00% and lower		52,056	3.0%	75,908	4.8%
1.01% to 2.00%		177,172	10.2%	176,839	11.1%
2.01% to 3.00%		100,566	5.8%	85,289	5.3%
3.01% to 4.00%		33,934	2.0%	39,536	2.5%
4.01% to 5.00%		21,216	1.2%	27,351	1.7%
5.01% to 6.00%		11,936	0.8%	19,897	1.3%
6.01% to 7.00%		9,643	0.6%	12,691	0.8%
7.01% and higher		504	0.0%	513	0.0%
Total certificate accounts	2.2%	407,027	23.6%	438,024	27.5%
Total interest bearing deposits	1.1%	1,269,649	73.4%	1,228,573	76.9%
Total deposits	0.9%	$ 1,729,708	100.0%	1,597,625	100.0%
Deposits with a balance in excess of $100,000		$ 699,066		$ 577,423	

7. DEPOSITS ... CONTINUED

At December 31, 2004, scheduled maturities of certificate accounts are as follows:

		Years ending December 31,				
(dollars in thousands)	Total	2005	2006	2007	2008	Thereafter
1.00% and lower............	$ 52,056	51,913	143	-	-	-
1.01% to 2.00%.............	177,172	158,363	16,785	1,970	54	-
2.01% to 3.00%.............	100,566	54,368	29,772	12,784	2,639	1,003
3.01% to 4.00%.............	33,934	8,367	3,316	10,379	4,529	7,343
4.01% to 5.00%.............	21,216	4,599	4,398	11,613	-	606
5.01% to 6.00%.............	11,936	2,241	2,687	7,008	-	-
6.01% to 7.00%	9,643	7,286	2,267	14	76	-
7.01% and higher...........	$ 504	504	-	-	-	-
	407,027	287,641	59,368	43,768	7,298	8,952

Interest expense on deposits is summarized as follows:

	Years ended December 31,		
(dollars in thousands)	2004	2003	2002
NOW accounts	$ 474	484	723
Savings accounts ...	471	500	857
Money market demand accounts	3,776	3,840	6,771
Certificate accounts	9,333	12,397	17,917
	$14,054	17,221	26,268

8. ADVANCES FROM FEDERAL HOME LOAN BANK OF SEATTLE

Advances from the Federal Home Loan Bank of Seattle (FHLB) consist of the following:

	Maturing in years ending December 31,						Totals as of December 31,	
(dollars in thousands)	2005	2006	2007	2008	2009	2010-2012	2004	2003
1.00% to 2.00%.................	-	40,000	-	-	-	-	40,000	445,870
2.01% to 3.00%.................	437,942	69,500	110,500	-	-	-	617,942	132,500
3.01% to 4.00%.................	41,350	-	13,000	3,000	-	40,000	97,350	116,600
4.01% to 5.00%.................	-	-	-	-	-	42,000	42,000	47,500
5.01% to 6.00%.................	145	145	145	18,128	1	-	18,564	31,217
6.01% to 7.00%.................	574	274	974	74	47	23	1,966	2,256
7.01% to 8.00%.................	211	500	300	100	-	-	1,111	1,251
8.01% to 9.00%.................	-	--	-	-	-	-	-	100
	$480,222	110,419	124,919	21,302	48	82,023	818,933	777,294

These advances are collateralized by the FHLB stock held by the Company and a blanket assignment of the Bank's unpledged qualifying real estate loans and investments. The total amount of advances available, subject to collateral availability, as of December 31, 2004 was approximately $320,062,000.

The weighted average interest rate on these advances was 2.72% and 2.80% at December 31, 2004 and 2003, respectively.

8. ADVANCES FROM FEDERAL HOME LOAN BANK OF SEATTLE . . . CONTINUED

The Federal Home Loan Bank of Seattle holds callable options, which may be exercised after a predetermined time as shown below as of December 31, 2004:

(dollars in thousands)	Amount	Interest Rate	Maturity	Earliest Call
Call Terms				
Quarterly at FHLB option	13,000	2.88%	2007	2005
Quarterly at FHLB option	10,000	2.97%	2007	2005
Quarterly at FHLB option	3,000	5.37%	2008	2005
Quarterly at FHLB option	15,000	5.52%	2008	2005
If three month LIBOR is greater than 8% on quarterly measurement date after initial term	82,000	3.49% - 4.83%	2012	2005
	$123,000			

9. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND OTHER BORROWED FUNDS

Securities sold under agreements to repurchase consist of the following at:

(DOLLARS IN THOUSANDS) December 31, 2004	REPURCHASE AMOUNT	WEIGHTED AVERAGE RATE	BOOK VALUE OF UNDERLYING ASSETS	MARKET VALUE OF UNDERLYING ASSETS
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE WITHIN:				
1-30 DAYS..........................	76,158	1.87%	126,671	129,340
	$ 76,158	1.87%	$ 126,671	129,340
December 31, 2003:				
Securities sold under agreements to repurchase within:				
1-30 days..........................	56,968	1.06%	98,120	101,280
	$ 56,968	1.06%	$ 98,120	101,280

The securities, consisting of agency issued or guaranteed mortgage backed securities, underlying agreements to repurchase entered into by the Company are for the same securities originally sold, and are held in a custody account by a third party. For the year ended December 31, 2004 and 2003 securities sold under agreements to repurchase averaged approximately $69,480,000 and $61,609,000, respectively, and the maximum outstanding at any month end during the year was approximately $80,265,000 and $74,808,000, respectively.

The Company also has a treasury tax and loan account note option program which provides short term funding with no fixed maturity date up to $19,500,000 at federal funds rates minus 25 basis points. At December 31, 2004 and 2003 the outstanding balance under this program was approximately $4,354,000 and $7,309,000. The borrowings are secured with investment securities with a par value of approximately $26,635,000 and a market value of approximately $28,568,000. For the year ended December 31, 2004, the maximum outstanding at any month end was approximately $13,345,000 and the average balance was approximately $3,954,000.

10. SUBORDINATED DEBENTURES

On March 24, 2004, 45,000 shares of trust preferred shares were issued by Glacier Trust II whose common equity is wholly owned by the Company. The Trust Preferred Securities bear a cumulative fixed interest rate of 5.788% for the first five years and then converts to a three month LIBOR plus 2.75% rate for the remaining term until maturity on April 7, 2034. Interest distributions are payable quarterly. The Trust Preferred Securities are subject to mandatory redemption upon repayment of the Subordinated Debentures of $45,000,000 at their stated maturity date or their earlier redemption in an amount equal to their liquidation amount plus accumulated and unpaid distributions to the date of redemption.

On January 25, 2001, 1,400,000 shares of trust preferred shares were issued by Glacier Trust I whose common equity is wholly owned by the Company. The Trust Preferred Securities bear a cumulative fixed interest rate of 9.40% and mature on February 1, 2031. Interest distributions are payable quarterly. The Trust Preferred Securities are subject to mandatory redemption upon repayment of the Subordinated Debentures of $35,000,000 at their stated maturity date or their earlier redemption in an amount equal to their liquidation amount plus accumulated and unpaid distributions to the date of redemption.

The Company guaranteed the payment of distributions and payments for redemption or liquidation of the Trust Preferred Securities to the extent of funds held by Glacier Trust I and Glacier Trust II. The obligations of the Company under the Subordinated Debentures together with the guarantee and other back-up obligations, in the aggregate, constitute a full and unconditional guarantee by the Company of the obligations of both trusts under the Trust Preferred Securities.

As a result of the adoption of FIN 46R on December 31, 2003, the Company deconsolidated Glacier Trust I. The $35,000,000 of subordinated debentures issued by the Company to Glacier Trust I are reflected in the consolidated balance sheets as of December 31, 2004 and 2003. The $45,000,000 of subordinated debentures issued by the Company to Glacier Trust II are reflected in the consolidated balance sheet as of December 31, 2004.

The Subordinated Debentures with Glacier Trust I are unsecured, bear interest at a rate of 9.40% per annum and mature on February 1, 2031. The Subordinated Debentures with Glacier Trust II are unsecured, bear interest at a rate of 5.788% per annum for the first five years and then converts to a three month LIBOR plus 2.75% rate for the remaining term until maturity on April 7, 2034. Interest is payable quarterly for all Subordinated Debentures. The Company may defer the payment of interest at any time from time to time for a period not exceeding 20 consecutive quarters provided that the deferral period does not extend past the stated maturity. During any such deferral period, distributions on the Trust Preferred Securities will also be deferred and the Company's ability to pay dividends on its common shares will be restricted.

Subject to approval by the Federal Reserve Bank, the Trust Preferred Securities may be redeemed at par prior to maturity at the Company's option on or after February 1, 2006 for Glacier Trust I and April 7, 2009 for Glacier Trust II. The Trust Preferred Securities may also be redeemed at any time in whole (but not in part) for either Trust in the event of unfavorable changes in laws or regulations that result in (1) Glacier Trust I or Glacier Trust II becoming subject to federal income tax on income received on the Subordinated Debentures, (2) interest payable by Parent Company on the Subordinated Debentures becoming non-deductible for federal tax purposes, (3) the requirement for either trust to register under the Investment Company Act of 1940, as amended, or (4) loss of the ability to treat the Trust Preferred Securities as "Tier 1 Capital" under the Federal Reserve capital adequacy guidelines.

11. REGULATORY CAPITAL

The Federal Reserve Board has adopted capital adequacy guidelines pursuant to which it assesses the adequacy of capital in supervising a bank holding company. The following table illustrates the Federal Reserve Board's adequacy guidelines and the Company's compliance with those guidelines as of December 31, 2004:

	Actual		Minimum capital requirement		Well capitalized requirement	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier 1 (core) capital to risk weighted assets						
Consolidated	300,475	15.06%	79,800	4.00%	119,700	6.00%
Glacier	57,244	13.22%	17,318	4.00%	25,977	6.00%
First Security.............................	49,798	12.47%	15,978	4.00%	23,967	6.00%
Western	43,151	15.38%	11,224	4.00%	16,835	6.00%
Mountain West	42,992	10.20%	16,861	4.00%	25,292	6.00%
Big Sky..................................	18,547	9.22%	8,043	4.00%	12,065	6.00%
Valley...................................	17,674	12.38%	5,711	4.00%	8,567	6.00%
Whitefish	12,945	11.67%	4,439	4.00%	6,658	6.00%
Tier 2 (total) capital to risk weighted assets						
Consolidated	325,432	16.31%	159,601	8.00%	199,501	10.00%
Glacier	62,128	14.35%	34,636	8.00%	43,295	10.00%
First Security	54,800	13.72%	31,956	8.00%	39,945	10.00%
Western	46,675	16.63%	22,447	8.00%	28,059	10.00%
Mountain West	48,005	11.39%	33,722	8.00%	42,153	10.00%
Big Sky	21,064	10.48%	16,087	8.00%	20,108	10.00%
Valley	19,453	13.62%	11,423	8.00%	14,279	10.00%
Whitefish	14,325	12.91%	8,877	8.00%	11,097	10.00%
Leverage capital to total average assets						
Consolidated	300,475	10.16%	118,271	4.00%	147,839	5.00%
Glacier	57,244	8.90%	25,723	4.00%	32,154	5.00%
First Security	49,798	8.27%	24,093	4.00%	30,117	5.00%
Western	43,151	9.67%	17,854	4.00%	22,317	5.00%
Mountain West	42,992	7.16%	24,027	4.00%	30,033	5.00%
Big Sky	18,547	7.88%	9,413	4.00%	11,767	5.00%
Valley	17,674	7.58%	9,325	4.00%	11,656	5.00%
Whitefish.................................	12,945	7.75%	6,684	4.00%	8,355	5.00%

11. REGULATORY CAPITAL. . . CONTINUED

The following table illustrates the Federal Reserve Board's adequacy guidelines and the Company's compliance with those guidelines as of December 31, 2003:

	Actual		Minimum capital requirement		Well capitalized requirement	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier 1 (core) capital to risk weighted assets						
Consolidated	223,423	12.98%	68,864	4.00%	103,296	6.00%
Glacier	51,010	13.75%	14,838	4.00%	22,256	6.00%
First Security	42,897	12.04%	14,252	4.00%	21,378	6.00%
Western	40,796	15.04%	10,850	4.00%	16,275	6.00%
Mountain West	37,695	10.48%	14,382	4.00%	21,573	6.00%
Big Sky	15,695	10.36%	6,062	4.00%	9,094	6.00%
Valley	15,866	13.25%	4,789	4.00%	7,184	6.00%
Whitefish	11,119	12.32%	3,609	4.00%	5,414	6.00%
Tier 2 (total) capital to risk weighted assets						
Consolidated	245,006	14.23%	137,729	8.00%	172,161	10.00%
Glacier	55,281	14.90%	29,675	8.00%	37,094	10.00%
First Security	47,363	13.29%	28,504	8.00%	35,630	10.00%
Western	44,225	16.30%	21,700	8.00%	27,125	10.00%
Mountain West	41,995	11.68%	28,764	8.00%	35,955	10.00%
Big Sky	17,595	11.61%	12,125	8.00%	15,156	10.00%
Valley	17,350	14.49%	9,578	8.00%	11,973	10.00%
Whitefish	12,248	13.57%	7,218	8.00%	9,023	10.00%
Leverage capital to total average assets						
Consolidated	223,423	8.45%	105,707	4.00%	132,134	5.00%
Glacier	51,010	8.97%	22,734	4.00%	28,418	5.00%
First Security	42,897	7.80%	22,007	4.00%	27,509	5.00%
Western	40,796	9.23%	17,676	4.00%	22,095	5.00%
Mountain West	37,695	7.34%	20,531	4.00%	25,664	5.00%
Big Sky	15,695	7.82%	8,032	4.00%	10,040	5.00%
Valley	15,866	7.35%	8,637	4.00%	10,796	5.00%
Whitefish	11,119	7.60%	5,855	4.00%	7,319	5.00%

The Federal Deposit Insurance Corporation Improvement Act generally restricts a depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its holding Company if the institution would thereafter be capitalized at less than 8% of total risk-based capital, 4% of Tier I capital, or a 4% leverage ratio. At December 31, 2004 and 2003, the subsidiary banks' capital measures exceed the highest supervisory threshold, which requires total Tier II capital of at least 10%, Tier I capital of at least 6%, and a leverage ratio of at least 5%. Each of the subsidiaries was considered well capitalized by the respective regulator as of December 31, 2004 and 2003.

12. FEDERAL AND STATE INCOME TAXES

The following is a summary of consolidated income tax expense for:

(dollars in thousands)	2004	2003	2002
Current:			
Federal..............................	$ 16,361	13,741	11,925
State................................	4,369	3,690	3,033
Total current tax expense	20,730	17,431	14,958
Deferred:			
Federal..............................	238	554	1,139
State................................	46	168	327
Total deferred tax expense	284	722	1,466
Total income tax expense	$ 21,014	18,153	16,424

Federal and state income tax expense differs from that computed at the federal statutory corporate tax rate as follows for:

	Years ended December 31,		
	2004	2003	2002
Federal statutory rate..................................	35.0%	35.0%	35.0%
State taxes, net of federal income tax benefit..........	4.4%	4.4%	4.4%
Tax-exempt interest income..............................	-7.2%	-6.8%	-5.4%
Other, net..	-0.2%	-0.3%	-0.4%
	32.0%	32.3%	33.6%

The tax effect of temporary differences which give rise to a significant portion of deferred tax assets and deferred tax liabilities are as follows:

	December 31,	
(dollars in thousands)	2004	2003
Deferred tax assets:		
Allowance for losses on loans.........................	$ 10,879	9,484
Deferred compensation.................................	1,795	1,390
Other...	650	730
Total gross deferred tax assets	13,324	11,604
Deferred tax liabilities:		
Federal Home Loan Bank stock dividends...............	(10,270)	(9,223)
Fixed assets, due to differences in depreciation.....	(2,676)	(2,585)
Deferred loan costs..................................	(1,602)	(72)
Available-for-sale securities fair value adjustment..	(3,858)	(4,300)
Other..	(3,310)	(2,793)
Total gross deferred tax liabilities	(21,716)	(18,973)
Net deferred tax liability	$ (8,392)	(7,369)

There is no valuation allowance at December 31, 2004 and 2003 because management believes that it is more likely than not that the Company's deferred tax assets will be realized by offsetting future taxable income from reversing taxable temporary differences and anticipated future taxable income.

12. FEDERAL AND STATE INCOME TAXES...CONTINUED

Retained earnings at December 31, 2004 includes approximately $3,600,000 for which no provision for Federal income tax has been made. This amount represents the base year bad debt reserve, which is essentially an allocation of earnings to pre-1988 bad debt deductions for income tax purposes only. This amount is treated as a permanent difference and deferred taxes are not recognized unless it appears that this reserve will be reduced and thereby result in taxable income in the foreseeable future. The Company is not currently contemplating any changes in its business or operations which would result in a recapture of this federal bad debt reserve into taxable income.

13. EMPLOYEE BENEFIT PLANS

The Company has a profit sharing plan that has a 3% "safe harbor" provision which is a non-elective contribution by the Company. In addition, elective contributions, depending on the Company's profitability, are made to the plan. Participants are at all times fully vested in all contributions. The total plan expense for the years ended December 31, 2004, 2003, and 2002 was approximately $3,181,000, $3,072,000 and $2,691,000 respectively.

The Company also has an employees' savings plan. The plan allows eligible employees to contribute up to 60%, 25% prior to October 1, 2004, of their monthly salaries. The Company matches an amount equal to 50% of the employee's contribution, up to 6% of the employee's total pay. Participants are at all times fully vested in all contributions. The Company's contribution to the savings plan for the years ended December 31, 2004, 2003 and 2002 was approximately $750,000, $693,000, and $577,000, respectively.

The Company has a Supplemental Executive Retirement Plan (SERP) which provides retirement benefits at the savings and retirement plan levels, for amounts that are limited by IRS regulations under those plans. The Company's contribution to the SERP for the years ended December 31, 2004, 2003 and 2002 was approximately $63,000, $53,000, and $28,000, respectively.

The Company has a non-funded deferred compensation plan for directors and senior officers. The plan provides for the deferral of cash payments of up to 25% of a participants' salary, and for 100% of bonuses and directors fees, at the election of the participant. The total amount deferred was approximately $402,000, $236,000, and $67,000, for the years ending December 31, 2004, 2003, and 2002, respectively. The participant receives an earnings credit at a one year certificate of deposit rate, or at the total return rate on Company stock, on the amount deferred, as elected by the participant at the time of the deferral election. The total earnings for the years ended 2004, 2003, and 2002 were approximately $437,000, $364,000, and $72,000, respectively. In connection with an acquisition in 2001, the Company assumed the obligations of a deferred compensation plan for certain key employees. The plan provides predetermined periodic payments over 10 to 15 years upon retirement or death. As of December 31, 2004, the liability related to the obligation was approximately $1,780,000 and was included in other liabilities of the Consolidated Statements of Financial Condition. The amount expensed related to the obligation during 2004 was insignificant.

The Company has entered into employment contracts with ten senior officers that provide benefits under certain conditions following a change in control of the Company.

14. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	For the Years Ended December 31, 2004	2003	2002
Net earnings available to common stockholders, basic and diluted......................	$ 44,616,000	38,008,000	32,402,000
Average outstanding shares - basic......................	24,452,573	24,088,290	23,583,669
Add: Dilutive stock options............................	462,682	437,283	402,498
Average outstanding shares - diluted....................	24,915,255	24,525,573	23,986,167
Basic earnings per share................................	$ 1.82	1.58	1.37
Diluted earnings per share..............................	$ 1.79	1.55	1.35

There were approximately 1,400 options excluded from the diluted share calculation for December 31, 2004, due the option exercise price exceeding the market price. There were no options excluded from the diluted share calculation for December 31, 2003 and 2002 because the market price exceeded the option exercise price as of the end of the year.

15. STOCK OPTION PLANS

In the year ended June 30, 1990, Incentive Stock Option Plans were approved which provided for the grant of options limited to 29,445 shares to outside Directors and 166,860 shares to certain full time employees of the Company. In the year ended December 31, 1994 a Stock Option Plan was approved which provided for the grant of options to outside Directors of the Company, limited to 50,000 shares. In the year ended December 31, 1995 a Stock Option Plan was approved which provided for the grant of options limited to 279,768 shares to certain full-time employees of the Company. In April 1999 the Directors 1994 Stock Option Plan, and the Employees 1995 Stock Option Plan, were amended to provide 100,000 and 600,000 additional shares for the Directors and Employees Plans, respectively. In April, 2002, the Directors 1994 Stock Option Plan and the Employees 1995 Stock Option Plan were amended to provide 500,000 and 1,000,000 additional shares to the director's and employee's plans, respectively. The option price at which the Company's common stock may be purchased upon exercise of options granted under the plans must be at least equal to the per share market value of such stock at the date the option is granted.

The fiscal 1990 and 1995 plans also contain provisions authorizing the grant of limited stock rights, which permit the optionee, upon a change in control of the Company, to surrender his or her options for cancellation and receive cash or common stock equal to the difference between the exercise price and the fair market value of the shares on the date of the grant. All option shares are adjusted for stock splits and stock dividends. The term of the options may not exceed five years from the date the options are granted. The employee options vest over a period of two years and the director options vest over a period of six months.

15. STOCK OPTION PLANS...CONTINUED

At December 31, 2004, total shares available for option grants to employees and directors are 1,792,215. Changes in shares granted for stock options for the years ended December 31, 2004, 2003, and 2002, are summarized as follows:

	Options outstanding		Options exercisable	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance, December 31, 2001	1,575,294	$ 9.92	1,136,069	$ 9.66
Canceled	(27,718)	13.73	(4,835)	12.09
Granted	273,621	15.92		
Became exercisable			170,340	10.37
Exercised	(565,670)	8.84	(565,670)	8.84
Balance, December 31, 2002	1,255,527	11.64	735,904	10.44
Canceled	(40,940)	14.19	(7,199)	9.23
Granted	446,933	17.70		
Became exercisable			348,496	13.10
Exercised	(435,338)	10.73	(435,338)	10.73
Balance, December 31, 2003	1,226,182	14.10	641,863	11.47
Canceled	(50,613)	18.26	(15,167)	10.69
Granted	450,258	24.90		
Became exercisable			353,039	17.95
Exercised	(417,322)	13.03	(417,322)	13.03
Balance, December 31, 2004	1,208,505	18.31	562,413	14.51

The range of exercise prices on options outstanding at December 31, 2004 is as follows:

Price range	Shares	average exercise price	average life of options	Shares	average exercise price
$ 6.49 - $8.73	98,450	$7.84	2.9 years	98,450	$ 7.84
$ 9.41 - $11.42	117,287	10.11	1.0 years	117,287	10.11
$12.73 - $14.25	52,563	12.82	2.4 years	52,563	12.82
$15.06 - $16.50	145,329	15.87	2.1 years	145,329	15.87
$17.59 - $20.70	385,177	17.84	3.1 years	74,253	18.26
$21.58 - $25.11	398,699	25.03	4.1 years	74,531	25.07
$25.95 - $35.44	11,000	31.49	7.8 years	--	--
	1,208,505	18.31	3.2 years	562,413	14.51

The options exercised during the year ended December 31, 2004 were at prices from $4.11 to $25.11.

16. PARENT COMPANY INFORMATION (CONDENSED)

The following condensed financial information is the unconsolidated (parent company only) information for Glacier Bancorp, Inc.:

STATEMENTS OF FINANCIAL CONDITION	December 31,	
(dollars in thousands)	2004	2003
Assets:		
Cash	$ 3,500	3,011
Interest bearing cash deposits	40,088	7,152
Cash and cash equivalents	43,588	10,163
Investment securities, available-for-sale	19,337	1,360
Other assets	3,427	4,057
Investment in subsidiaries	290,765	264,494
	$ 357,117	280,074
Liabilities and Stockholders' Equity:		
Dividends payable	$ 4,176	3,878
Subordinated debentures	80,000	35,000
Other liabilities	2,757	3,357
Total liabilities	86,933	42,235
Common stock	245	242
Paid-in capital	227,614	222,588
Retained earnings	36,391	8,393
Accumulated other comprehensive income	5,934	6,616
Total stockholders' equity	270,184	237,839
	$ 357,117	280,074

STATEMENTS OF OPERATIONS	Years ended December 31,		
(dollars in thousands)	2004	2003	2002
Revenues			
Dividends from subsidiaries	$ 21,300	17,400	13,232
Other income	1,088	288	178
Intercompany charges for services	7,406	6,652	5,381
Total revenues	29,794	24,340	18,791
Expenses			
Employee compensation and benefits	4,517	4,223	3,755
Other operating expenses	9,803	7,573	6,778
Total expenses	14,320	11,796	10,533
Earnings before income tax benefit and equity in undistributed earnings of subsidiaries	15,474	12,544	8,258
Income tax benefit	(2,316)	(1,937)	(1,984)
Income before equity in undistributed earnings of subsidiaries	17,790	14,481	10,242
Subsidiary earnings in excess of dividends distributed	26,826	23,527	22,160
Net earnings	$ 44,616	38,008	32,402

16. PARENT COMPANY INFORMATION (CONDENSED)...CONTINUED

STATEMENTS OF CASH FLOWS (dollars in thousands)	Years ended December 31, 2004	2003	2002
Operating Activities			
Net earnings	$ 44,616	38,008	32,402
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Loss on sale of investments available-for-sale	274	--	43
Subsidiary earnings in excess of dividends distributed	(26,826)	(23,527)	(22,160)
Net increase in other assets and other liabilities	2,359	4,973	1,761
Net cash provided by operating activities	20,423	19,454	12,046
Investing activities			
Purchases of investment securities available-for-sale	(35,802)	--	(1,261)
Proceeds from sales, maturities and prepayments of securities available-for-sale	17,227	54	234
Equity contribution to subsidiary	--	(10,377)	(1,000)
Net addition of premises and equipment	(430)	(863)	(700)
Net cash used by investing activities	(19,005)	(11,186)	(2,727)
Financing activities			
Proceeds from issuance of subordinated debentures	45,000	--	--
Cash dividends paid	(16,618)	(14,572)	(11,532)
Proceeds from exercise of stock options and other stock issued	5,439	5,665	6,041
Repurchase and retirement of stock	(1,805)	--	--
Cash paid for stock dividends	(9)	(15)	--
Net cash provided (used) by financing activities	32,007	(8,922)	(5,491)
Net increase (decrease) in cash and cash equivalents	33,425	(654)	3,828
Cash and cash equivalents at beginning of year	10,163	10,817	6,989
Cash and cash equivalents at end of year	$ 43,588	10,163	10,817

17. UNAUDITED QUARTERLY FINANCIAL DATA

Summarized unaudited quarterly financial data is as follows (in thousands except per share amounts):

	QUARTERS ENDED, 2004 MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
Interest income	$ 35,465	35,441	37,640	38,739
Interest expense	9,076	9,662	10,255	10,899
Net interest income	26,389	25,779	27,385	27,840
Provision for loan losses	830	965	1,200	1,200
Income before income taxes	15,544	15,654	17,333	17,099
Net earnings	10,610	10,763	11,680	11,563
Basic earnings per share	0.43	0.44	0.48	0.47
Diluted earnings per share	0.43	0.43	0.47	0.46
Dividends per share	0.17	0.17	0.17	0.17
Market range high-low	$27.04-$23.60	$28.25-$24.49	$30.35-$25.75	$35.89-$28.90

17. UNAUDITED QUARTERLY FINANCIAL DATA...CONTINUED

	Quarters Ended, 2003			
	March 31	June 30	September 30	December 31
Interest income......................	$ 32,062	31,613	33,103	34,052
Interest expense.....................	10,230	9,644	9,439	9,165
Net interest income..................	21,832	21,969	23,664	24,887
Provision for loan losses............	841	1,051	1,221	696
Income before income taxes...........	13,121	14,906	14,309	13,825
Net earnings.........................	8,848	9,932	9,697	9,531
Basic earnings per share.............	0.37	0.42	0.40	0.39
Diluted earnings per share...........	0.37	0.41	0.39	0.38
Dividends per share..................	0.13	0.15	0.16	0.16
Market range high-low................	$21.59-$17.00	$20.96-$18.36	$23.72-$19.56	$26.40-$21.54

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments have been defined to generally mean cash or a contract that implies an obligation to deliver cash or another financial instrument to another entity. For purposes of the Company's Consolidated Statement of Financial Condition, this includes the following items:

	2004		2003	
(dollars in thousands)	AMOUNT	FAIR VALUE	Amount	Fair Value
Financial Assets:				
Cash on hand and in banks............................	$ 79,300	79,300	77,093	77,093
Interest bearing cash deposits	13,007	13,007	9,047	9,047
Investment securities	321,234	321,234	321,266	321,266
Mortgage-backed securities	714,589	714,589	729,045	729,045
FHLB and FRB stock	49,803	49,803	46,643	46,643
Loans receivable, net................................	1,701,805	1,704,351	1,430,365	1,450,052
Financial Liabilities:				
Deposits	$ 1,729,708	1,731,843	1,597,625	1,602,619
Advances from the FHLB of Seattle....................	818,933	811,837	777,294	780,647
Repurchase agreements and other borrowed funds.......	76,158	76,158	64,986	64,986
Subordinated debentures..............................	80,000	81,502	35,000	37,660

Financial assets and financial liabilities other than securities are not traded in active markets. The above estimates of fair value require subjective judgments and are approximate. Changes in the following methodologies and assumptions could significantly affect the estimates. These estimates may also vary significantly from the amounts that could be realized in actual transactions.

Financial Assets - The estimated fair value is the book value of cash and interest bearing cash deposits. For investment and mortgage-backed securities, the fair value is based on quoted market prices. The fair value of Federal Home Loan Bank of Seattle and Federal Reserve Bank stock is the book value, due to the stocks being restricted because they may only be sold to another member institution or the FHLB or FRB at their par values. The fair value of loans is estimated by discounting future cash flows using current rates at which similar loans would be made.

Financial Liabilities - The estimated fair value of demand and savings deposits is the book value since rates are periodically adjusted to market rates. Certificate accounts fair value is estimated by discounting the future cash flows using current rates for similar deposits. Advances from the Federal Home Loan Bank of Seattle fair value is estimated by discounting future cash flows using current rates for advances with similar weighted average maturities. Repurchase agreements and other borrowed funds have variable interest rates, or are short term, so book value approximates fair value. The subordinated debentures' fair value is based on quoted market prices or comparison pricing to a similar product issued at year-end.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS...CONTINUED

Off-balance sheet financial instruments - Commitments to extend credit and letters of credit represent the principal categories of off-balance sheet financial instruments. Rates for these commitments are set at time of loan closing, so no adjustment is necessary to reflect these commitments at market value. See Note 4 to consolidated financial statements.

19. CONTINGENCIES AND COMMITMENTS

The company leases certain land, premises and equipment from third parties under operating and capital leases. Total rent expense for the years ended December 31, 2004, 2003, and 2002 was approximately $1,151,000 $1,025,000, and $926,000, respectively. The total future minimum rental commitments required under operating and capital leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2004 are as follows (Dollars in thousands):

Years ended December 31,	Capital Leases	Operating Leases	Total
2005	$ 81	1,171	1,252
2006	83	1,050	1,133
2007	84	861	945
2008	87	770	857
2009	89	685	774
Thereafter	1,258	2,950	4,208
Total minimum lease payments	$ 1,682	7,487	9,169
Less: Amounts representing interest	978		
Present Value of minimum lease payments	704		
Less: Current portion of obligations under capital leases	3		
Long-term portion of obligations under capital leases	701		

The Company is a defendant in legal proceedings arising in the normal course of business. In the opinion of management, the disposition of pending litigation will not have a material effect on the Company's consolidated financial position, results of operations or liquidity.

20. ACQUISITIONS

On June 4, 2004, the Company completed the acquisition of the AmericanWest Bancorp.'s branch office in Ione, Washington. The branch had approximately $15 million in deposits, and became a branch of Mountain West Bank, the Company's Idaho banking subsidiary. In consideration for the assumption of liabilities, the Company received $14.5 million in cash. A portion of the purchase price was allocated to core deposit intangible of $148 thousand and goodwill of $425 thousand.

On July 15, 2003, the Company completed the acquisition of Pend Oreille Bancorp, and its subsidiary Pend Oreille Bank which operates from two locations in Sandpoint, Idaho and one location in Newport, Washington. The locations became additional branches of Mountain West Bank. The bank has approximately $66 million in total assets with deposits of $59 million and gross loans of $50 million. The Company paid $10.4 million and recorded $286 thousand in core deposit intangible and $3.8 million in goodwill.

The two acquisitions were accounted for under the purchase method of accounting. Accordingly, the assets and liabilities of the acquired branches were recorded by the Company at their respective fair values at the date of the acquisition and the results of operations have been 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, was recorded as goodwill.

21. OPERATING SEGMENT INFORMATION

FASB Statement 131, Financial Reporting for Segments of a Business Enterprise, requires that a public business enterprise report financial and descriptive information about its reportable operating segments. According to the statement, operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company evaluates segment performance internally based on individual bank charter, and thus the operating segments are so defined. All segments, except for the segment defined as "other," are based on commercial banking operations. The operating segment defined as "other" includes the Parent company, non-bank operating units, and eliminations of transactions between segments.

The accounting policies of the individual operating segments are the same as those of the Company described in note 1. Transactions between operating segments are primarily conducted at fair value, resulting in profits that are eliminated for reporting consolidated results of operations. Expenses for centrally provided services are allocated based on the estimated usage of those services.

The following is a summary of selected operating segment information for the years ended and as of December 31, 2004, 2003, and 2002.

(Dollars in thousands)

2004	Glacier	First Security	Western	Mountain West	Big Sky	Valley	Whitefish	Other	Consolidated
Net interest income	$ 24,541	24,372	15,663	22,552	9,361	8,959	6,393	(4,448)	107,393
Provision for loan losses	(1,075)	(600)	-	(1,320)	(510)	(440)	(250)	-	(4,195)
Net interest income after provision for loan losses	23,466	23,772	15,663	21,232	8,851	8,519	6,143	(4,448)	103,198
Noninterest income	8,652	3,684	3,583	12,315	2,249	2,940	1,419	(277)	34,565
Core deposit amortization	(276)	(216)	(279)	(210)	(33)	(60)	-	-	(1,074)
Other noninterest expense	(14,980)	(10,184)	(9,016)	(21,290)	(5,190)	(6,020)	(3,280)	(1,099)	(71,059)
Income before income taxes	16,862	17,056	9,951	12,047	5,877	5,379	4,282	(5,824)	65,630
Income tax (expense) benefit	(5,704)	(5,572)	(3,039)	(3,769)	(2,157)	(1,632)	(1,457)	2,316	(21,014)
Net income	$ 11,158	11,484	6,912	8,278	3,720	3,747	2,825	(3,508)	44,616
Assets	$ 646,523	626,341	446,502	629,205	241,056	241,518	169,411	10,181	3,010,737
Net loans	398,187	326,826	210,181	382,819	161,761	119,626	102,746	(341)	1,701,805
Goodwill	4,084	4,657	3,848	21,005	1,752	1,770	260	-	37,376
Deposits	393,655	359,918	207,711	431,662	132,853	146,660	98,605	(41,356)	1,729,708
Stockholders' equity	64,207	56,004	49,095	67,002	20,567	20,052	13,839	(20,582)	270,184

(Dollars in thousands)

2003	Glacier	First Security	Western	Mountain West	Big Sky	Valley	Whitefish	Other	Consolidated
Net interest income	$ 22,565	22,246	13,670	17,061	7,264	7,845	5,194	(3,493)	92,352
Provision for loan losses	(375)	(1,250)	-	(1,124)	(250)	(630)	(180)	-	(3,809)
Net interest income after provision for loan losses	22,190	20,996	13,670	15,937	7,014	7,215	5,014	(3,493)	88,543
Noninterest income	8,184	4,392	4,043	10,206	1,729	3,730	1,273	5	33,562
Core deposit amortization	(304)	(270)	(348)	(205)	(41)	(75)	-	-	(1,243)
Other noninterest expense	(14,283)	(9,766)	(8,661)	(17,958)	(4,141)	(5,471)	(3,071)	(1,350)	(64,701)
Income before income taxes	15,787	15,352	8,704	7,980	4,561	5,399	3,216	(4,838)	56,161
Income tax (expense) benefit	(5,437)	(5,288)	(2,604)	(2,216)	(1,730)	(1,754)	(1,054)	1,930	(18,153)
Net income	$ 10,350	10,064	6,100	5,764	2,831	3,645	2,162	(2,908)	38,008
Assets	$ 595,778	578,803	446,405	547,035	209,342	219,105	149,531	(6,366)	2,739,633
Net loans	330,012	295,195	196,732	313,021	125,664	97,292	72,800	(351)	1,430,365
Goodwill	4,084	4,657	3,848	20,580	1,752	1,770	260	-	36,951
Deposits	358,600	340,650	219,950	372,936	115,496	134,405	68,124	(12,536)	1,597,625
Stockholders' equity	58,703	49,334	47,242	61,031	17,882	18,176	12,126	(26,655)	237,839

21. OPERATING SEGMENT INFORMATION . . . CONTINUED

(Dollars in thousands)

2003	Glacier	First Security	Western	Mountain West	Big Sky	Valley	Whitefish	Other	Consolidated
Net interest income	$ 22,787	20,596	13,699	13,629	6,860	7,522	4,901	(3,527)	86,467
Provision for loan losses	(1,080)	(1,800)	(325)	(695)	(330)	(1,335)	(180)	-	(5,745)
Net interest income after provision for loan losses	21,707	18,796	13,374	12,934	6,530	6,187	4,721	(3,527)	80,722
Noninterest income	7,554	3,880	2,782	6,392	1,591	2,641	1,096	(19)	25,917
Core deposit amortization	(332)	(325)	(419)	(224)	(49)	(90)	-	-	(1,439)
Other noninterest expense	(12,913)	(9,192)	(7,832)	(13,439)	(3,618)	(5,371)	(2,634)	(1,375)	(56,374)
Income before income taxes	16,016	13,159	7,905	5,663	4,454	3,367	3,183	(4,921)	48,826
Income tax (expense) benefit	(5,763)	(4,761)	(2,432)	(1,633)	(1,705)	(1,053)	(1,040)	1,963	(16,424)
Net income	$ 10,253	8,398	5,473	4,030	2,749	2,314	2,143	(2,958)	32,402
Assets	$ 490,999	487,699	405,282	396,777	179,543	190,536	129,255	1,253	2,281,344
Net loans	319,906	300,481	188,793	214,453	111,378	97,937	68,066	(361)	1,300,653
Goodwill	4,084	4,657	3,848	16,818	1,752	1,770	260	-	33,189
Deposits	327,018	352,805	226,482	275,809	95,897	126,418	67,810	(12,316)	1,459,923
Stockholders' equity	53,492	44,678	46,647	44,429	16,439	17,038	11,078	(21,552)	212,249

22. SUBSEQUENT EVENTS

On November 22, 2004, the Company entered into a merger agreement to acquire First National Banks - West Co. in an all cash transaction of $40.7 million. The merger was completed on February 28, 2005 and is being accounted for under the purchase method of accounting. Accordingly, the assets and liabilities of the acquired bank are recorded by the Company at their respective fair values at the date of the acquisition. The results of operations after February 28, 2005 will be included with those of the Company. 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.

In addition to the completed acquisition, the Company has entered into a merger agreement to acquire Citizens Bank Holding Company in Pocatello, Idaho, which is expected to be completed by the end of the first quarter of 2005. The Company has also entered into an agreement to acquire Zions First National Bank's office in Bonners Ferry, Idaho, which is expected to be completed by the end of May 2005.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in or disagreements with accountants on accounting and financial disclosure.

ITEM 9A. DISCLOSURE OF CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded that as of the end of the period covered by this report, our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and timely reported as provided in the SEC's rules and forms. As a result of this evaluation, there were no significant changes in our internal control over financial reporting during the three months ended December 31, 2004 that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting Management is responsible for establishing and maintaining effective internal control over financial reporting as it relates to its financial statements presented in conformity with U.S. generally accepted accounting principles. Glacier's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes self monitoring mechanisms and actions taken to correct deficiencies as they are identified.

There are inherent limitations in any internal control, no matter how well designed, misstatements due to error or fraud may occur and not be detected, including the possibility of circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of an internal control system may vary over time.

Management assessed its internal control structure over financial reporting as of December 31, 2004. This assessment was based on criteria for effective internal control over financial reporting described in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management asserts that Glacier Bancorp, Inc. and subsidiaries maintained effective internal control over financial reporting as it relates to its financial statements presented in conformity with U.S. generally accepted accounting principles generally accepted in the Unites States.

The registered public accounting firm that audited the financial statements, KPMG LLP, included in the annual report has issued an attestation report on management's assessment of the company's internal control over financial reporting, which expresses unqualified opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting as of December 31, 2004.

ITEM 9 B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding "Directors and Executive Officers of the Registrant" is set forth under the headings "Business of the Meeting - Election of Directors - Information with Respect to Nominees and Other Directors - Background of Directors" and "Security Ownership of Certain Beneficial Owners and Management - Executive Officers who are not Directors" of the Company's 2005 Annual Meeting Proxy Statement ("Proxy Statement") and is incorporated herein by reference.

Information regarding "Compliance with Section 16(a) of the Exchange Act" is set forth under the section "Compliance with Section 16 (a) Filing Requirements" of the Company's Proxy Statement and is incorporated herein by reference.

Information regarding the Company's audit committee financial expert is set forth under the heading "Meetings and Committees of

Board of Directors-Committee Membership" in our Proxy Statement and is incorporated by reference.

On February 25, 2004, consistent with the requirements of Sarbanes-Oxley, the Company adopted a Code of Ethics applicable to senior financial officers including the principal executive officer. The Code of Ethics was filed as Exhibit 99 to our 2003 Annual Report and can be accessed electronically by visiting the Company's website at www.glacierbancorp.com.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding "Executive Compensation" is set forth under the headings "Meetings and Committees of the Board of Directors - Compensation of Directors" and "Executive Compensation" of the Company's Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding "Security Ownership of Certain Beneficial Owners and Management" is set forth under the headings "Information with Respect to Nominees and Other Directors," "Security Ownership of Certain Beneficial Owners and Management - Executive Officers who are not Directors" and "Beneficial Owners" of the Company's Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding "Certain Relationships and Related Transactions" is set forth under the heading "Transactions with Management" of the Company's Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information regarding "Principal Accounting Fees and Services" is set forth under the heading "Auditors" of the Company's Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) and (2) Financial Statements and Financial Statement Schedules

The financial statements and related documents listed in the index set forth in Item 8 of this report are filed as part of this report.

All other schedules to the consolidated financial statements required by Regulation S-X are omitted because they are not applicable, not material or because the information is included in the consolidated financial statements or related notes.

(1) The following exhibits are included as part of this Form 10-K:

EXHIBIT NO.	EXHIBIT
3(a)	Amended and Restated Certificate of Incorporation (1)
3(b)	Amended and Restated Bylaws (2)
10(a)	1989 Incentive Stock Option Plan (3)
10(b)	Employment Agreement dated January 1, 2005 between the Company, Glacier Bancorp, Inc. and Michael J. Blodnick
10(c)	Employment Agreement dated January 1, 2005 between the Company, Glacier Bancorp, Inc. and James H. Strosahl
10(d)	Employment Agreement dated January 1, 2005 between First Security Bank of Missoula and William L. Bouchee
10(e)	1994 Director Stock Option Plan and related agreements (4)
10(f)	1995 Employee Stock Option Plan and related agreements (4)
10(g)	Deferred Compensation Plan effective January 1, 2005
10(h)	Supplemental Executive Retirement Agreement
10(i)	Employment agreement dated January 1, 2005, between Mountain West Bank and Jon W. Hippler
14	Code of Ethics (5)
21	Subsidiaries of the Company (See item 1, "Subsidiaries")
23	Consent of KPMG LLP
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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

(1) Incorporated by reference to exhibit 3.i.1 and 3.i.2 included in the Company's Quarterly Report on form 10-Q for the quarter ended June 30, 2004.

(2) Incorporated by reference to Exhibit 3.ii included in the Company's Quarterly Report on form 10-Q for the quarter ended June 30, 2004.

(3) Incorporated by reference to exhibit 10 (a) included in the Company's Registration Statement on Form S-4 (No. 33-37025), declared effective on October 4, 1990.

(4) Incorporated by reference to Exhibit 99.1 of the Company's S-8 Registration Statement (No. 333-105995).

(5) Incorporated by reference to Exhibit 14, included in the Company's Form 10-K for the year ended December 31, 2003.

(6) Exhibit intentionally omitted.

SIGNATURES

PURSUANT to the requirements of Section 13 or 15 (d) 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 on March 15, 2005.

GLACIER BANCORP, INC.

By: /s/ Michael J. Blodnick

Michael J. Blodnick
President/CEO/Director

PURSUANT to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 15, 2005, by the following persons in the capacities indicated.

/s/ Michael J. Blodnick Michael J. Blodnick	President, CEO, and Director (Principal Executive Officer)
/s/James H. Strosahl James H. Strosahl	Executive Vice President and CFO (Principal Financial/Accounting Officer)

Majority of the Board of Directors

/s/ John S. MacMillan John S. MacMillan	Chairman
/s/ William L. Bouchee William L. Bouchee	Director
/s/ James M. English James M. English	Director
/s/ Allen Fetscher Allen J. Fetscher	Director
/s/ Fred J. Flanders Fred J. Flanders	Director
/s/ Jon W. Hippler Jon W. Hippler	Director
/s/ L. Peter Larson L. Peter Larson	Director
/s/ Everit A. Sliter Everit A. Sliter	Director

EXHIBIT 10(b)

EMPLOYMENT AGREEMENT

AGREEMENT between Glacier Bancorp, Inc., hereinafter called "Company", and Michael J. Blodnick, hereinafter called "Executive",

RECITALS

A. Executive has served as President and Chief Executive Officer of the Company.

B. The Company desires Executive to continue his employment at the Company under the terms and conditions of this Agreement.

C. Executive desires to continue his employment at the Company under the terms and conditions of this Agreement.

AGREEMENT

1. EMPLOYMENT. The Company agrees to employ Executive and Executive accepts employment by the Company on the terms and conditions set forth in this Agreement. Executive's title will be President and Chief Executive Officer of the Company. During the term of this Agreement, Executive will serve as a director of the Company and of the Banks.

2. TERM. The term of this Agreement ("Term") is one year, beginning on January 1, 2005.

3. DUTIES. The Company will employ Executive as its President and Chief Executive Officer. Executive will faithfully and diligently perform his assigned duties, which are as follows:

   (a) Company Performance. Executive will be responsible for all aspects of the Company's performance, including without limitation, directing that daily operational and managerial matters are performed in a manner consistent with the Company's policies.

   (b) Development and Preservation of Business. Executive will be responsible for the development and preservation of banking relationships and other business development efforts (including appropriate civic and community activities).

   (c) Report to Board. Executive will report directly to the Company's board of directors. The Company's board of directors may, from time to time, modify Executive's title or add, delete, or modify Executive's performance responsibilities to accommodate management succession, as well as any other management objectives of the Company. Executive will assume any additional positions, duties and responsibilities as may reasonably be requested of him with or without additional compensation, as appropriate and consistent with Sections 3(a) and 3(b) of this Agreement.

4. EXTENT OF SERVICES. Executive will devote all of his working time, attention and skill to the duties and responsibilities set forth in Section 3. To the extent that such activities do not interfere with his duties under Section 3, Executive may participate in other businesses as a passive investor, but (a) Executive may not actively participate in the operation or management of those businesses, and (b) Executive may not, without the Company's prior written consent, make or maintain any investment in a business with which the

Company or its subsidiaries has an existing competitive or commercial relationship.

5. COMPANY BOARD. During the term, the Company will use its best efforts to nominate and recommend Executive for election to the Company's board of directors.

6. SALARY. Executive will receive an annual salary of $259,375.00, to be paid in accordance with the Company's regular payroll schedule. Subsequent salary increases are subject to the Company's annual review of Executive's compensation and performance.

7. INCENTIVE COMPENSATION. During the Term, the Company's board of directors will determine the amount of bonus to be paid by the Company to Executive for that year. In making this determination, the Company's board of directors will consider factors such as Executive's performance of his duties and the safety, soundness and profitability of the Company. Executive's bonus will reflect Executive's contribution to the performance of the Company during the year, also taking into account the nature and extent of incentive bonuses paid to comparable senior officers at the Company. This bonus will be paid to Executive no later than January 31 of the year following the year in which the bonus is earned by Executive.

8. INCOME DEFERRAL. Executive will be eligible to participate in any program available to the Company's senior management for income deferral, for the purpose of deferring receipt of any or all of the compensation he may become entitled to under this Agreement.

9. VACATION AND BENEFITS.

   (a) Vacation and Holidays. Executive will receive four weeks of paid vacation each year in addition to all holidays observed by the Company and its subsidiaries. Executive may carry over, in the aggregate, up to four weeks of unused vacation to a subsequent year. Any unused vacation time in excess of four weeks will not accumulate or carry over from one calendar year to the next. Each calendar year, Executive shall take not less than one (1) week vacation.

   (b) Benefits. Executive will be entitled to participate in any group life insurance, disability, health and accident insurance plans, profit sharing and pension plans and in other employee fringe benefit programs the Company may have in effect from time to time for its similarly situated employees, in accordance with and subject to any policies adopted by the Company's board of directors with respect to the plans or programs, including without limitation, any incentive or employee stock option plan, deferred compensation plan, 401(k) plan, and Supplemental Executive Retirement Plan (SERP). The Company through this Agreement does not obligate itself to make any particular benefits available to its employees.

   (c) Business Expenses. The Company will reimburse Executive for ordinary and necessary expenses which are consistent with past practice at the Company (including, without limitation, travel, entertainment, and similar expenses) and which are incurred in performing and promoting the Company's business. Executive will present from time to time itemized accounts of these expenses, subject to any limits of the Company policy or the rules and regulations of the Internal Revenue Service.

10. TERMINATION OF EMPLOYMENT.

   (a) Termination by the Company for Cause. If the Company terminates Executive's employment for Cause (defined below) before this Agreement terminates, the Company will pay Executive the salary earned and expenses reimbursable under this Agreement incurred through the date of his termination. Executive will have no right to receive compensation or other benefits for any period after termination under this Section 10(a).

   (b) Other Termination by the Company. If the Company terminates Executive's employment without Cause before this Agreement terminates, or Executive terminates his employment for Good Reason (defined below), the Company will pay Executive for the remainder of the Term the compensation and other benefits he would have been entitled to if his employment had not terminated.

(c) Death or Disability. This Agreement terminates (1) if Executive dies or (2) if Executive is unable to perform his duties and obligations under this Agreement for a period of 90 consecutive days as a result of a physical or mental disability arising at any time during the term of this Agreement, unless with reasonable accommodation Executive could continue to perform his duties under this Agreement and making these accommodations would not pose an undue hardship on the Company. If termination occurs under this Section 10(c), Executive or his estate will be entitled to receive all compensation and benefits earned and expenses reimbursable through the date Executive's employment terminated.

(d) Termination Related to a Change in Control.

(1) Termination by Company. If the Company, or its successor in interest by merger, or its transferee in the event of a purchase in an assumption transaction (for reasons other than Executive's death, disability, or Cause) (1) terminates Executive's employment within 3 years following a Change in Control (as defined below), or (2) terminates Executive's employment before the Change in Control but on or after the date that any party either announces or is required by law to announce any prospective Change in Control transaction and a Change in Control occurs within six months after the termination, the Bank will provide Executive with the payment and benefits described in Section 10(d)(3) below.

(2) Termination by Executive. If Executive terminates Executive's employment, with or without Good Reason, within three years following a Change in Control, the Company will provide Executive with the payment and benefits described in Section 10(d)(3) below.

(3) Payments. If Section 10(d)(1) or (2) is triggered in accordance with its terms, the Company will: (i) pay Executive in 36 monthly installments in an amount equal to 2.99 times the Executive's annual salary (determined as of the day before the date Executive's employment was terminated) and (ii) maintain and provide for 2.99 years following Executive's termination, at no cost to Executive, the benefits described in Section 9(b) to which Executive is entitled (determined as of the day before the date of such termination); but if Executive's participation in any such benefit is thereafter barred or not feasible, or discontinued or materially reduced, the Company will arrange to provide Executive with either benefits substantially similar to those benefits or a cash payment of substantially similar value in lieu of the benefits.

(e) Limitations on Payments Related to Change in Control. The following apply notwithstanding any other provision of this Agreement:

(1) the total of the payments and benefits described in Section 10(d)(3) will be less than the amount that would cause them to be a "parachute payment" within the meaning of Section 280G(b)(2)(A) of the Internal Revenue Code;

(2) the payment and benefits described in Section 10(d)(3) will be reduced by any compensation (in the form of cash or other benefits) received by Executive from the Company or its successor after the Change in Control; and

(3) Executive's right to receive the payments and benefits described in Section 10(d)(3) terminates (i) immediately if before the Change in Control transaction closes, Executive terminates his employment without Good Reason, or the Company terminates Executive's employment for Cause, or (ii) three years after a Change of Control occurs.

(f) Return of Bank Property. If and when Executive ceases, for any reason, to be employed by the Company, Executive must return to the Company all keys, pass cards, identification cards and any other property of the Company. At the same time, Executive also must return to the Company all originals and copies (whether in memoranda, designs, devices, diskettes, tapes, manuals, and specifications) which constitute proprietary information or material of the Company and its subsidiaries. The obligations in this paragraph include the return of documents and other materials which may be in his desk at work, in his car, in place of residence, or in any other location under his control.

(g) Cause. "Cause" means any one or more of the following:

(1) Willful misfeasance or gross negligence in the performance of Executive's duties;

(2) Conviction of a crime in connection with his duties;

(3) Conduct demonstrably and significantly harmful to the Company, as reasonably determined on the advice of legal counsel by the Company's board of directors; or

(4) Permanent disability, meaning a physical or mental impairment which renders Executive incapable of substantially performing the duties required under this Agreement, and which is expected to continue rendering Executive so incapable for the reasonably foreseeable future.

(h) Good Reason. "Good Reason" means only any one or more of the following:

(1) Reduction of Executive's salary or reduction or elimination of any compensation or benefit plan benefiting Executive, unless the reduction or elimination is generally applicable to substantially all Company employees (or employees of a successor or controlling entity of the Company) formerly benefited;

(2) The assignment to Executive without his consent of any authority or duties materially inconsistent with Executive's position as of the date of this Agreement;

(3) The material breach of this Agreement by the Company, or

(4) A relocation or transfer of Executive's principal place of employment outside Flathead County, Montana.

(i) Change in Control. "Change in Control" means a change "in the ownership or effective control" or "in the ownership of a substantial portion of the assets" of the Company, within the meaning of Section 280G of the Internal Revenue Code.

11. CONFIDENTIALITY. Executive will not, after the date this Agreement was signed, including during and after its Term, use for his own purposes or disclose to any other person or entity any confidential business information concerning the Company or its business operations or that of its subsidiaries, unless (1) the Company consents to the use or disclosure of confidential information; (2) the use or disclosure is consistent with Executive's duties under this Agreement, or (3) disclosure is required by law or court order. For purposes of this Agreement, confidential business information includes, without limitation, trade secrets (as defined under the Montana Uniform Trade Secrets Act, Montana Code Section 30-14-402), various confidential information on investment management practices, marketing plans, pricing structure and technology of either the Company or its subsidiaries. Executive will also treat the terms of this Agreement as confidential business information.

12. NONCOMPETITION. During the Term of this Agreement and for a period of three years after Executive's employment with the Company has terminated, Executive will not, directly or indirectly, as a shareholder, director, officer, employee, partner, agent, consultant, lessor, creditor or otherwise:

(a) provide management, supervisory or other similar services to any person or entity engaged in any business in counties in which the Company or its subsidiaries may have a presence which is competitive with the business of the Company or a subsidiary as conducted during the term of this Agreement or as conducted as of the date of termination of employment, including any preliminary steps associated with the formation of a new bank.

(b) persuade or entice, or attempt to persuade or entice any employee of the Company or a subsidiary to terminate his/her employment with the Company or a subsidiary.

(c) persuade or entice or attempt to persuade or entice any person or entity to terminate, cancel, rescind or revoke its business or contractual relationships with the Company or its subsidiaries.

13. ENFORCEMENT.

(a) The Company and Executive stipulate that, in light of all of the facts and circumstances of the relationship between Executive and the Company, the agreements referred to in Sections 11 and 12 (including without limitation their scope, duration and geographic extent) are fair and reasonably necessary for the protection of the Company and its subsidiaries confidential information, goodwill and other protectable interests. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, Executive and the Company request the court to reform these provisions to restrict Executive's use of confidential information and Executive's ability to compete with the Company to the maximum extent, in time, scope of activities and geography, the court finds enforceable.

(b) Executive acknowledges the Company will suffer immediate and irreparable harm that will not be compensable by damages alone if Executive repudiates or breaches any of the provisions of Sections 11 or 12 or threatens or attempts to do so. For this reason, under these circumstances, the Company, in addition to and without limitation of any other rights, remedies or damages available to it at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and the Company will not be required to post a bond as a condition for the granting of this relief.

14. COVENANTS. Executive specifically acknowledges the receipt of adequate consideration for the covenants contained in Sections 11 and 12 and that the Company is entitled to require him to comply with these Sections. These Sections will survive termination of this Agreement. Executive represents that if his employment is terminated, whether voluntarily or involuntarily, Executive has experience and capabilities sufficient to enable Executive to obtain employment in areas which do not violate this Agreement and that the Company's enforcement of a remedy by way of injunction will not prevent Executive from earning a livelihood.

15. ARBITRATION.

(a) Arbitration. At either party's request, the parties must submit any dispute, controversy or claim arising out of or in connection with, or relating to, this Agreement or any breach or alleged breach of this Agreement, to arbitration under the American Arbitration Association's rules then in effect (or under any other form of arbitration mutually acceptable to the parties). A single arbitrator agreed on by the parties will conduct the arbitration. If the parties cannot agree on a single arbitrator, each party must select one arbitrator and those two arbitrators will select a third arbitrator. This third arbitrator will hear the dispute. The arbitrator's decision is final (except as otherwise specifically provided by law) and binds the parties, and either party may request any court having jurisdiction to enter a judgment and to enforce the arbitrator's decision. The arbitrator will provide the parties with a written decision naming the substantially prevailing party in the action. This prevailing party is entitled to reimbursement from the other party for its costs and expenses, including reasonable attorneys' fees.

(b) Governing Law. All proceedings will be held at a place designated by the arbitrator in Flathead County, Montana. The arbitrator, in rendering a decision as to any state law claims, will apply Montana law.

(c) Exception to Arbitration. Notwithstanding the above, if Executive violates Section 11 or 12, the Company will have the right to initiate the court proceedings described in Section 13(b), in lieu of an arbitration proceeding under this Section 15.

16. MISCELLANEOUS PROVISIONS.

(a) Entire Agreement. This Agreement constitutes the entire understanding and agreement between the parties concerning its subject matter and supersedes all prior agreements, correspondence, representations, or understandings between the parties relating to its subject matter.

(b) Binding Effect. This Agreement will bind and inure to the benefit of the Company's, its subsidiaries' and Executive's heirs, legal representatives, successors and assigns.

(c) Litigation Expenses. If either party successfully seeks to enforce any provision of this Agreement or to collect any amount claimed to be due under it, this party will be entitled to reimbursement from the other party for any and all of its out-of-pocket expenses and costs including, without limitation, reasonable attorneys' fees and costs incurred in connection with the enforcement or collection.

(d) Waiver. Any waiver by a party of its rights under this Agreement must be written and signed by the party waiving its rights. A party's waiver of the other party's breach of any provision of this Agreement will not operate as a waiver of any other breach by the breaching party.

(e) Assignment. The services to be rendered by Executive under this Agreement are unique and personal. Accordingly, Executive may not assign any of his rights or duties under this Agreement.

(f) Amendment. This Agreement may be modified only through a written instrument signed by both parties.

(g) Severability. The provisions of this Agreement are severable. The invalidity of any provision will not affect the validity of other provisions of this Agreement.

(h) Governing Law and Venue. This Agreement will be governed by and construed in accordance with Montana law, except to the extent that certain regulatory matters may be governed by federal law. The parties must bring any legal proceeding arising out of this Agreement in Flathead County, Montana.

(i) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which taken together will constitute one and the same instrument.

Signed this 26th day of January, 2005.

GLACIER BANCORP, INC.

/s/ John S. MacMillan

John S. MacMillan, Chairman

Attest:

/s/ James H. Strosahl

James H. Strosahl, Secretary

EXECUTIVE

/s/ Michael J. Blodnick

Michael J. Blodnick

EXHIBIT 10(c)

EMPLOYMENT AGREEMENT

AGREEMENT between Glacier Bancorp, Inc., hereinafter called "Company", and James H. Strosahl, hereinafter called "Executive"

RECITALS

A. Executive has served as Chief Financial Officer and Secretary/Treasurer and is willing also to serve as Executive Vice President of the Company.

B. The Company desires Executive to continue his employment at the Company under the terms and conditions of this Agreement.

C. Executive desires to continue his employment at the Company under the terms and conditions of this Agreement.

AGREEMENT

1. EMPLOYMENT. The Company agrees to employ Executive and Executive accepts employment by the Company on the terms and conditions set forth in this Agreement. Executive's title will be Executive Vice President, Chief Financial Officer and Secretary/Treasurer of the Company.

2. TERM. The term of this Agreement ("Term") is one year, beginning on January 1, 2005.

3. DUTIES. The Company will employ Executive as its Executive Vice President, Chief Financial Officer and Secretary/Treasurer. Executive will faithfully and diligently perform his assigned duties, which are as follows:

   (a) Executive Vice President. Duties and responsibilities as set forth in the document annexed, entitled "Executive Vice President".

   (b) Chief Financial Officer - Secretary/Treasurer. Duties and responsibilities as set forth in. the documents annexed, entitled "Chief Financial Officer" and "Secretary/Treasurer".

   (c) Report to Board. Executive will report directly to the Company's President and Chief Executive Officer. The Company's board of directors may, from time to time, modify Executive's title or add, delete, or modify Executive's performance responsibilities to accommodate management succession, as well as any other management objectives of the Company. Executive will assume any additional positions, duties and responsibilities as may reasonably be requested of him with or without additional compensation, as appropriate and consistent with Sections 3(a) and 3(b) of this Agreement.

4. EXTENT OF SERVICES. Executive will devote all of his working time, attention and skill to the duties and responsibilities set forth in Section 3. To the extent that such activities do not interfere with his duties under Section 3, Executive may participate in other businesses as a passive investor, but (a) Executive may not actively participate in the operation or management of those businesses, and (b) Executive may not, without the Company's prior written consent, make or maintain any investment in a business with which the Company or its subsidiaries has an existing competitive or commercial relationship.

5. SALARY. Executive will receive an annual salary of $194,494.30, to be paid in accordance with the Company's

regular payroll schedule. Subsequent salary increases are subject to the Company's annual review of Executive's compensation and performance.

6. INCENTIVE COMPENSATION. During the Term, the Company's board of directors will determine the amount of bonus to be paid by the Company to Executive for that year. In making this determination, the Company's board of directors will consider factors such as Executive's performance of his duties and the safety, soundness and profitability of the Company. Executive's bonus will reflect Executive's contribution to the performance of the Company during the year. This bonus will be paid to Executive no later than January 31 of the year following the year in which the bonus is earned by Executive.

7. INCOME DEFERRAL. Executive will be eligible to participate in any program available to the Company's senior management for income deferral, for the purpose of deferring receipt of any or all of the compensation he may become entitled to under this Agreement.

8. VACATION AND BENEFITS.

(a) Vacation and Holidays. Executive will receive four weeks of paid vacation each year in addition to all holidays observed by the Company and its subsidiaries. Executive may carry over, in the aggregate, up to four weeks of unused vacation to a subsequent year. Any unused vacation time in excess of four weeks will not accumulate or carry over from one calendar year to the next. Each calendar year, Executive shall take not less than one (1) week vacation.

(b) Benefits. Executive will be entitled to participate in any group life insurance, disability, health and accident insurance plans, profit sharing and pension plans and in other employee fringe benefit programs the Company may have in effect from time to time for its similarly situated employees, in accordance with and subject to any policies adopted by the Company's board of directors with respect to the plans or programs, including without limitation, any incentive or employee stock option plan, deferred compensation plan, 401(k) plan, and Supplemental Executive Retirement Plan (SERP). The Company through this Agreement does not obligate itself to make any particular benefits available to its employees.

(c) Business Expenses. The Company will reimburse Executive for ordinary and necessary expenses which are consistent with past practice at the Company (including, without limitation, travel, entertainment, and similar expenses) and which are incurred in performing and promoting the Company's business. Executive will present from time to time itemized accounts of these expenses, subject to any limits of the Company policy or the rules and regulations of the Internal Revenue Service.

9. TERMINATION OF EMPLOYMENT.

(a) Termination by the Company for Cause. If the Company terminates Executive's employment for Cause (defined below) before this Agreement terminates, the Company will pay Executive the salary earned and expenses reimbursable under this Agreement incurred through the date of his termination. Executive will have no right to receive compensation or other benefits for any period after termination under this Section 9(a).

(b) Other Termination by the Company. If the Company terminates Executive's employment without Cause before this Agreement terminates, or Executive terminates his employment for Good Reason (defined below), the Company will pay Executive for the remainder of the Term the compensation and other benefits he would have been entitled to if his employment had not terminated.

(c) Death or Disability. This Agreement terminates (1) if Executive dies or (2) if Executive is unable to perform his duties and obligations under this Agreement for a period of 90 consecutive days as a result of a physical or mental disability arising at any time during the term of this Agreement, unless with reasonable accommodation Executive could continue to perform his duties under this

Agreement and making these accommodations would not pose an undue hardship on the Company. If termination occurs under this Section 9(c), Executive or his estate will be entitled to receive all compensation and benefits earned and expenses reimbursable through the date Executive's employment terminated.

(d) Termination Related to a Change in Control.

(1) Termination by Company. If the Company, or its successor in interest by merger, or its transferee in the event of a purchase in an assumption transaction (for reasons other than Executive's death, disability, or Cause) (1) terminates Executive's employment within 3 years following a Change in Control (as defined below), or (2) terminates Executive's employment before the Change in Control but on or after the date that any party either announces or is required by law to announce any prospective Change in Control transaction and a Change in Control occurs within six months after the termination, the Bank will provide Executive with the payment and benefits described in Section 9(d)(3) below.

(2) Termination by Executive. If Executive terminates Executive's employment, with or without Good Reason, within two years following a Change in Control, the Company will provide Executive with the payment and benefits described in Section 9(d)(3).

(3) Payments. If Section 9(d)(1) or (2) is triggered in accordance with its terms, the Company will: (i) pay Executive in 24 monthly installments in an amount equal to two times the Executive's annual salary (determined as of the day before the date Executive's employment was terminated) and (ii) maintain and provide for 2 years following Executive's termination, at no cost to Executive, the benefits described in Section 8(b) to which Executive is entitled (determined as of the day before the date of such termination); but if Executive's participation in any such benefit is thereafter barred or not feasible, or discontinued or materially reduced, the Company will arrange to provide Executive with either benefits substantially similar to those benefits or a cash payment of substantially similar value in lieu of the benefits.

(e) Limitations on Payments Related to Change in Control. The following apply notwithstanding any other provision of this Agreement:

(1) the total of the payments and benefits described in Section 9(d)(3) will be less than the amount that would cause them to be a "parachute payment" within the meaning of Section 280G(b)(2)(A) of the Internal Revenue Code;

(2) the payment and benefits described in Section 9(d)(3) will be reduced by any compensation (in the form of cash or other benefits) received by Executive from the Company or its successor after the Change in Control; and

(3) Executive's right to receive the payments and benefits described in Section 9(d)(3) terminates (i) immediately if before the Change in Control transaction closes, Executive terminates his employment without Good Reason, or the Company terminates Executive's employment for Cause, or (ii) two years after a Change of Control occurs.

(f) Return of Bank Property. If and when Executive ceases, for any reason, to be employed by the Company, Executive must return to the Company all keys, pass cards, identification cards and any other property of the Company. At the same time, Executive also must return to the Company all originals and copies (whether in memoranda, designs, devices, diskettes, tapes, manuals, and specifications) which constitute proprietary information or material of the Company and its subsidiaries. The obligations in this paragraph include the return of documents and other materials which may be in his desk at work, in his car, in place of residence, or in any other location under his control.

(g) Cause. "Cause" means any one or more of the following:

(1) Willful misfeasance or gross negligence in the performance of Executive's duties;

(2) Conviction of a crime in connection with his duties;

(3) Conduct demonstrably and significantly harmful to the Company, as reasonably determined on the advice of legal counsel by the Company's board of directors; or

(4) Permanent disability, meaning a physical or mental impairment which renders Executive incapable of substantially performing the duties required under this Agreement, and which is expected to continue rendering Executive so incapable for the reasonably foreseeable future.

(h) Good Reason. "Good Reason" means only any one or more of the following

(1) Reduction of Executive's salary or reduction or elimination of any compensation or benefit plan benefiting Executive, unless the reduction or elimination is generally applicable to substantially all Company employees (or employees of a successor or controlling entity of the Company) formerly benefitted;

(2) The assignment to Executive without his consent of any authority or duties materially inconsistent with Executive's position as of the date of this Agreement;

(3) The material breach of this Agreement by the Company, or

(4) A relocation or transfer of Executive's principal place of employment outside Flathead County, Montana.

(i) Change in Control. "Change in Control" means a change "in the ownership or effective control" or "in the ownership of a substantial portion of the assets" of the Company, within the meaning of Section 280G of the Internal Revenue Code.

10. CONFIDENTIALITY. Executive will not, after the date this Agreement was signed, including during and after its Term, use for his own purposes or disclose to any other person or entity any confidential business information concerning the Company or its business operations or that of its subsidiaries, unless (1) the Company consents to the use or disclosure of confidential information; (2) the use or disclosure is consistent with Executive's duties under this Agreement, or (3) disclosure is required by law or court order. For purposes of this Agreement, confidential business information includes, without limitation, trade secrets (as defined under the Montana Uniform Trade Secrets Act, Montana Code Section 30-14-402), various confidential information on investment management practices, marketing plans, pricing structure and technology of either the Company or its subsidiaries. Executive will also treat the terms of this Agreement as confidential business information.

11. NONCOMPETITION. During the Term of this Agreement and for a period of two years after Executive's employment with the Company has terminated, Executive will not, directly or indirectly, as a shareholder, director, officer, employee, partner, agent, consultant, lessor, creditor or otherwise:

(a) provide management, supervisory or other similar services to any person or entity engaged in any business in counties in which the Company or its subsidiaries may have a presence which is competitive with the business of the Company or a subsidiary as conducted during the term of this Agreement or as conducted as of the date of termination of employment, including any preliminary steps associated with the formation of a new bank.

(b) persuade or entice, or attempt to persuade or entice any employee of the Company or a subsidiary to terminate his/her employment with the Company or a subsidiary.

(c) persuade or entice or attempt to persuade or entice any person or entity to terminate, cancel, rescind or revoke its business or contractual relationships with the Company or its subsidiaries.

12. ENFORCEMENT.

(a) The Company and Executive stipulate that, in light of all of the facts and circumstances of the relationship between Executive and the Company, the agreements referred to in Sections 10 and 11 (including without limitation their scope, duration and geographic extent) are fair and reasonably necessary for the protection of the Company and its subsidiaries confidential information, goodwill and other protectable interests. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, Executive and the Company request the court to reform these provisions to restrict Executive's use of confidential information and Executive's ability to compete with the Company to the maximum extent, in time, scope of activities and geography, the court finds enforceable.

(b) Executive acknowledges the Company will suffer immediate and irreparable harm that will not be compensable by damages alone if Executive repudiates or breaches any of the provisions of Sections 10 or 11 or threatens or attempts to do so. For this reason, under these circumstances, the Company, in addition to and without limitation of any other rights, remedies or damages available to it at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and the Company will not be required to post a bond as a condition for the granting of this relief.

13. COVENANTS. Executive specifically acknowledges the receipt of adequate consideration for the covenants contained in Sections 10 and 11 and that the Company is entitled to require him to comply with these Sections. These Sections will survive termination of this Agreement. Executive represents that if his employment is terminated, whether voluntarily or involuntarily, Executive has experience and capabilities sufficient to enable Executive to obtain employment in areas which do not violate this Agreement and that the Company's enforcement of a remedy by way of injunction will not prevent Executive from earning a livelihood.

14. ARBITRATION.

(a) Arbitration. At either party's request, the parties must submit any dispute, controversy or claim arising out of or in connection with, or relating to, this Agreement or any breach or alleged breach of this Agreement, to arbitration under the American Arbitration Association's rules then in effect (or under any other form of arbitration mutually acceptable to the parties). A single arbitrator agreed on by the parties will conduct the arbitration. If the parties cannot agree on a single arbitrator, each party must select one arbitrator and those two arbitrators will select a third arbitrator. This third arbitrator will hear the dispute. The arbitrator's decision is final (except as otherwise specifically provided by law) and binds the parties, and either party may request any court having jurisdiction to enter a judgment and to enforce the arbitrator's decision. The arbitrator will provide the parties with a written decision naming the substantially prevailing party in the action. This prevailing party is entitled to reimbursement from the other party for its costs and expenses, including reasonable attorneys' fees.

(b) Governing Law. All proceedings will be held at a place designated by the arbitrator in Flathead County, Montana. The arbitrator, in rendering a decision as to any state law claims, will apply Montana law.

(c) Exception to Arbitration. Notwithstanding the above, if Executive violates Section 10 or 11, the Company will have the right to initiate the court proceedings described in Section 12(b), in lieu of an arbitration proceeding under this Section 14.

15. MISCELLANEOUS PROVISIONS.

(a) Entire Agreement. This Agreement constitutes the entire understanding and agreement between the parties concerning its subject matter and supersedes all prior agreements, correspondence, representations, or understandings between the parties relating to its subject matter.

(b) Binding Effect. This Agreement will bind and inure to the benefit of the Company's, its subsidiaries' and Executive's heirs, legal representatives, successors and assigns.

(c) Litigation Expenses. If either party successfully seeks to enforce any provision of this Agreement or to collect any amount claimed to be due under it, this party will be entitled to reimbursement from the other party for any and all of its out-of-pocket expenses and costs including, without limitation, reasonable attorneys' fees and costs incurred in connection with the enforcement or collection.

(d) Waiver. Any waiver by a party of its rights under this Agreement must be written and signed by the party waiving its rights. A party's waiver of the other party's breach of any provision of this Agreement will not operate as a waiver of any other breach by the breaching party.

(e) Assignment. The services to be rendered by Executive under this Agreement are unique and personal. Accordingly, Executive may not assign any of his rights or duties under this Agreement.

(f) Amendment. This Agreement may be modified only through a written instrument signed by both parties.

(g) Severability. The provisions of this Agreement are severable. The invalidity of any provision will not affect the validity of other provisions of this Agreement.

(h) Governing Law and Venue. This Agreement will be governed by and construed in accordance with Montana law, except to the extent that certain regulatory matters may be governed by federal law. The parties must bring any legal proceeding arising out of this Agreement in Flathead County, Montana.

(i) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which taken together will constitute one and the same instrument.

Signed this 28th day of January, 2005.

GLACIER BANCORP, INC.

/s/ Michael J. Blodnick

Michael J. Blodnick
President/CEO

Attest:

/s/ LeeAnn Wardinsky

LeeAnn Wardinsky
Assistant Secretary

EXECUTIVE

/s/ James H. Strosahl

James H. Strosahl

EXHIBIT 10(d)

EMPLOYMENT AGREEMENT

AGREEMENT between First Security Bank of Missoula, ("Bank"), and William L. Bouchee, ("Executive"), and ratified by Glacier Bancorp, Inc. ("Company"),

RECITALS

A. First Security Bank of Missoula, ("Bank"), is a wholly owned subsidiary of Glacier Bancorp, Inc., ("Company").

B. Executive is the Chief Executive Officer of the Bank and a director of the Bank.

C. The Bank desires Executive to continue his employment at the Bank under the terms and conditions of this Agreement.

D. Executive desires to continue his employment at the Bank under the terms and conditions of this Agreement.

AGREEMENT

1. EMPLOYMENT. The Bank agrees to employ Executive and Executive accepts employment by the Bank on the terms and conditions set forth in this Agreement. Executive's title will be the Chief Executive Officer of the Bank. During the term of this Agreement, Executive will serve as a director of the Bank.

2. TERM. The term of this Agreement is for one year beginning January 1, 2005.

3. DUTIES. The Bank will employ Executive as its Chief Executive Officer. Executive will faithfully and diligently perform his assigned duties, which are as follows:

   (a) Bank Performance. Executive will be responsible for all aspects of the Bank's performance, including without limitation, directing that daily operational and managerial matters are performed in a manner consistent with the Bank's and Company's policies.

   (b) Development and Preservation of Business. Executive will be responsible for the development and preservation of banking relationships and other business development efforts (including appropriate civic and community activities) in Missoula County.

   (c) Report to Board. Executive will report directly to the Bank's board of directors and to the Chief Executive Officer of the Company. The Bank's board of directors may, from time to time, modify Executive's title or add, delete, or modify Executive's performance responsibilities to accommodate management succession, as well as any other management objectives of the Bank or of the Company. Executive will assume any additional positions, duties and responsibilities as may reasonably be requested of him with or without additional compensation, as appropriate and consistent with Sections 3(a) and 3(b) of this Agreement.

4. EXTENT OF SERVICES. Executive will devote all of his working time, attention and skill to the duties and responsibilities set forth in Section 3. To the extent that such activities do not interfere with his duties under Section 3, Executive may participate in other businesses as a passive investor, but (a) Executive may not actively participate in the operation or management of those businesses, and (b) Executive may not, without the Bank's prior written consent, make or maintain any investment in a business with which the Bank or Company has an existing competitive or commercial relationship.

5. SALARY. Executive will receive an annual salary of $138,000.00 to be paid in accordance with the Bank's regular payroll schedule.

6. INCENTIVE COMPENSATION. During the Term, the Bank's board of directors, subject to ratification by Company's board of directors, will determine the amount of bonus to be paid by the Bank to Executive for that year. In making this determination, the Bank's board of directors will consider factors such as Executive's performance of his duties and the safety, soundness and profitability of the Bank. Executive's bonus will reflect Executive's contribution to the performance of the Bank during the year. This bonus will be paid to Executive no later than January 31 of the year following the year in which the bonus is earned by Executive.

7. INCOME DEFERRAL. Executive will be eligible to participate in any program available to the Bank's and Company's senior management for income deferral, for the purpose of deferring receipt of any or all of the compensation he may become entitled to under this Agreement.

8. VACATION AND BENEFITS.

(a) Vacation and Holidays. Executive will receive four weeks of paid vacation each year in addition to all holidays observed by the Bank. Executive may carry over, in the aggregate, up to four weeks of unused vacation to a subsequent year. Any unused vacation time in excess of four weeks will not accumulate or carry over from one calendar year to the next. Each calendar year Executive shall take not less than one (1) week vacation.

(b) Benefits. Executive will be entitled to participate in any group life insurance, disability, health and accident insurance plans, profit sharing and pension plans and in other employee fringe benefit programs the Bank or Company may have in effect from time to time for its similarly situated employees, in accordance with and subject to any policies adopted by the Bank's board of directors with respect to the plans or programs, including without limitation, any incentive or employee stock option plan, deferred compensation plan, 401(k) plan, and Supplemental Executive Retirement Plan (SERP). Neither the Bank nor Company, through this Agreement, obligate itself to make any particular benefits available to its employees.

(c) Business Expenses. The Bank will reimburse Executive for ordinary and necessary expenses which are consistent with past practice at the Bank (including, without limitation, travel, entertainment, and similar expenses) and which are incurred in performing and promoting the Bank's business. Executive will present from time to time itemized accounts of these expenses, subject to any limits of the Bank policy or the rules and regulations of the Internal Revenue Service.

9. TERMINATION OF EMPLOYMENT.

(a) Termination by the Bank for Cause. If the Bank terminates Executive's employment for Cause (defined below) before this Agreement terminates, the Bank will pay Executive the salary earned and expenses reimbursable under this Agreement incurred through the date of his termination. Executive will have no right to receive compensation or other benefits for any period after termination under this Section 9(a).

(b) Other Termination by the Bank. If the Bank terminates Executive's employment without Cause before this Agreement terminates, or Executive terminates his employment for Good Reason (defined below), the Bank will pay Executive for the remainder of the Term the compensation and other benefits he would have been entitled to if his employment had not terminated.

(c) Death or Disability. This Agreement terminates (1) if Executive dies or (2) if Executive is unable to perform his duties and obligations under this Agreement for a period of 90 consecutive days as a result of a physical or mental disability arising at any time during the term of this Agreement, unless with reasonable accommodation Executive could continue to perform his duties under this Agreement and making these accommodations would not pose an undue hardship on the Bank. If termination occurs under this Section 9(c), Executive or his estate will be entitled to receive all compensation and benefits earned and expenses reimbursable through the date Executive's employment terminated.

(d) Termination Related to a Change in Control.

(1) Termination by Bank. If the Bank, or its successor in interest by merger, or its transferee in the event of a purchase in an assumption transaction (for reasons other than Executive's death, disability, or Cause) (1) terminates Executive's employment within one year following a Change in Control (as defined below), or (2) terminates Executive's employment before the Change in Control but on or after the date that any party either announces or is required by law to announce any prospective Change in Control transaction and a Change in Control occurs within six months after the termination, the Bank will provide Executive with the payment and benefits described in Section 9(d)(3) below.

(2) Termination by Executive. If Executive terminates Executive's employment, with or without Good Reason, within one year following a Change in Control, the Bank will provide Executive with the payment and benefits described in Section 9(d)(3).

(3) Payments. If Section 9(d)(1) or (2) is triggered in accordance with its terms, the Bank will: (i) pay Executive in 12 monthly installments in an amount equal to the Executive's annual salary (determined as of the day before the date Executive's employment was terminated) and (ii) maintain and provide for one year following Executive's termination, at no cost to Executive, the benefits described in Section 8(b) to which Executive is entitled (determined as of the day before the date of such termination); but if Executive's participation in any such benefit is thereafter barred or not feasible, or discontinued or materially reduced, the Bank will arrange to provide Executive with either benefits substantially similar to those benefits or a cash payment of substantially similar value in lieu of the benefits.

(e) Limitations on Payments Related to Change in Control. The following apply notwithstanding any other provision of this Agreement:

(1) the total of the payments and benefits described in Section 9(d)(3) will be less than the amount that would cause them to be a "parachute payment" within the meaning of Section 280G(b)(2)(A) of the Internal Revenue Code;

(2) the payment and benefits described in Section 9(d)(3) will be reduced by any compensation (in the form of cash or other benefits) received by Executive from the Bank or its successor after the Change in Control; and

(3) Executive's right to receive the payments and benefits described in Section 9(d)(3) terminates (i) immediately if before the Change in Control transaction closes, Executive terminates his employment without Good Reason, or the Bank terminates Executive's employment for Cause, or (ii) one year after a Change of Control occurs.

(f) Return of Bank Property. If and when Executive ceases, for any reason, to be employed by the Bank, Executive must return to the Bank all keys, pass cards, identification cards and any other property of the Bank. At the same time, Executive also must return to the Bank all originals and copies (whether in memoranda, designs, devices, diskettes, tapes, manuals, and specifications) which constitute proprietary information or material of the Bank. The obligations in this paragraph include the return of documents and other materials which may be in his desk at work, in his car, in place of residence, or in any other location under his control.

(g) Cause. "Cause" means any one or more of the following:

(1) Willful misfeasance or gross negligence in the performance of Executive's duties;

(2) Conviction of a crime in connection with his duties;

(3) Conduct demonstrably and significantly harmful to the Bank, as reasonably determined on the advice of legal counsel by the Bank's board of directors; or

(4) Permanent disability, meaning a physical or mental impairment which renders Executive incapable of substantially performing the duties required under this Agreement, and which is expected to continue rendering Executive so incapable for the reasonably foreseeable future.

(h) Good Reason. "Good Reason" means only any one or more of the following:

(1) Reduction of Executive's salary or reduction or elimination of any compensation or benefit plan benefiting Executive, unless the reduction or elimination is generally applicable to other executive officers within the Company (or executive officers of a successor or controlling entity of the Bank) formerly benefitted;

(2) The assignment to Executive without his consent of any authority or duties materially inconsistent with Executive's position as of the date of this Agreement;

(3) The material breach of this Agreement by the Bank, or

(4) A relocation or transfer of Executive's principal place of employment outside Missoula County, Montana.

(i) Change in Control. "Change in Control" means a change "in the ownership or effective control" or "in the ownership of a substantial portion of the assets" of the Bank, within the meaning of Section 280G of the Internal Revenue Code.

10. CONFIDENTIALITY. Executive will not, after the date this Agreement was signed, including during and after its Term, use for his own purposes or disclose to any other person or entity any confidential business information concerning the Bank or its business operations, unless (1) the Bank consents to the use or disclosure of confidential information; (2) the use or disclosure is consistent with Executive's duties under this Agreement, or (3) disclosure is required by law or court order. For purposes of this Agreement, confidential business information includes, without limitation, trade secrets (as defined under the Montana Uniform Trade Secrets Act, Montana Code Section 30-14-402), various confidential information on investment management practices, marketing plans, pricing structure and technology of either the Bank or Company. Executive will also treat the terms of this Agreement as confidential business information.

11. NONCOMPETITION. During the Term and the terms of any extensions or renewals of this Agreement and for a period equal to one year after Executive's employment with the Bank and Company has terminated, Executive will not, directly or indirectly, as a shareholder, director, officer, employee, partner, agent, consultant, lessor, creditor or otherwise:

(a) provide management, supervisory or other similar services to any person or entity engaged in any business in counties in which the Bank or Company may have a presence which is competitive with the business of the Bank or Company or a subsidiary as conducted during the term of this Agreement or as conducted as of the date of termination of employment, including any preliminary steps associated with the formation of a new bank.

(b) persuade or entice, or attempt to persuade or entice any employee of the Bank or Company or a subsidiary to terminate his/her employment with the Bank or a subsidiary.

(c) persuade or entice or attempt to persuade or entice any person or entity to terminate, cancel, rescind or revoke its business or contractual relationships with the Bank or Company.

12. ENFORCEMENT.

(a) The Bank and Executive stipulate that, in light of all of the facts and circumstances of the relationship between Executive and the Bank, the agreements referred to in Sections 10 and 11 (including without limitation their scope, duration and geographic extent) are fair and reasonably necessary for the protection of the Bank's and Company's confidential information, goodwill and other protectable interests. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, Executive and the Bank request the court to reform these provisions to restrict Executive's use of confidential information and Executive's ability to compete with the Bank and Company to the maximum extent, in time, scope of activities and geography, the court finds enforceable.

(b) Executive acknowledges the Bank and Company will suffer immediate and irreparable harm that will not be compensable by damages alone if Executive repudiates or breaches any of the provisions of Sections 10 or 11 or threatens or attempts to do so. For this reason, under these circumstances, the Bank, in addition to and without limitation of any other rights, remedies or damages available to it at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and the Bank will not be required to post a bond as a condition for the granting of this relief.

13. COVENANTS. Executive specifically acknowledges the receipt of adequate consideration for the covenants contained in Sections 10 or 11 and that the Bank is entitled to require him to comply with these Sections. These Sections will survive termination of this Agreement. Executive represents that if his employment is terminated, whether voluntarily or involuntarily, Executive has experience and capabilities sufficient to enable Executive to obtain employment in areas which do not violate this Agreement and that the Bank's enforcement of a remedy by way of injunction will not prevent Executive from earning a livelihood.

14. ARBITRATION.

(a) Arbitration. At either party's request, the parties must submit any dispute, controversy or claim arising out of or in connection with, or relating to, this Agreement or any breach or alleged breach of this Agreement, to arbitration under the American Arbitration Association's rules then in effect (or under any other form of arbitration mutually acceptable to the parties). A single arbitrator agreed on by the parties will conduct the arbitration. If the parties cannot agree on a single arbitrator, each party must select one arbitrator and those two arbitrators will select a third arbitrator. This third arbitrator will hear the dispute. The arbitrator's decision is final (except as otherwise specifically provided by law) and binds the parties, and either party may request any court having jurisdiction to enter a judgment and to enforce the arbitrator's decision. The arbitrator will provide the parties with a written decision naming the substantially prevailing party in the action. This prevailing party is entitled to reimbursement from the other party for its costs and expenses, including reasonable attorneys' fees.

(b) Governing Law. All proceedings will be held at a place designated by the arbitrator in Flathead County, Montana. The arbitrator, in rendering a decision as to any state law claims, will apply Montana law.

(c) Exception to Arbitration. Notwithstanding the above, if Executive violates Section 10 or 11, the Bank will have the right to initiate the court proceedings described in Section 12(b), in lieu of an arbitration proceeding under this Section 14.

15. MISCELLANEOUS PROVISIONS.

(a) Entire Agreement. This Agreement constitutes the entire understanding and agreement between the parties concerning its subject matter and supersedes all prior agreements, correspondence, representations, or understandings between the parties relating to its subject matter.

(b) Binding Effect. This Agreement will bind and inure to the benefit of the Bank's and Executive's heirs, legal representatives, successors and assigns.

(c) Litigation Expenses. If either party successfully seeks to enforce any provision of this Agreement or to collect any amount claimed to be due under it, this party will be entitled to reimbursement from the other party for any and all of its out-of-pocket expenses and costs including, without limitation, reasonable attorneys' fees and costs incurred in connection with the enforcement or collection.

(d) Waiver. Any waiver by a party of its rights under this Agreement must be written and signed by the party waiving its rights. A party's waiver of the other party's breach of any provision of this Agreement will not operate as a waiver of any other breach by the breaching party.

(e) Assignment. The services to be rendered by Executive under this Agreement are unique and personal. Accordingly, Executive may not assign any of his rights or duties under this Agreement.

(f) Amendment. This Agreement may be modified only through a written instrument signed by both parties and ratified by the Company.

(g) Severability. The provisions of this Agreement are severable. The invalidity of any provision will not affect the validity of other provisions of this Agreement.

(h) Governing Law and Venue. This Agreement will be governed by and construed in accordance with Montana law, except to the extent that certain regulatory matters may be governed by federal law. The parties must bring any legal proceeding arising out of this Agreement in Flathead County, Montana.

(i) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which taken together will constitute one and the same instrument.

Signed this 17th day of February, 2005.

FIRST SECURITY BANK OF MISSOULA

/s/ Allen J. Fetscher

Allen J. Fetscher, Chairman

Attest By:

/s/ Harold Fraser
- -----------------
Harold Fraser, Secretary

EXECUTIVE

/s/ William L. Bouchee

William L. Bouchee

Ratified
GLACIER BANCORP, INC.

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

EXHIBIT 10(g)

GLACIER BANCORP, INC.
DEFERRED COMPENSATION PLAN
(AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2005)

Glacier Bancorp, Inc. (the "Company"), a Montana corporation, by resolution of its Board of Directors dated ______________, 2005, hereby amends and restates its Deferred Compensation Plan (the "Plan"), effective January 1, 2005,for a determined class (the "Class") consisting of its directors and certain other officers and key employees, as herein provided. This Plan is a nonqualified deferred compensation plan which is unfunded and is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees and non-employee directors of the Company.

ARTICLE I - DESIGNATED CLASS; PARTICIPATION

The Class eligible to participate in the Plan shall be limited to members of the Board of Directors ("Board") of the Company (including the Chairman), the Company's President, and such other officers or key employees of the Company as the Board may identify by resolution as being eligible for participation in the Plan. However, an individual within the Class shall become a "Participant" in the Plan only if the individual first enters into a properly completed "Deferral Election Form" (substantially in the form attached hereto as Exhibit A), and "Distribution Election Form" (substantially in the form attached hereto as Exhibit B). These election forms shall be subject to any revisions that the Board may approve in its discretion from time to time for use, after written notice to Participants, on a prospective basis for future elections.

ARTICLE II - DEFERRED AMOUNTS

Deferred amounts shall be credited by the Company at the end of each calendar quarter beginning after 2004, in accordance with the terms of the Plan as amended and restated herein, and the Deferral Election Form entered into between Participants and the Company, as provided for in Article I hereof. The funds so deferred quarter-annually shall be credited by the Company to a bookkeeping account ("Account") in the name of each Participant, according to the terms of the Participant's Deferral Election Form. Each Participant's Account shall be credited as of January 1, 2005, with the balance credited to the Participant's Account as of December 31, 2004 (pursuant to the terms of the Plan prior to this amendment and restatement).

In addition to the amounts credited to each Participant's Account as of January 1, 2005, and quarter-annually thereafter, the Company shall adjust each Participant's Account as of the end of each calendar year beginning after 2004 to reflect a rate of return (positive or negative) equal to fifty (50%) percent of return-on-average equity of common stock issued by Glacier Bancorp, Inc. as of December 31 of the Company's most recently-completed fiscal year.

The value of each Participant's Account as determined as of a given date under this Article, plus any amounts subsequently allocated thereto under this Article, and less any amounts distributed or withdrawn under Article IV shall remain the value thereof for all purposes of the Plan until the Account is revalued hereunder.

ARTICLE III - ANTI-ALIENATION; PARTICIPANTS TO BE UNSECURED CREDITORS

(a) A Participant's interest in the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge; and the Company shall not be obligated to make any payments to persons other than as specifically provided in the Plan. Such payments shall be made in the regular course of business from the general funds of the Company as they become due, except that such payments may be made from any trust ("Trust") that the Company may establish in its discretion in accordance with the terms of Article VII below.

(b) Neither the Participants, nor their beneficiaries, nor any other person or persons having or claiming a right to payments hereunder or to any interest in the Plan shall have a secured claim against the assets of the Company, and such persons shall rely solely on the unsecured promise of the Company for the payment of any benefits pursuant to the Plan. Nothing herein shall be construed to give any person any right, title, interest, or claim in or to any specific asset, fund, reserve, account, or property of any kind whatsoever owned by them or in which it may have any right, title or interest now or in the future; but such persons shall have the right to enforce his or her claim against the Company in the same manner as any unsecured creditor.

ARTICLE IV - PAYMENTS TO PARTICIPANTS

(a) A Participant's Account shall be paid in accordance with the elections made in the particular Distribution Election Form or Forms applicable to the deferred amounts. Each distribution election shall be made on or before the effective date of the Deferral Election Form to which the Distribution Election Form relates. A Participant may change one or more distribution elections by -

(i) providing the Board with a new Distribution Election Form at least one year before the date on which distributions are otherwise scheduled to commence pursuant to the Participant's otherwise applicable election from the choices set forth under Article IV(b) hereof, and

(ii) selecting a new distribution schedule that is allowable under Article IV(b) hereof, that specifies the portion of the Participant's Account to which it relates, and that defers the commencement of distributions by at least five years from the originally scheduled commencement date.

(b) A Participant may elect in his or her Distribution Election Form to have the amounts deferred pursuant to the Participant's Deferral Election Form, and any earnings credited thereto pursuant to Article II above, distributed beginning during the first 15 days of January of the first to occur of either --

(i) the calendar year immediately following the year in which the Participant ceases service with the Company, or

(ii) the later of (I) the calendar year immediately following the year in which the Participant ceases service with the Company, and (II) a specified date designated by the Participant, but not later than the year in which the Participant will attain age 72); or

(iii) the year in which the Participant attains age 72; or

(iv) the ___ (not more than fifth) anniversary of the date on which the Participant ceases service with the Company; or

(v) a Change in Control.

Notwithstanding a Participant's election from the above choices, the Company shall suspend payments until the date six (6) months after the date on which the Participant terminates service with the Company if the Board (acting without voting or participation by the Participant) determines that earlier payment would violate Section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986, as amended (the "Code").

(c) A Participant may further elect in his or her Distribution Election Form to have the amounts deferred pursuant to the associated Deferral Election Form, and any earnings credited thereto pursuant to Article II above, distributed either --

(i) in a lump sum; or

(ii) in substantially equal annual payments over period of ___ years (not to exceed 10 years from the date the Participant ceases service with the Company).

(d) If a Participant should die before receiving all deferred compensation benefits payable hereunder, then such payment(s) shall be made to the beneficiary designated by the Participant in his or her Agreement. If the beneficiary has predeceased the Participant or survives the Participant but then dies before all benefits payable hereunder have been paid, then the aggregate benefits then unpaid shall be paid over to the beneficiary's estate, in a lump sum, on the 90th day following the date of the Participant's death.

ARTICLE V - AMOUNT OF DEFERRED COMPENSATION

A Participant who is a member of the Board and who is not an employee of the Company may elect on a Deferral Election Form to have any portion of his or her director's fees deferred under this Plan. Any other Participant may elect on a Deferral Election Form to defer annually under the Plan up to 50% of his or her salary to be earned in the calendar year and otherwise become payable in cash from the Company, and up to 100% of any such cash bonuses. Any election made with respect to the amount to be deferred, and the timing and method of payment of benefits hereunder, shall be made prior to the beginning of the calendar year in which the services giving rise to the amounts deferred are earned, and shall take effect on the January 1st following such election; provided that (i) a Participant may at any time elect to cease future deferrals; and (ii) an individual who first becomes eligible to participate in the Plan during a calendar year may deliver to the Board his or her executed Deferral Election Form and Distribution Election Form within thirty (30) days of becoming eligible for Plan participation, in which event the Participant's elections shall apply only to compensation that would otherwise be payable for services performed during the remainder of such calendar year.

ARTICLE VI - CHANGES TO AGREEMENTS

Except as otherwise specifically provided in Article IV(a) relating to changes to distribution elections and Article V relating to the cessation of deferrals, all elections made under this Plan shall be irrevocable with respect to amounts deferred pursuant to the terms and conditions of Deferral Election Forms and Distribution Election Forms. A Participant may nevertheless at any time and from time to time change the beneficiary designated in paragraph 4 of the Distribution Election Form. A Participant may at any time file election forms which supersede prior election forms as to amounts deferred on or after the January 1st that follows execution of the superseding election forms, provided that the prior election forms shall nevertheless continue in full force and effect, and be irrevocable, with respect to the time and manner of payment of amounts deferred prior to the effective date of the superseding election forms.

ARTICLE VII - CHANGE IN CONTROL

At any time before, but not more than five business days after, a Change in Control (as defined under the Company's 2005 Stock Incentive Plan), the Company shall contribute to a Trust associated with the Plan an amount equivalent to the aggregate amount payable to Participants, which amount would then be used to assist the Company in making eventual payment to Participants under the terms and conditions of the Plan. The Trust and any assets held therein to assist the Company in meeting its obligations under the Plan and shall conform to the provisions of the model trust, as described in Revenue Procedure 92-64 (or any successor thereto). It is the intention of the parties that the Plan and the arrangements associated therewith (including the Trust) be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended.

ARTICLE VIII - MISCELLANEOUS PROVISIONS

(a) The Board shall be responsible for the management and control of the operation and administration of the Plan, including any and all interpretations and decisions pertaining to the granting or denial of benefits, claims, and any and all interpretations and decisions pertaining to the review or denial of benefit claims. The Plan shall inure to the benefit of the Participants and shall be binding upon the Company, its successors and assigns. The Board shall have discretion to amend or terminate the Plan at any time and from time to time, provided that no change in the Plan which adversely affects any Participant (or beneficiary collecting benefits) shall be made without the written consent of the Participant (or beneficiary) so affected.

(b) All references herein to "the Company" shall be deemed to refer with equal force and effect both to any wholly-owned subsidiary of the Company, and to any corporate or other successor of the Company which shall acquire, directly or indirectly, by merger, consolidation, purchase, or otherwise, all or substantially all of the assets of the Company.

(c) In the event any parts of the Plan are found to be void, the remaining provisions of this Plan shall, nevertheless, be binding with the same effect as though the void parts were deleted.

(d) The Secretary of the Company shall maintain a copy of the Plan and any amendments thereto.

(e) All distributions under the Plan shall be subject to reduction by the Company for all amounts that the Company is required to withhold under federal, state or local tax law.

(f) PARTICIPANTS ARE SOLELY RESPONSIBLE AND LIABLE FOR THE SATISFACTION OF ALL TAXES AND

PENALTIES (INCLUDING ANY TAXES ARISING UNDER SECTION 409A OF THE CODE) THAT MAY ARISE IN CONNECTION WITH THEIR PLAN PARTICIPATION AND COLLECTION OF PAYMENTS FROM THEIR ACCOUNTS. THE COMPANY SHALL NOT HAVE ANY OBLIGATION TO INDEMNIFY OR OTHERWISE HOLD ANY PARTICIPANT HARMLESS FROM ANY OR ALL OF SUCH TAXES. THE BOARD SHALL, HOWEVER, SHALL HAVE THE DISCRETION TO ADMINISTER THE PLAN, TO MODIFY DEFERRAL AND DISTRIBUTION ELECTION FORMS, AND TO UNILATERALLY MODIFY ANY SUCH FORM IN A MANNER THAT (i) CONFORMS IT WITH THE REQUIREMENTS OF SECTION 409A OF THE CODE, OR (ii) VOIDS ANY PARTICIPANT'S ELECTION, OR PROVISION WITHIN AN ELECTION, TO THE EXTENT IT WOULD VIOLATE SECTION 409A OF THE CODE.

IN ADDITION, IF THE BOARD DETERMINES THAT A PAYMENT OF PLAN BENEFITS TO A PARTICIPANT WOULD VIOLATE SECTION 409A OF THE CODE, THE BOARD SHALL MAKE SUCH PAYMENT ONLY AND AUTOMATICALLY UPON THE EARLIEST DISTRIBUTION EVENT THAT IS PERMISSIBLE UNDER SECTION 409A OF THE CODE, SUBJECT TO ANY VALID SECOND ELECTION TO DEFER THAT A PARTICIPANT MAKES PURSUANT to Article IV(a) OF THE PLAN. THE ADMINISTRATOR SHALL HAVE THE SOLE DISCRETION TO INTERPRET THE REQUIREMENTS OF THE CODE, INCLUDING SECTION 409A, FOR PURPOSES OF THE PLAN.

ARTICLE IX - SPECIAL ELECTION FOR 2005

For calendar year 2005, any Participant with a positive Account as of December 31, 2004 may make either or both of the following elections using the form attached hereto as Exhibit C:

(a) to terminate participation in the Plan with respect to all or part of the value of the Participant's Account on December 31, 2004; and/or

(b) to cancel a deferral election that would otherwise be effective in 2005 with regard to amounts deferred or to be deferred in 2005.

Any amounts subject to an election on Exhibit C shall be paid to the Participant in 2005 and shall be includible in income of the Participant for 2005.

ARTICLE X - EFFECTIVE DATE

The amended and restated Plan shall become effective January 1, 2005.

EXHIBIT A
GLACIER BANCORP, INC.
2005 DEFERRED COMPENSATION PLAN

DEFERRAL ELECTION FORM

AGREEMENT, made this __ day of ________, ____, by and between me, (_______________), in my individual capacity as a participant or potential participant in the Glacier Bancorp, Inc. 2005 Deferred Compensation Plan (the "Plan"), and Glacier Bancorp, Inc. (the "Company"), in its settlor capacity as sponsor of the Plan. The parties agree that any term that begins herein with initial capital letters shall have the special meaning defined in the plan, unless the context clearly requires otherwise.

WHEREAS, I understand that terms herein that begin with initial capital letters will have the defined meaning set forth in the Plan (unless the context clearly indicates a different meaning).

NOW THEREFORE, it is mutually agreed as follows:

1. By the execution hereof, I agree to participate in the Plan upon the terms and conditions set forth therein, and, in accordance therewith, make the elections set forth herein effective -

___ on the January 1st that follows the Board's acceptance of my Deferral Election Form and Distribution Election Form.

___ on the first day of the next calendar month, but only if the Board accepts my Deferral Election Form and Distribution Election Form within the 30-day period after I first become eligible for Plan participation.

2. For the duration of this election (as determined under Section 3 below), I hereby elect to defer the receipt of the following percentage of cash bonus and director fees that the Company will withhold and credit to my Account pursuant to the Plan:

___% of any salary that I receive.

___% of any cash bonuses that I receive.

___% of any director fees that I receive.

3. I recognize and agree that this election will remain in effect indefinitely, until the earlier of (a) the date on which my service with the Company terminates, (b) the date on which the Board receives a written notice in which I terminate this election, and (c) the effective date of a superseding election made using election forms acceptable to the Board.

4. By the execution hereof, I further recognize and agree to participate in the Plan upon the terms and conditions set forth therein, including but not limited to the following terms:

(a) This election is irrevocable with respect to any cash bonus, director fee or salary that is deferred during the term of this agreement.

(b) Unless made in bad faith, any decisions of the Administrator with respect to the operation, interpretation, or administration of the Plan or my Account will be final and binding on me and all other interested parties.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands the day and year first above-written.

Witnessed by:	PARTICIPANT
___________________________	________________________________
Witnessed by:	GLACIER BANCORP, INC.
__________________________	By_____________________________________ A member of the Board of Directors

EXHIBIT B
GLACIER BANCORP, INC.
2005 DEFERRED COMPENSATION PLAN

DISTRIBUTION ELECTION FORM

AGREEMENT, made this __ day of ________, ____, by and between me, (_______________), in my individual capacity as a participant or potential participant in the Glacier Bancorp, Inc. 2005 Deferred Compensation Plan (the "Plan"), and Glacier Bancorp, Inc. (the "Company"), in its settlor capacity as sponsor of the Plan. The parties agree that any term that begins herein with initial capital letters shall have the special meaning defined in the plan, unless the context clearly requires otherwise.

NOW THEREFORE, it is mutually agreed as follows:

1. Timing of Payment. If I elected to receive my Accounts in substantially equal annual payments in Section 1, I direct that my Accounts begin to be distributed to me as follows (but not earlier than six (6) months after I cease service with the Company):

[ ] on the January 1st that next follows the date that is ___ years (not more than 10) after I cease service service with the Company.

[ ] on the ____ (not more than 5th) anniversary after I cease service with the Company.

[ ] on the first date of the month next following my 72nd birthday.

[ ] the later of (I) the calendar year immediately following the year in which I cease service with the Company, and (II) the following date: ___________ ___, _____ (not later than the date on which the Participant will attain age 72).

[ ] On the date of a Change in Control.

I recognize and agree that notwithstanding my election above, I shall not receive any distribution from the Plan within the six-month period following the date on which I cease service with the Company if the Board acting without my voting or participation determines that earlier payment would violate Section 409A(a)(2)(B)(i) of the Code.

2. Form of Payment Generally. By the execution hereof, I agree to participate in the Plan, upon the terms and conditions set forth therein, and, in accordance therewith, elect to have my Account distributed in cash or in the form of a check as follows:

[ ] in a lump sum.

[ ] in substantially equal annual payments over a period of ___ years (not to exceed 10 years from the date my service with the Company terminates).

3. Form of Payment to Beneficiary. In the event of my death, my Account shall be distributed --

[ ] in one lump sum payment within ninety (90) days following my death.

[ ] in accordance with the payment schedule selected in Sections 1 and 2 hereof (with payments made as though I survived to collect all benefits, and as though I terminated service on the date of my death, if payments had not already begun).

4. Designation of Beneficiary. In the event of my death before I have collected all of the benefits payable under the Plan, I hereby direct that any remaining benefits payable under the Plan be distributed to the beneficiary or beneficiaries designated under subparagraphs a and b of this Section 4 in the manner elected pursuant to Section 3 above:

a. Primary Beneficiary. I hereby designate the person(s) named below to be my primary beneficiary and to receive the balance of any unpaid benefits under the Plan.

Name of Primary Beneficiary	Social Security Number	Mailing Address	Percentage of Death Benefit
			%
			%

b. Contingent Beneficiary. In the event that the primary beneficiary or beneficiaries named above are not living at the time of my death, I hereby designate the following person(s) to be my contingent beneficiary for purposes of the Plan:

Name of Contingent Beneficiary	Social Security Number	Mailing Address	Percentage of Death Benefit
			%
			%

5. Effect of Election. The elections made in paragraphs 1 and 2 hereof shall apply -

[ ] to any deferred compensation that is deferred pursuant to the deferral election to which this election relates.

[ ] to the entire value of my Account, provided that these elections may only be changed at least one year in advance of the earliest date on which payments would otherwise commence pursuant to paragraph 2 hereof, and may only

be changed pursuant to an election that conforms with the requirements set forth in Article IV(a) of the Plan.

With respect to the elections in paragraphs 3 and 4 hereof, I recognize that I may, by submitting an effective superseding Distribution Election Form at any time and from time to time, prospectively change the beneficiary designation and the manner of payment to a Beneficiary. Such elections shall, however, become irrevocable upon my death.

6. Mutual Commitments. The Company agrees to make payment of all amounts due to me in accordance with the terms of the Plan and the elections I make herein. I agree to be bound by the terms of the Plan, as in effect on the date hereof or properly amended hereafter.

7. Tax Responsibility. I recognize and agree that I am solely responsible for the satisfaction of any taxes that may arise under the Plan, (including any taxes arising under Sections 409A or 4999 of the Code), and that neither the Company nor any of its employees, officers, directors, or service providers has any right or obligation to provide me with tax planning advice, or to structure the terms of the Plan or any payments to me in a manner that mitigates my tax liability. It being understood that I should seek and rely on personal, professional tax advice with respect to the Plan and its tax consequences to me, I agree to hold each and every one of them harmless against all loss of any kind (including attorneys fees they incur) with respect to any claim that I make with respect to my participation in the Plan and my collection of benefits from the Plan.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands the day and year first above-written.

Witnessed by:	PARTICIPANT
________________________________	________________________________
Witnessed by:	GLACIER BANCORP, INC.
________________________________	By____________________________________ A member of the Board of Directors

EXHIBIT C
GLACIER BANCORP, INC.
2005 DEFERRED COMPENSATION PLAN

SPECIAL DISTRIBUTION ELECTION FORM FOR 2005

AGREEMENT, made effective this __ day of ___________, 2005, by and between me, (______________________), in my individual capacity as a participant or potential participant in the Glacier Bancorp, Inc. 2005 Deferred Compensation Plan (the "Plan"), and Glacier Bancorp, Inc. (the "Company"), in its settlor capacity as sponsor of the Plan. The parties agree that any term that begins herein with initial capital letters shall have the special meaning defined in the plan, unless the context clearly requires otherwise.

WHEREAS, I participated in the Plan prior to January 1, 2005, had a positive Account as of December 31, 2004, and am currently a participant in the Plan;

WHEREAS, value of my Account was $___________ as of _______________ ___, 2005;

WHEREAS, in accordance with Article IX of the Plan, I desire to collect the amount of my Account designated below, and I understand the terms, conditions, and tax consequences arising from my election herein;

WHEREAS, I recognize and agree that, by making this election, the entire value of my Account will become subject to the terms, conditions, and potential imposition of taxes that are provided for in Section 409A of the Code.

NOW THEREFORE, it is mutually agreed as follows:

1. Form of Payment Generally. By the execution hereof, I elect volntarily to terminate participation in the Plan with respect $_______________ that is currently credited to my Account.

2. Taxable Income in 2005. I recognize and agree that the payment that the Company makes to me pursuant to Section 1 above will be made in 2005, will reduce the value of my Account, and will be reported to me as taxable income for services rendered in 2005, and will be subject to applicable employment taxes and tax withholding.

3. Tax Responsibility. I recognize and agree that I am solely responsible for the satisfaction of any federal, state, or local taxes that may arise under the Plan, (including any taxes arising under Sections 409A or 4999 of the Code), and that neither the Company nor any of its employees, officers, directors, or service providers has any right or obligation to provide me with tax planning advice, or to structure the terms of the Plan or any payments to me in a manner that mitigates my tax liability.

It being understood that I should seek and rely on personal, professional tax advice with respect to the Plan and its tax consequences to me, I agree to hold each and every one of them harmless against all loss of any kind (including attorneys fees they incur) with respect to any claim that I make with respect to my participation in the Plan and my collection of benefits from the Plan.

4. I further understand that the representations, covenants, and commitments set forth herein are irrevocable and binding, and that this Agreement, and the Plan, set forth the entire agreement between the parties with respect to any subject matter covered herein.

ACCEPTED AND AGREED TO this ________ day of ______________, 20___.

Participant's Signature: __________________________

Participant's Name (printed): _________________________

ACCEPTED AND AGREED TO this ________ day of ______________, 20___.

Glacier Bancorp, Inc.

By ____
A duly authorized Member of the Board of Directors

EXHIBIT 10(h)

GLACIER BANCORP, INC.
SUPPLEMENTAL EXECUTIVE RETIREMENT AGREEMENT
(AMENDED AND RESTATED AS OF JANUARY 1, 2005)

This Agreement entered into as of this _____day of ____________, 20____ by and between Glacier Bancorp, Inc. (the "Company") and ____ (the "Executive"), shall constitute the entire agreement between the parties identified hereto, and shall supersede and nullify the Supplemental Executive Retirement Agreement dated _________ ___, 19__ between the Company and the Executive.

WHEREAS, the Executive currently is employed as a senior executive officer of the Company, is expected to continue in this capacity, and is subject to having his or her annual allocations under the Company's tax qualified retirement plans reduced due to (i) applicable federal tax laws, and/or (ii) his participation in the Company's 2005 Deferred Compensation Plan; and

WHEREAS, the Company desires to retain the services of the Executive to the Company and its subsidiaries ("Glacier"), and as such wishes to provide the Executive with supplemental retirement income as a means to restore lost accruals under Glacier's tax-qualified retirement plans.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements hereinafter contained, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree to this Agreement as follows:

ARTICLE I
DEFINITIONS

"Account" shall mean the bookkeeping account maintained by the Company to which annual contributions by the Company will be credited according to the terms of this Agreement.

"Agreement" shall mean this agreement between the Executive and the Company.

"Annual Addition" shall have the meaning set forth in Section 415 of the Code and any regulations thereunder.

"Beneficiary" shall mean the person or persons designated by the Executive to receive any benefits payable under the Agreement in the event of the Executive's death. Such person or persons shall be designated in writing on an Election Form provided for this purpose by the Company's Board of Directors, and may be changed from time to time by similar written notice. In the absence of a written designation, the Beneficiary shall be the Participant's surviving spouse, if any or if none, his estate.

"Benefits" shall mean, collectively, the benefits payable under Articles II and III of the Agreement.

"Change in Control" is defined in the Employment Agreement, and shall be defined in the same manner for purposes of this Agreement. Any amendment to said Employment Agreement that modifies this definition shall be deemed to apply with equal force, effect, and timing to the definition of Change in Control for purposes of this Agreement, except that a modification that may adversely affect a Participant shall be ineffectual as to the Executive unless he consents in writing to be bound by the modification.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Company" shall mean Glacier Bancorp, Inc.

"Compensation" shall mean the amount of W-2 earnings paid to the Executive by the Company (plus any amounts withheld from the Executive under a 401(k) Plan or cafeteria plan sponsored by the Company) within a Plan Year

"Deferred Compensation Plan" shall mean the Company's 2005 Deferred Compensation Plan, as such plan may be amended from time to time.

"Disability" shall have the meaning set forth in, and be determined in accordance with, Section 9(b) of the Employment Agreement.

"Election Form" shall mean the Supplemental Executive Retirement Agreement Election Form (substantially in the form attached hereto as Exhibit A). by which the Executive identifies a Beneficiary and method of distribution of the balance of the Executive's Account described herein. In the absence, at any time, of a duly executed Election Form, the distribution election form applicable to the Executive's account under the Deferred Compensation Plan shall apply to the Executive's Account under this Agreement (to the extent such election is reasonably applicable).

"Employment Agreement" shall mean the Executive's employment agreement with the Company, as such agreement may be amended from time to time.

"Executive" shall mean _______________________________.

"Just Cause" shall have the meaning set forth in, and be determined in accordance with the Employment Agreement.

"Plan Year" shall mean the calendar year, with the first Plan Year of the restated Plan being calendar year 2005.

"Tax-qualified Plan" shall mean any plan that is both maintained by the Company or a member of its controlled group and intended to qualify under Section 401 of the Code (whether or not the plan so qualifies).

ARTICLE II
RETIREMENT BENEFITS FOR THE EXECUTIVE

As of the close of each Plan Year, the Company will credit to the Executive's Account an amount equal to the difference between -

(i) the employer contributions that would have been allocated to the Executive's accounts under the Tax-qualified Plans if not for either the limitations imposed by Section 401 of the Code or the Executive's participation in the Deferred Compensation Plan, and

(ii) the Annual Additions actually credited to the Executive under the Tax-qualified Plans.

For each Plan Year ending before 2005, the amount credited to the Executive's Account shall appreciate or depreciate in accordance with the investment measure selected by the Executive in an Election Form, executed in a Plan Year ending before 2005.

As of the end of each Plan Year ending after 2004, the Executive's Account shall be credited with a rate of return (which may be positive or negative) equal to fifty percent (50%) of the return-on-average-equity of common stock issued by Glacier Bancorp, Inc., as of December 31 of the Company's most recently-completed fiscal year.

The Executive's Account balance shall be paid to the Executive in five substantially equal annual installments, with the first installment due on the first day of the second month after he leaves employment, unless during 2005 and before the Executive leaves employment with the Company for any reason, the Executive has elected an alternative form for distribution pursuant to an Election Form executed and accepted by the Company, in which case the Executive shall be paid in cash or in the form of a check as follows:

1. in a lump sum; or

2. in substantially equal annual payments over a period of ___years (not to exceed 10 years from the date the Executive ceases service with the Company).

Notwithstanding the foregoing, but only to the extent required under federal banking law, the amount payable hereunder shall be reduced to the extent that on the date of the Executive's termination of employment such reduction is necessary to avoid subjecting the Company to liability under Section 280G of the Code. In addition, any payments made to the Executive pursuant to this Agreement, or otherwise, are subject to and conditioned upon their compliance with 12 U.S.C. Section 1828(k) and any regulations promulgated thereunder.

ARTICLE III
DEATH BENEFITS

Unless otherwise elected by the Executive in an Election Form filed in 2005 and before the Executive terminates employment with the Company for any reason, in the event that the Executive dies before receiving all benefit payments provided under Article II hereof, the Company shall pay to the Executive's Beneficiary a lump sum payment, within 60 days following the Executive's death, in an amount equal to the balance of the Executive's Account.

ARTICLE IV

SOURCE OF BENEFITS

The primary source of Benefits shall be the general assets of the Company. However, the Company may establish and fund an irrevocable trust (subject to Article VIII and having terms consistent therewith), whereby assets of the Company will be held by such trust pursuant to such Trust Agreement, subject to claims by general creditors of the Company by appropriate judicial action as provided by such Trust. Any insurance policy or any other asset acquired or held by the Company in connection with the liabilities assumed by it hereunder, shall not be deemed to be held under any trust for the benefit of the Executive or his surviving of the Company, but shall be, and remain, a general, unpledged, unrestricted asset of the Company. Neither Executive nor his Beneficiary shall be named as owner of any insurance policy, if any, held in connection with the liabilities hereunder.

The trustee of the trust established hereunder shall inform the Board annually prior to the commencement of each fiscal year as to the manner in which trust assets shall be invested. In the event that funds from the trust are at any time insufficient to pay Benefits, the obligation to pay Benefits shall constitute an unfunded, unsecured promise by the Company to provide such payments as and to the extent such Benefits become payable. In such case, Benefits shall be paid from the general assets of the Company, and no person shall, by virtue of this Agreement, have any interest in such assets (other than as an unsecured creditor of the Company).

ARTICLE V
ASSIGNMENT

Except as otherwise is provided by this Agreement, it is agreed that neither the Executive nor any Beneficiary of the Executive shall have any right to commute, sell, assign, transfer, encumber and pledge or otherwise convey the right to receive any Benefits hereunder, which Benefits and the rights thereto are expressly declared to be nonassignable and nontransferable.

ARTICLE VI
NO RETENTION OF SERVICES

The Benefits payable under this Agreement shall be independent of, and in addition to, any other employment agreement that may exist from time to time between the parties hereto, or any other compensation payable by the Company to the Executive, whether salary, bonus, retirement income under employee benefit plans sponsored or maintained by the Company, or otherwise. This Agreement shall not restrict the right of the Company to terminate the Executive's employment, or restrict the right of the Executive to terminate employment.

ARTICLE VII
UNSECURED RIGHTS OF THE EXECUTIVE

The rights of the Executive and of his Beneficiary under this Agreement shall be solely those of an unsecured creditor of the Company.

ARTICLE VIII
CHANGE IN CONTROL;
OR TERMINATION FOR JUST CAUSE

The provisions of this Article shall supersede any provisions of this Agreement to the contrary. At any time before but not more than five business days after a Change in Control, the Company shall contribute to Trust associated with the Agreement (the "Trust") an amount equivalent to the aggregate amount payable to the Executive pursuant to this Agreement, which amount would then be used to assist the Company in making eventual payment to the Executive under the terms and conditions of the Agreement. The Trust and any assets held therein to assist the Company in meeting its obligations under the Agreement will conform to the provisions of the model trust, as described in Revenue Procedure 92-64 (or any successor thereto). It is the intention of the parties that the Agreement be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. Subsequent to the Change in Control, the Company shall continue to be obligated to provide for Benefits pursuant to Article II hereof, which additional Benefits shall be payable pursuant to Articles II and III hereof.

In the event of the Executive's termination of employment for Just Cause, no Benefits shall be payable hereunder, and the Company shall have no further obligations hereunder, unless and to the extent that the Company determines, in its sole and absolute discretion, to the contrary.

ARTICLE IX
REORGANIZATION

The Company agrees that it will not merge or consolidate with any other corporation organization, or permit its business activities to be taken over by any other organization, unless and until the succeeding or continuing corporation or other organization shall expressly assume the rights and obligations of the Company herein set forth. The Company further agrees that it will not cease its business activities or terminate its existence, other than as heretofore set forth in this paragraph, without having made adequate provision for the fulfillment of its obligation hereunder.

ARTICLE X
AMENDMENTS

This Agreement may be revoked or be amended in whole or in part only by a writing signed by all of the parties hereto.

ARTICLE XI
STATE LAW

This Agreement shall be construed and governed in all respects under and by the laws of the State of Montana, except to the extent preempted by federal law. If any provision of this Agreement shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

ARTICLE XII
HEADINGS

Heading and subheadings in this Agreement are inserted for convenience and reference only and constitute no part of this Agreement.

ARTICLE XIII
COUNTERPARTS

This Agreement may be executed in an original and any number of counterparts, each of which shall constitute an original of one and the same instrument.

ARTICLE XIV EFFECTIVE DATE

This Agreement shall become effective on the date identified in the Preamble hereto, subject to such changes as the Company's Board of Directors may in its discretion deem to be necessary or proper. Unless terminated earlier in accordance with Article XVII, this Agreement shall remain in effect during the term of employment of the Executive and until all benefits payable hereunder have been made.

ARTICLE XV
INTERPRETATION OF THE AGREEMENT

The Board of Directors of the Company shall have sole and absolute discretion to administer, construe, and interpret the Agreement, and the decisions of the Board shall be conclusive and binding on all affected parties (unless such decisions are arbitrary and capricious).

ARTICLE XVI
ARBITRATION OF DISPUTES

In the event that any dispute arises between the Executive and the Company as to the terms or interpretation of this Agreement, said dispute shall be referred to the American Arbitration Company, and the parties expressly consent to submit said dispute to be so arbitrated. The decision of the American Arbitration Company shall be final and binding on all the parties, and there shall be no appeal therefrom.

ARTICLE XVII
TERMINATION OF AGREEMENT

The Company and the Executive (or his Beneficiary, if the Executive is deceased) may terminate this Agreement at any time in a writing executed by the parties.

IN WITNESS WHEREOF, the Company has caused this Agreement to be signed in its corporate name by its duly authorized officer, impressed with its corporate seal, and properly attested to, and the Executive has hereto set his hand, all on the day and year first above written.

Witnessed by:	EXECUTIVE
________________________________	________________________
Witnessed by:	GLACIER BANCORP, INC.
________________________________	By____________________________________
	A member of the Board of Directors

GLACIER BANCORP, INC.
2005 SUPPLEMENTAL EXECUTIVE RETIREMENT AGREEMENT

ELECTION FORM

ELECTION, executed this __ day of ________, ____, by and between me, (_______________), in my individual capacity as an Executive, and Glacier Bancorp, Inc. (the "Company"), in its capacity as an Employer. This Election is made pursuant to, and accordance with the provisions of the Supplemental Executive Retirement Agreement, as amended and restated as of January 1, 2005, (the "Agreement") that I executed with an authorized representative of the Company on _______________ ___, 2005. The parties to this Election agree that any term that begins herein with initial capital letters shall have the special meaning defined in the Agreement, unless the context clearly requires otherwise.

NOW THEREFORE, it is mutually agreed as follows:

3. Timing of Payment. Subject to Section 7 below, I direct that the Company commence distribute from my Account to me --

[ ] on the January 1st that next follows the date that is ___ years (not more than 5) after I cease service service with the Company.

[ ] on the ____ (not more than 5th) anniversary after I cease service with the Company.

[ ] on the first date of the month next following my 72nd birthday.

[ ] the later of (I) the calendar year immediately following the year in which I cease service with the Company, and (II) the following date: ___________ ___, _____ (not later than the date on which the Participant will attain age 72).

[ ] On the date of a Change in Control.

2. Form of Payment Generally. By the execution hereof and in accordance with the provisions of the Agreement, I elect to have my Account distributed in cash or in the form of a check as follows:

[ ] in a lump sum.

[ ] in substantially equal annual payments over a period of ___ years (not to exceed 10 years from the date I cease service with the Company).

3. Form of Payment to Beneficiary. In the event of my death, my Account shall be distributed as follows --

[ ] in one lump sum payment within sixty (60) days following my death.

[ ] in accordance with the payment schedule selected in Sections 1 and 2 hereof (with payments made as though I survived to collect all benefits, and as though I terminated service on the date of my death, if payments had not already begun).

4. Designation of Beneficiary. In the event of my death before I have collected all of the benefits payable under the Agreement, I hereby direct that any remaining benefits payable under the Agreement be distributed to the beneficiary or beneficiaries designated under subparagraphs a and b of this Section 4 in the manner elected pursuant to Section 3 above:

c. Primary Beneficiary. I hereby designate the person(s) named below to be my primary beneficiary and to receive the balance of any unpaid benefits under the Agreement.

Name of Primary Beneficiary	Social Security Number	Mailing Address	Percentage of Death Benefit
			%
			%

d. Contingent Beneficiary. In the event that the primary beneficiary or beneficiaries named above are not living at the time of my death, I hereby designate the following person(s) to be my contingent beneficiary for purposes of the Agreement.

Name of Contingent Beneficiary	Social Security Number	Mailing Address	Percentage of Death Benefit
			%
			%

5. Effect of Election. The elections made in paragraphs 1 and 2 hereof shall apply -

[ ] only to any amounts included in my Account to which the Agreement relates.

[ ] to the entire value of my Account, provided that these elections may only be changed at least one year in advance of the earliest date on which payments would otherwise commence pursuant to paragraph 2 hereof, and may only be changed pursuant to an election that conforms with the requirements set forth in Article IV(a) of the Plan.

With respect to the elections in paragraphs 3 and 4 hereof, I recognize that I may, by submitting an effective superseding Election Form at any time and from time to time, prospectively change the beneficiary designation and the manner of payment to a Beneficiary. Such elections shall, however, become irrevocable upon my death.

6. Mutual Commitments. The Company agrees to make payment of all amounts due to me in accordance with the terms of the and the elections I make herein. I agree to be bound by the terms of the Agreement, as in effect on the date therein or properly amended hereafter.

7. Tax Responsibility. I recognize and agree that notwithstanding my elections above, the Board shall have the discretion to administer any distribution pursuant to this Election, and to unilaterally modify any such Election, in a manner that the Board reasonably determines to be necessary in order to conform my distribution election with the requirements of Section 409A of the Code. I recognize

and agree, however, that I am solely responsible for the satisfaction of any federal, state, or local taxes of any kind that may arise under the Agreement, (including any taxes arising under Sections 409A or 4999 of the Code), and that neither the Company nor any of its employees, officers, directors, or service providers has any right or obligation to provide me with tax planning advice, or to structure the terms of the Agreement or any payments to me in a manner that mitigates my tax liability. It being understood that I should seek and rely on personal, professional tax advice with respect to the Agreement and its tax consequences to me, I agree to hold each and every one of them harmless against all loss of any kind (including attorneys fees they incur) with respect to any claim that I make with respect to the Agreement, my elections herein, and my collection of benefits pursuant to the Agreement.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands the day and year first above-written.

Witnessed by:	EXECUTIVE
_______________________________	_______________________________
Witnessed by:	GLACIER BANCORP, INC.
_______________________________	By__________________________________ A member of the Board of Directors

EXHIBIT 10(i)

EMPLOYMENT AGREEMENT

AGREEMENT between Mountain West Bank, ("Bank"), and Jon W. Hippler, ("Executive"), and ratified by Glacier Bancorp, Inc. ("Company"),

RECITALS

A. Mountain West Bank, ("Bank"), is a wholly owned subsidiary of Glacier Bancorp, Inc., ("Company").

B. Executive is the President and Chief Executive Officer of the Bank and a director of the Bank.

C. The Bank desires Executive to continue his employment at the Bank under the terms and conditions of this Agreement.

- -

D. Executive desires to continue his employment at the Bank under the terms and conditions of this Agreement.

AGREEMENT

1. EMPLOYMENT. The Bank agrees to employ Executive and Executive accepts employment by the Bank on the terms and conditions set forth in this Agreement. Executive's title will be President and Chief Executive Officer of the Bank. During the term of this Agreement, Executive will serve as a director of the Bank.

2. TERM. The term of this Agreement is for one year beginning January 1, 2005.

3. DUTIES. The Bank will employ Executive as its President and Chief Executive Officer. Executive will faithfully and diligently perform his assigned duties, which are as follows:

   (a) Bank Performance. Executive will be responsible for all aspects of the Bank's performance, including without limitation, directing that daily operational and managerial matters are performed in a manner consistent with the Bank's and Company's policies.

   (b) Development and Preservation of Business. Executive will be responsible for the development and preservation of banking relationships and other business development efforts (including appropriate civic and community activities) in Kootenai County.

   (c) Report to Board. Executive will report directly to the Bank's board of directors and to the Chief Executive Officer of the Company. The Bank's board of directors may, from time to time, modify Executive's title or add, delete, or modify Executive's performance responsibilities to accommodate management succession, as well as any other management objectives of the Bank or of the Company. Executive will assume any additional positions, duties and responsibilities as may reasonably be requested of him with or without additional compensation, as appropriate and consistent with Sections 3(a) and 3(b) of this Agreement.

4. EXTENT OF SERVICES. Executive will devote all of his working time, attention and skill to the duties and responsibilities set forth in Section 3. To the extent that such activities do not interfere with his duties under Section 3, Executive may participate in other businesses as a passive investor, but (a) Executive may not actively participate in the operation or management of those businesses, and (b) Executive may not, without the Bank's prior written consent, make or maintain any investment in a business with which the Bank or Company has an existing competitive or commercial relationship.

5. SALARY. Executive will receive an annual salary of $190,000.00 to be paid in accordance with the Bank's regular payroll schedule.

6. INCENTIVE COMPENSATION. During the Term, the Bank's board of directors, subject to ratification by Company's board of directors, will determine the amount of bonus to be paid by the Bank to Executive for that year. In making this determination, the Bank's board of directors will consider factors such as Executive's performance of his duties and the safety, soundness and profitability of the Bank. Executive's bonus will reflect Executive's contribution to the performance of the Bank during the year. This bonus will be paid to Executive no later than January 31 of the year following the year in which the bonus is earned by Executive.

7. INCOME DEFERRAL. Executive will be eligible to participate in any program available to the Bank's and Company's senior management for income deferral, for the purpose of deferring receipt of any or all of the compensation he may become entitled to under this Agreement.

8. VACATION AND BENEFITS.

(a) Vacation and Holidays. Executive will receive four weeks of paid vacation each year in addition to all holidays observed by the Bank. Executive may carry over, in the aggregate, up to four weeks of unused vacation to a subsequent year. Any unused vacation time in excess of four weeks will not accumulate or carry over from one calendar year to the next. Each calendar year Executive shall take not less than one (1) week vacation.

(b) Benefits. Executive will be entitled to participate in any group life insurance, disability, health and accident insurance plans, profit sharing and pension plans and in other employee fringe benefit programs the Bank or Company may have in effect from time to time for its similarly situated employees, in accordance with and subject to any policies adopted by the Bank's board of directors with respect to the plans or programs, including without limitation, any incentive or employee stock option plan, deferred compensation plan, 401(k) plan, and Supplemental Executive Retirement Plan (SERP). Neither the Bank nor Company, through this Agreement, obligate itself to make any particular benefits available to its employees.

(c) Business Expenses. The Bank will reimburse Executive for ordinary and necessary expenses which are consistent with past practice at the Bank (including, without limitation, travel, entertainment, and similar expenses) and which are incurred in performing and promoting the Bank's business. Executive will present from time to time itemized accounts of these expenses, subject to any limits of the Bank policy or the rules and regulations of the Internal Revenue Service.

9. TERMINATION OF EMPLOYMENT.

(a) Termination by the Bank for Cause. If the Bank terminates Executive's employment for Cause (defined below) before this Agreement terminates, the Bank will pay Executive the salary earned and expenses reimbursable under this Agreement incurred through the date of his termination. Executive will have no right to receive compensation or other benefits for any period after termination under this Section 9(a).

(b) Other Termination by the Bank. If the Bank terminates Executive's employment without Cause before this Agreement terminates, or Executive terminates his employment for Good Reason (defined below), the Bank will pay Executive for the remainder of the Term the compensation and other benefits he would have been entitled to if his employment had not terminated.

(c) Death or Disability. This Agreement terminates (1) if Executive dies or (2) if Executive is unable to perform his duties and obligations under this Agreement for a period of 90 consecutive days as a result of a physical or mental disability arising at any time during the term of this Agreement, unless with reasonable accommodation Executive could continue to perform his duties under this Agreement and making these accommodations would not pose an undue hardship on the Bank. If termination occurs under this Section 9(c), Executive or his estate will be entitled to receive all compensation and benefits earned and expenses reimbursable through the date Executive's employment terminated.

(d) Termination Related to a Change in Control.

(1) Termination by Bank. If the Bank, or its successor in interest by merger, or its transferee in the event of a purchase in an assumption transaction (for reasons other than Executive's death, disability, or Cause) (1) terminates Executive's employment within one year following a Change in Control (as defined below), or (2) terminates Executive's employment before the Change in Control but on or after the date that any party either announces or is required by law to announce any prospective Change in Control transaction and a Change in Control occurs within six months after the termination, the Bank will provide Executive with the payment and benefits described in Section 9(d)(3) below.

(2) Termination by Executive. If Executive terminates Executive's employment, with or without Good Reason, within one year following a Change in Control, the Bank will provide Executive with the payment and benefits described in Section 9(d)(3).

(3) Payments. If Section 9(d)(1) or (2) is triggered in accordance with its terms, the Bank will: (i) pay Executive in 12 monthly installments in an amount equal to the Executive's annual salary (determined as of the day before the date Executive's employment was terminated) and (ii) maintain and provide for one year following Executive's termination, at no cost to Executive, the benefits described in Section 8(b) to which Executive is entitled (determined as of the day before the date of such termination); but if Executive's participation in any such benefit is thereafter barred or not feasible, or discontinued or materially reduced, the Bank will arrange to provide Executive with either benefits substantially similar to those benefits or a cash payment of substantially similar value in lieu of the benefits.

(e) Limitations on Payments Related to Change in Control. The following apply notwithstanding any other provision of this Agreement:

(1) the total of the payments and benefits described in Section 9(d)(3) will be less than the amount that would cause them to be a "parachute payment" within the meaning of Section 280G(b)(2)(A) of the Internal Revenue Code;

(2) the payment and benefits described in Section 9(d)(3) will be reduced by any compensation (in the form of cash or other benefits) received by Executive from the Bank or its successor after the Change in Control; and

(3) Executive's right to receive the payments and benefits described in Section 9(d)(3) terminates (i) immediately if before the Change in Control transaction closes, Executive terminates his employment without Good Reason, or the Bank terminates Executive's employment for Cause, or (ii) one year after a Change of Control occurs.

(f) Return of Bank Property. If and when Executive ceases, for any reason, to be employed by the Bank, Executive must return to the Bank all keys, pass cards, identification cards and any other property of the Bank. At the same time, Executive also must return to the Bank all originals and copies (whether in memoranda, designs, devices, diskettes, tapes, manuals, and specifications) which constitute proprietary information or material of the Bank. The obligations in this paragraph include the return of documents and other materials which may be in his desk at work, in his car, in place of residence, or in any other location under his control.

(g) Cause. "Cause" means any one or more of the following:

(1) Willful misfeasance or gross negligence in the performance of Executive's duties;

(2) Conviction of a crime in connection with his duties;

(3) Conduct demonstrably and significantly harmful to the Bank, as reasonably determined on the advice of legal counsel by the Bank's board of directors; or

(4) Permanent disability, meaning a physical or mental impairment which renders Executive incapable of substantially performing the duties required under this Agreement, and which is expected to continue rendering Executive so incapable for the reasonably foreseeable future.

(h) Good Reason. "Good Reason" means only any one or more of the following:

(1) Reduction of Executive's salary or reduction or elimination of any compensation or benefit plan benefiting Executive, unless the reduction or elimination is generally applicable to other executive officers within the Company (or executive officers of a successor or controlling entity of the Bank) formerly benefitted;

(2) The assignment to Executive without his consent of any authority or duties materially inconsistent with Executive's position as of the date of this Agreement;

(3) The material breach of this Agreement by the Bank, or

(4) A relocation or transfer of Executive's principal place of employment outside Kootenai County, Idaho.

(i) Change in Control. "Change in Control" means a change "in the ownership or effective control" or "in the ownership of a substantial portion of the assets" of the Bank, within the meaning of Section 280G of the Internal Revenue Code.

10. CONFIDENTIALITY. Executive will not, after the date this Agreement was signed, including during and after its Term, use for his own purposes or disclose to any other person or entity any confidential business information concerning the Bank or its business operations, unless (1) the Bank consents to the use or disclosure of confidential information; (2) the use or disclosure is consistent with Executive's duties under this Agreement, or (3) disclosure is required by law or court order. For purposes of this Agreement, confidential business information includes, without limitation, trade secrets (as defined under the Montana Uniform Trade Secrets Act, Montana CodeSection 30-14-402), various confidential information on investment management practices, marketing plans, pricing structure and technology of either the Bank or Company. Executive will also treat the terms of this Agreement as confidential business information.

11. NONCOMPETITION. During the Term and the terms of any extensions or renewals of this Agreement and for a period equal to one year after Executive's employment with the Bank and Company has terminated, Executive will not, directly or indirectly, as a shareholder, director, officer, employee, partner, agent, consultant, lessor, creditor or otherwise:

(a) provide management, supervisory or other similar services to any person or entity engaged in any business in counties in which the Bank or Company may have a presence which is competitive with the business of the Bank or Company or a subsidiary as conducted during the term of this Agreement or as conducted as of the date of termination of employment, including any preliminary steps associated with the formation of a new bank.

(b) persuade or entice, or attempt to persuade or entice any employee of the Bank or Company or a subsidiary to terminate his/her employment with the Bank or a subsidiary.

(c) persuade or entice or attempt to persuade or entice any person or entity to terminate, cancel, rescind or revoke its business or contractual relationships with the Bank or Company.

12. ENFORCEMENT.

(a) The Bank and Executive stipulate that, in light of all of the facts and circumstances of the relationship between Executive and the Bank, the agreements referred to in Sections 10 and 11 (including without limitation their scope, duration and geographic extent) are fair and reasonably necessary for the protection of the Bank's and Company's confidential information, goodwill and other protectable interests. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, Executive and the Bank request the court to reform these provisions to restrict Executive's use of confidential information and Executive's ability to compete with the Bank and Company to the maximum extent, in time, scope of activities and geography, the court finds enforceable.

(b) Executive acknowledges the Bank and Company will suffer immediate and irreparable harm that will not be compensable by damages alone if Executive repudiates or breaches any of the provisions of Sections 10 or 11 or threatens or attempts to do so. For this reason, under these circumstances, the Bank, in addition to and without limitation of any other rights, remedies or damages available to it at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and the Bank will not be required to post a bond as a condition for the granting of this relief.

13. COVENANTS. Executive specifically acknowledges the receipt of adequate consideration for the covenants contained in Sections 10 or 11 and that the Bank is entitled to require him to comply with these Sections. These Sections will survive termination of this Agreement. Executive represents that if his employment is terminated, whether voluntarily or involuntarily, Executive has experience and capabilities sufficient to enable Executive to obtain employment in areas which do not violate this Agreement and that the Bank's enforcement of a remedy by way of injunction will not prevent Executive from earning a livelihood.

14. ARBITRATION.

(a) Arbitration. At either party's request, the parties must submit any dispute, controversy or claim arising out of or in connection with, or relating to, this Agreement or any breach or alleged breach of this Agreement, to arbitration under the American Arbitration Association's rules then in effect (or under any other form of arbitration mutually acceptable to the parties). A single arbitrator agreed on by the parties will conduct the arbitration. If the parties cannot agree on a single arbitrator, each party must select one arbitrator and those two arbitrators will select a third arbitrator. This third arbitrator will hear the dispute. The arbitrator's decision is final (except as otherwise specifically provided by law) and binds the parties, and either party may request any court having jurisdiction to enter a judgment and to enforce the arbitrator's decision. The arbitrator will provide the parties with a written decision naming the substantially prevailing party in the action. This prevailing party is entitled to reimbursement from the other party for its costs and expenses, including reasonable attorneys' fees.

(b) Governing Law. All proceedings will be held at a place designated by the arbitrator in Flathead County, Montana. The arbitrator, in rendering a decision as to any state law claims, will apply Montana law.

(c) Exception to Arbitration. Notwithstanding the above, if Executive violates Section 10 or 11, the Bank will have the right to initiate the court proceedings described in Section 12(b), in lieu of an arbitration proceeding under this Section 14.

15. MISCELLANEOUS PROVISIONS.

(a) Entire Agreement. This Agreement constitutes the entire understanding and agreement between the parties concerning its subject matter and supersedes all prior agreements, correspondence, representations, or understandings between the parties relating to its subject matter.

(b) Binding Effect. This Agreement will bind and inure to the benefit of the Bank's and Executive's heirs, legal representatives, successors and assigns.

(c) Litigation Expenses. If either party successfully seeks to enforce any provision of this Agreement or to collect any amount claimed to be due under it, this party will be entitled to reimbursement from the other party for any and all of its out-of-pocket expenses and costs including, without limitation, reasonable attorneys' fees and costs incurred in connection with the enforcement or collection.

(d) Waiver. Any waiver by a party of its rights under this Agreement must be written and signed by the party waiving its rights. A party's waiver of the other party's breach of any provision of this Agreement will not operate as a waiver of any other breach by the breaching party.

(e) Assignment. The services to be rendered by Executive under this Agreement are unique and personal. Accordingly, Executive may not assign any of his rights or duties under this Agreement.

(f) Amendment. This Agreement may be modified only through a written instrument signed by both parties and ratified by the Company.

(g) Severability. The provisions of this Agreement are severable. The invalidity of any provision will not affect the validity of other provisions of this Agreement.

(h) Governing Law and Venue. This Agreement will be governed by and construed in accordance with Montana law, except to the extent that certain regulatory matters may be governed by federal law. The parties must bring any legal proceeding arising out of this Agreement in Flathead County, Montana.

(i) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which taken together will constitute one and the same instrument.

Signed this 21st day of January, 2005.

MOUNTAIN WEST BANK

/s/ Charles R. Nipp

Charles R. Nipp, Chairman

Attest: By:

/s/ Kim Jacklin
- -----------------------
Kim Jacklin, Secretary

EXECUTIVE

/s/ Jon W. Hippler

Jon W. Hippler

GLACIER BANCORP, INC.

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

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Glacier Bancorp, Inc.:

We consent to incorporation by reference in the registration statements (No. 333-36514, No. 333-105995, No. 333-52498 and No.333-64924) on Forms S-8 of our reports dated March 15, 2005 relating to the consolidated statements of financial condition of Glacier Bancorp, Inc. and subsidiaries as of December 31, 2004 and 2003 and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2004, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004 and the effectiveness of internal control over financial reporting as of December 31, 2004 which reports appear in the December 31, 2004 annual report on Form 10-K of Glacier Bancorp, Inc.

/s/ KPMG

Billings, Montana
March 15, 2005

EXHIBIT 31.1

I, Michael J. Blodnick, certify that:

1. I have reviewed this annual report on Form 10-K of Glacier Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 15, 2005

/s/ Michael J. Blodnick

Michael J. Blodnick
President/CEO

EXHIBIT 31.2

I, James H. Strosahl, certify that:

1. I have reviewed this annual report on Form 10-K of Glacier Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 15, 2005

/s/ James H. Strosahl

James H. Strosahl
Executive Vice President/CFO

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Glacier Bancorp, Inc. (the "Company") on form 10-K for the period ended December 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Michael J. Blodnick, President and Chief Executive Officer, and James H. Strosahl, Executive Vice President and Chief Financial Officer, of Glacier Bancorp, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

March 15, 2005

/s/ Michael J. Blodnick

Michael J. Blodnick
President/CEO

/s/ James H. Strosahl

James H. Strosahl
Executive Vice President/CFO