SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20522

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, 1998 or

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

COMMISSION FILE 000-18911

GLACIER BANCORP, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	81-0519541
(State or other jurisdiction of incorporation or organization)	(IRS employer Identification No.)

49 Commons Loop, Kalispell, MT	59901
(Address of principal executive offices)	(Zip Code)

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. [ ]

As of March 18, 1999, there were issued and outstanding 8,650,195 shares of the Registrant's Common Stock. No preferred shares are issued or outstanding.

The aggregate market value of the voting stock held by non-affiliates of the Registrant, computed by reference to the closing price of such stock as of the close of trading on March 18, 1999, was $168,678,802.

Document Incorporated by Reference

Portions of the 1999 Annual Meeting Proxy Statement dated March 31, 1999 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, 1998
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PART I.

Item 1. Business

GENERAL

Glacier Bancorp, Inc. Kalispell, Montana (the "Company") a Delaware corporation incorporated in 1998, is the successor corporation in a merger with the original Glacier Bancorp, Inc., a Delaware corporation incorporated in 1990, pursuant to the reorganization of Glacier Bank, FSB into a bank holding company. The formation of the new corporation, and subsequent merger, was effected to resolve technical deficiencies in the May 9, 1997 stock split. Glacier Bank FSB was converted from a savings bank to a State of Montana chartered commercial bank known as Glacier Bank ("Glacier").

Subsidiaries

In addition to Glacier, at December 31, 1998, the Company was also the parent holding company of Glacier Bank of Eureka ("Eureka"), Glacier Bank of Whitefish ("Whitefish"), First Security Bank of Missoula ("First Security") and Valley Bank of Helena ("Valley"). The Company owns approximately 98%, and 94%, respectively, of the outstanding stock of Eureka and Whitefish, and 100% of Glacier, First Security and Valley. Whitefish and Eureka were converted from national bank charters to State of Montana charters in late December 1997.

First Security was acquired on December 31, 1996 through an exchange of stock with Missoula Bancshares, Inc., formerly the parent company of First Security. The pooling of interest accounting method was used for this merger transaction. Under this method, financial information for each of the periods presented include the combined companies as though the merger had occurred prior to the earliest date presented.

Valley was acquired on August 31, 1998 through an exchange of stock with HUB Financial Corporation ("HUB"), the parent company of Valley, and with the minority shareholders of Valley. The pooling of interest accounting method was used for the merger with HUB. Under this method, financial information for each of the periods presented include the combined companies as though the merger had occurred prior to the earliest date presented. The acquisition of the minority interest in Valley was accounted for as a purchase transaction. Financial information from August 31, 1998 forward includes the results of operations previously attributable to the minority interest.

As of December 31, 1998, Glacier, First Security, Valley, Eureka and Whitefish had assets of $370 million, $164 million, $69 million, $42 million and $24 million, respectively.

Recent Acquisition

On January 20, 1999, the company completed the acquisition of Big Sky Western Bank ("Big Sky"). Under the terms of the acquisition agreement, Big Sky became a wholly owned subsidiary of the company, whereby shareholders of Big Sky received shares of the company in exchange for their shares of Big Sky. Big Sky operates two offices in Gallatin County, Montana. At December 31, 1998, Big Sky had assets of approximately $39 million.

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 are members of the Federal Reserve Bank of Minneapolis.

Bank Locations

Glacier's main office is located at 202 Main Street, Kalispell, MT, 59901 and its telephone number is (406) 756-4299. See "Item 2. Properties." Whitefish's address is 319 2nd Street, Whitefish, MT 59937 (406) 863-6300, Eureka's address is 222 Dewey Ave., Eureka, MT 59917 (406) 296-2521, First Security's address is 1704 Dearborn, Missoula, MT 59801 (406) 728-3115 and Valley Bank's address is 3030 North Montana Avenue, Helena, MT 59601 (406) 443-7440, and Big Sky's address is 135 Big Sky Road, Big Sky, MT, 59716 (406) 995-2321.

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, and repurchase agreements, as well as general and administrative expenses.

The Company provides full service brokerage services through Raymond James Financial Services, an unrelated brokerage firm, through Community First, Inc., a wholly owned subsidiary, maintained for this purpose.

The following abbreviated organizational chart illustrates the various existing parent/subsidiary relationships at December 31, 1998:

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                             Glacier Bancorp, Inc.
                            (Parent Holding Company)
                                        |
                                        |
                                        |
       ---------------------------------------------------------------
       |                      |         |         |                    |
       |                      |         |         |                    |
       |                      |         |         |                    |
  Glacier Bank      First Security Bank |   Glacier Bank       Glacier Bank
(Commercial Bank)       OF Missoula     |   of Whitefish        of Eureka
                     (Commercial bank)  | (Commercial bank)   (Commercial bank)
                                        |
                                        |
                                        |
                       -------------------------------------
                       |                                    |
                       |                                    |
                       |                                    |
                 Valley Bank                        Community First
                  of Helena                               Inc.
              (Commercial bank)                   (Brokerage services)
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MARKET AREA

The Company historically has specialized in serving the savings and mortgage loan needs of the retail financial services market. Since 1981 the Company has emphasized transaction accounts, including non-interest bearing checking accounts and consumer lending. In recent years commercial loans and related deposits have received increased attention, rounding out the mix of products offered.

The Company's primary market area includes the four northwest Montana counties of Flathead, Lake, Lincoln and Glacier; the west central Montana counties of Missoula, Ravalli and Lewis & Clark, and the community of Billings in south central Montana. 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 branch offices in Kalispell, Columbia Falls, Evergreen, Bigfork, and Polson (the county seat of Lake County), Libby (the county seat of Lincoln County), Cut Bank (the county seat of Glacier County), Hamilton (the county seat of Ravalli County), Billings (the county seat of Yellowstone County), Helena (the state capital and county seat of Lewis & Clark County), and Thompson Falls (the county seat of Sanders County). First Security's main office and two branch locations are in Missoula (the county seat of Missoula County). Valley's main office and two branch locations are in Helena (the state capital and the county seat of Lewis & Clark County), and Whitefish and Eureka are located in Whitefish, Montana and Eureka, Montana, respectively. The office of the newly acquired Big Sky operates an office in Big Sky, and a branch in the four corners area west of Bozeman, each of which is located in Gallatin County.

This northwest Montana area has a diversified economic base, primarily comprised of wood products, primary metal manufacturing, mining, energy exploration and production, 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 fresh water 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.

COMPETITION

Glacier, Whitefish and Eureka comprise the largest financial institution group in terms of total deposits in the four county area of northwest Montana, and have approximately 17% of the total deposits in this area. First Security has approximately 13% of the total deposits in Missoula County. Valley has approximately 10% of Lewis and Clark County's total deposits, and Big Sky has approximately 4% of Gallatin County's deposits.

There are 106 depository institutions including savings banks, commercial banks, and credit unions in the 9 counties in which the Company has offices. The Company has approximately 9% of the total deposits of those counties.

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 table sets forth for the periods indicated information regarding (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 (Dollars in Thousands)	For the year ended 12-31-98			For the year ended 12-31-97		
ASSETS:	Average Balance	Interest and Dividends	Average Yield/ Rate	Average Balance	Interest and Dividends	Average Yield/ Rate
Real Estate Loans	$204,962	16,624	8.11%	$210,335	17,190	8.17%
Commercial Loans	171,679	15,925	9.28%	128,681	12,555	9.76%
Installment and Other Loans	114,356	10,920	9.55%	109,327	10,884	9.96%
Total Loans	490,997	43,469	8.85%	448,343	40,629	9.06%
Investment Securities	124,350	7,612	6.12%	132,597	8,752	6.60%
Total Earning Assets	615,347	51,081	8.30%	580,940	49,381	8.50%
Non-Earning Assets	46,396			48,825		
TOTAL ASSETS	$661,743			$629,765		
LIABILITIES AND STOCKHOLDERS' EQUITY:						
NOW Accounts	74,665	1,065	1.43%	70,552	1,288	1.83%
Savings Acounts	42,509	1,023	2.41%	47,015	1,383	2.94%
Money Market Demand Accounts	90,744	4,365	4.81%	69,859	3,081	4.41%
Certificates of Deposit	131,668	7,230	5.49%	124,145	7,259	5.85%
FHLB Advances	135,533	7,583	5.59%	139,407	7,792	5.59%
Other Borrowings and Repurchase Agreements	19,673	938	4.77%	28,944	1,331	4.60%
Total Interest Bearing Liabilities	494,792	22,204	4.49%	479,922	22,134	4.61%
Non-interest Bearing Deposits	89,393			75,781		
Other Liabilities	12,974			13,045		
Total Liabilities	597,159			568,748		
Common Stock	76			61		
Paid-in Capital	38,982			34,366		
Retained Earnings	24,328			25,989		
Net unrealized gains and losses on AFS securities	1,198			601		
Total Stockholders' Equity	64,584			61,017		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$661,743			$629,765		
Net Interest Income		$28,877			$27,247	
Net Interest Spread			3.81%			3.89%
Net Interest Margin on average earning assets (1)			4.69%			4.69%
Return on Average Assets (2)			1.62%			1.60%
Return on Average Equity (3)			16.64%			16.48%
Dividend Payout Ratio (4)			43.85%			37.90%
Equity to Assets Ratio (5)			9.76%			9.69%

AVERAGE BALANCE SHEET (Dollars in Thousands)	For the year ended 12-31-96		
ASSETS:	Average Balance	Interest and Dividends	Average Yield/ Rate
Real Estate Loans	$204,067	16,785	8.23%
Commercial Loans	106,844	10,706	10.02%
Installment and Other Loans	97,028	9,590	9.88%
Total Loans	407,939	37,081	9.09%
Investment Securities	127,519	8,834	6.93%
Total Earning Assets	535,458	45,915	8.57%
Non-Earning Assets	43,486		
TOTAL ASSETS	$578,944		
LIABILITIES AND STOCKHOLDERS' EQUITY:			
NOW Accounts	66,266	1,301	1.96%
Savings Acounts	46,899	1,385	2.95%

Money Market Demand Accounts	55,807	2,354	4.22%
Certificates of Deposit	119,958	6,901	5.75%
FHLB Advances	130,294	7,486	5.75%
Other Borrowings and Repurchase Agreements	25,405	1,094	4.31%
Total Interest Bearing Liabilities	444,629	20,521	4.62%
Non-interest Bearing Deposits	66,984		
Other Liabilities	13,322		
Total Liabilities	524,935		
Common Stock	47		
Paid-in Capital	30,240		
Retained Earnings	23,310		
Net unrealized gains and losses on AFS securities	412		
Total Stockholders' Equity	54,009		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$578,944		
Net Interest Income		$25,394	
Net Interest Spread			3.96%
Net Interest Margin on average earning assets (1)			4.74%
Return on Average Assets (2)			1.42%
Return on Average Equity (3)			15.20%
Dividend Payout Ratio (4)			36.89%
Equity to Assets Ratio (5)			9.33%

(1) Without tax effect of non-taxable securities income
(2) Net Income divided by Average Total Assets
(3) Net Income divided by Average Equity
(4) Dividends Declared per Share divided by Income per Share
(5) Average Equity divided by Average Total Assets

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 rate has been allocated proportionately to the change due to volume and the change due to rate.

(Dollars in Thousands)	Years ended December 31, 1998 vs 1997			Years ended December 31, 1997 vs 1996			Years ended December 31, 1996 vs 1995		
	Increase (decrease) due to:			Increase (decrease) due to:			Increase (decrease) due to:		
Interest Income:	Volume	Rate	Net	Volume	Rate	Net	Volume	Rate	Net
Real Estate Loans	($ 437)	($ 129)	($ 566)	$ 511	($ 106)	$ 405	$ 669	($ 679)	($ 10)
Commercial Loans	3,953	(583)	3,370	2,122	(273)	1,849	1,652	(574)	1,078
Consumer and Other Loans	319	(283)	36	1,224	70	1,294	1,448	746	2,194
Investment Securities	(526)	(614)	(1,140)	441	(523)	(82)	1,691	(25)	1,666
Total Interest Income	$ 3,309	($1,609)	$ 1,700	$ 4,298	($ 832)	$ 3,466	$ 5,460	($ 532)	$ 4,928
Interest Expense:									
NOW Accounts	$ 81	($ 304)	($ 223)	$ 154	($ 167)	($ 13)	$ 86	$ 33	$ 119
Savings Accounts	(124)	(236)	(360)	3	(5)	(2)	(67)	18	(49)
Money Market Accounts	985	299	1,284	616	111	727	376	120	496
Certificates of Deposit	426	(455)	(29)	244	114	358	1,074	178	1,252
FHLB Advances	(217)	8	(209)	500	(194)	306	1,449	(124)	1,325
Other Borrowings and Repurchase Agreements	(444)	51	(393)	159	78	237	(76)	(298)	(374)
Total Interest Expense	$ 707	($ 637)	$ 70	$ 1,676	($ 63)	$ 1,613	$ 2,842	($ 73)	$ 2,769
Net Interest Income	$ 2,602	($ 972)	$ 1,630	$ 2,622	($ 769)	$ 1,853	$ 2,618	($ 459)	$ 2,159

Net interest income increased $1.630 million in 1998 over 1997. The increase was due to increases in volumes. Interest rates have decreased during 1998, with long-term rates slightly higher than short-term rate levels. Short-term rates (2 year treasury) are at 4.58% at December 31, 1998. Long-term rates have decreased with the spread in basis points of approximately 53, at December 31, 1998, between the 30 year bond and the 2 year treasury note. This relatively small spread, and low rates, may result in a reduction in interest income as assets mature or reprice at lower rate levels. Management's Discussion and Analysis section for the year ended December 31, 1998 contains more information concerning interest rate spreads.

INVESTMENT ACTIVITIES

It has generally been the Company's policy to maintain a liquidity portfolio only slightly above requirements 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 judgement 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. There has been no active trading in the Company's investment portfolios during 1998. Investment securities are generally held to their maturity dates and carried at cost plus or minus any unamortized premium or discount. Those securities classified as available for sale are carried at estimated fair value with unrealized gains or losses reflected as an adjustment to stockholders' equity. During 1998, there was a small net realized gain from the sale of securities, resulting from the disposition of less desirable investments and acquiring investments with better total return probabilities.

The Company uses an effective tax rate of 31.28% in calculating the tax equivalent yield. Approximately $29 million of the investment portfolio is comprised of tax exempt investments.

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 Note 3 to the Consolidated Financial Statements for the year ended December 31, 1998.

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. Management's Discussion & Analysis and footnote 4 of the Consolidated Financial Statements, contain more information about the lending portfolio.

Loan Portfolio Composition

The following table sets forth information summarizing the composition of the Company's loan portfolio by type of loan:

TYPE OF LOAN	At 12/31/98		At 12/31/97		At 12/31/96		At 12/31/95		At 12/31/94	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Real Estate Loans:										
Residential first mortgage loans	$188,740	38.19%	$205,408	43.99%	$160,116	45.48%	$145,058	46.58%	$144,753	52.34%
Loans held for sale	12,603	2.55%	7,778	1.67%	3,900	1.11%	5,951	1.91%	3,119	1.13%
Total	$201,343	40.74%	$213,186	45.66%	$164,016	46.59%	$151,009	48.49%	$147,872	53.47%
Commercial Loans: Loans										
Real estate	$ 99,897	20.21%	$ 64,812	13.88%	$ 49,130	13.95%	$ 43,059	13.83%	$ 38,595	13.95%
Other commercial loans	85,571	17.31%	77,821	16.67%	50,940	14.47%	42,557	13.67%	33,880	12.25%
Total	$185,468	37.52%	$142,633	30.55%	$100,070	28.42%	$ 85,616	27.50%	$ 72,475	26.20%
Installment and Other Loans										
Consumer loans	$112,265	22.71%	$111,174	23.81%	$ 87,523	24.86%	$ 74,725	24.00%	$ 56,053	20.27%
Outstanding balances on credit cards	18	0.01%	3,951	0.84%	3,725	1.06%	3,139	1.01%	2,835	1.02%
Total	$112,283	22.72%	$115,125	24.65%	$ 91,248	25.92%	$ 77,864	25.01%	$ 77,864	21.29%
Allowance for Losses	(4,845)	-0.98%	(4,027)	-0.86%	(3,284)	-0.93%	(3,077)	-0.99%	(2,647)	-0.96%
NET LOANS	$494,249	100.00%	$466,917	100.00%	$352,050	100.00%	$311,412	100.00%	$295,564	100.00%

Loan Portfolio Maturities or Repricing Term

The stated maturities or first repricing term (if applicable) for the loan portfolio at December 31, 1998 was as follows:

LOAN MATURITIES OR REPRICING TERM
(Dollars in Thousands)

	Real Estate	Commercial	Consumer	Total
Variable rate	$ 78,334	107,959	35,282	221,575
Maturing or Repricing in:				
6 Months or Less	19,107	8,715	4,627	32,449
6 Months to 1 Year	5,420	4,357	3,682	13,459
1 Year to 3 Years	2,998	10,706	19,027	32,731
3 Years to 5 Years	6,804	18,337	39,798	64,939
5 Years to 10 Years	28,970	15,688	8,701	53,359
10 Years to 20 Years	34,022	19,644	1,059	54,725
Thereafter	25,688	62	107	25,857
Totals	$ 201,343	185,468	112,283	499,094

Loan Portfolio Scheduled Contractual Principal Repayments

The following table sets forth certain information at December 31, 1998 regarding the dollar amount of scheduled loan contractual repayments (demand loans, loans having no stated scheduled repayments and no stated maturity, and overdrafts are reported as due in one year or less):

SCHEDULED CONTRACTUAL LOAN PRINCIPAL REPAYMENTS
(Dollars in Thousands)

Amounts due within:	1 year or less	After 1 year through 5 years	After 5 years	Totals
Real estate loans	$ 33,843	41,902	125,598	201,343
Commercial loans	50,352	68,384	66,732	185,468
Consumer loans	22,529	55,456	34,298	112,283
Totals	$106,724	165,742	226,628	499,094

Neither scheduled maturities nor scheduled contractual amortization of loans are expected to reflect the actual term of the Banks' loan portfolio. Based on historical information, the average life of loans is substantially less than their contractual terms because of prepayments and, in the case of conventional mortgage loans (i.e., those loans which are neither insured nor partially guaranteed by the Federal Housing Administration or the Veterans Administration), due-on-sale clauses, which give the Company the right to declare a loan immediately due and payable in the event, among other things, the borrower sells the real property subject to the mortgage and the loan is not repaid.

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 mortgage 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 up to 90% of the loan if insured by a private mortgage insurance company.

The Banks also provide interim construction financing for single-family dwellings, and make land acquisition and development loans on properties intended for residential use.

Consumer Lending

The majority of all consumer loans are secured by either real estate, automobiles, or other assets. Presently 36.2% of the interest rates on the Banks' consumer portfolio is variable. 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 75% of the current appraised value of the property.

Commercial Loans

The Banks make commercial loans of various types including commercial real estate, operating loans secured by various collateral, 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 experience and technical skills of the individual. Limits for fully secured loans range from $30,000 to $100,000, and unsecured limits range from $5,000 to $25,000. An officers' loan committee, consisting of senior lenders and members of senior management, has approval authority up to $500,000. Loans over $500,000 go to the Company's Board of Directors for approval. First Security Bank's internal loan committee can approve loans up to $400,000. Loans over $400,000 must be approved by the executive loan committee which includes the First Security's executive officers, the Chairman and an additional director.

Under Montana banking laws banks generally may not make loans to one borrower and related entities in an amount, which exceeds 20% of its unimpaired capital and surplus. Those limits at December 31, 1998 are approximately $4.0 million for Glacier, $2.5 million for First Security, $1.0 million for Valley, and $650,000 for Whitefish, and $400,000 for Eureka. Each of the banks is in compliance with these limits.

Loan Purchases and Sales

At times, fixed-rate, long-term mortgage loans are 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, Glacier typically retains the servicing of the loans (i.e., collection of principal and interest payments), for which it generally receives a fee payable monthly of approximately .375% per annum of the unpaid balance of each loan. Whitefish and Eureka sell nearly all their residential real estate originations. First Security and Valley 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, 1998, loans serviced for others aggregated approximately $123 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 for originating the loan, 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 of $50 to $75 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, in the opinion of management, the collection of additional interest is doubtful. 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 collectability of the loan. 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 ("REO") 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 REO is charged to the allowance for loan losses. Any subsequent write-downs are a charge to current expenses.

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

(Dollars in Thousands)	At 12/31/98	At 12/31/97	At 12/31/96	At 12/31/95	At 12/31/94
Non-accrual loans:					
Mortgage loans	$ 438	$ 93	$ 157	$ 0	$ 0
Commercial loans	1,006	288	262	474	496
Consumer loans	64	156	45	16	29
Total	$1,508	$ 537	$ 464	$ 490	$ 525
Accruing Loans 90 days or more overdue:					
Mortgage loans	$ 632	$ 416	$ 290	$ 8	$ 29
Commercial loans	385	268	222	364	317
Consumer loans	119	251	431	179	159
Total	$1,136	$ 935	$ 943	$ 551	$ 505
Troubled debt restructuring:	$ 0	$ 27	$ 0	$ 0	$ 0
Real estate and other assets owned, net	151	121	506	52	93
Total non-performing loans, troubled debt restructurings, and real estate and other assets owned, net	$2,795	$1,620	$1,913	$1,093	$1,123
As a percentage of total assets	0.42%	0.25%	0.31%	0.20%	0.24%
Interest Income (1)	$ 102	$ 84	$ 94	$ 55	$ 51

(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.

Allowance for Loan Losses

The Company maintains an allowance for loan losses to absorb inherent losses in the loan portfolio. The Company is committed to the early recognition of possible problems and to a strong, conservative allowance. The allowance consists of three elements; (i) allowances established on specific loans, (ii) allowances based on historical loan loss experience, and (iii) allowances based on general economic conditions and other factors in the Company's individual markets. The specific allowance element is based on a regular analysis of all loans and commitments where credit ratings have fallen below standards. The historical loan loss element is determined by examining loss experience and the related internal gradings of loans charged off.

The general economic conditions element is determined by management at the individual subsidiary banks and is based on knowledge of specific economic factors in their markets that might affect the collectibility of loans. It inherently involves a higher degree of uncertainty and considers factors unique to the markets in which the Company operates. Generally these other risk factors have not manifested themselves in the Company's historical losses/experience to the extent they might currently.

Other risk factors take into consideration such factors as recent loss experience in specific portfolio segments, loan quality trends and loans volumes including concentration, economic, and administrative risk.

The Banks' charge-off policy is generally consistent with regulatory standards. The Banks typically place loans on nonaccrual 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, or if the loan is in the legal process of collection. Once a loan has been classified as nonaccrual, previously accrued unpaid interest is reversed.

The following table illustrates the loan loss experience:

(dollars in thousands)	Years ended December 31,				
	1998	1997	1996	1995	1994
Balance at beginning of period	$ 4,027	3,715	3,531	3,247	2,889
Charge offs:					
Residential real estate	(50)	0	(122)	0	(4)
Commercial loans	(508)	(161)	(224)	(238)	(65)
Installment loans	(474)	(607)	(527)	(221)	(174)
Total charge offs	(1,032)	(768)	(873)	(459)	(243)
Recoveries:					
Residential real estate	0	0	1	0	0
Commercial loans	250	153	69	56	164
Installment loans	110	120	107	106	90
Total recoveries	360	273	177	162	254
Net (charge offs) recoveries	(672)	(495)	(696)	(297)	11
Provision	1,490	807	880	581	347
Balance at end of period	4,845	4,027	3,715	3,531	3,247

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.

Management's Discussion and Analysis section 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 certificates of deposit 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)

	Certificates of Deposit		Savings and Checking		Totals	
Maturing:	Amount	Number	Amount	Number	Amount	Number
Within three months	$ 8,215	55	$106,029	432	$114,244	487
Greater than three months through six months	$ 5,057	42	$ 0	0	5,057	42
Greater than six months through twelve months	$ 4,842	42	$ 0	0	4,842	42
Greater than twelve months	$ 11,251	51	$ 0	0	11,251	51
Totals	$ 29,365	190	$106,029	432	$135,394	622

For additional information, see Note 6 to the Consolidated Financial Statements for the year ended December 31, 1998.

Advances and Other Borrowings

As a member of the Federal Home Loan Bank ("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 fix rate mortgages. All five banks are members in the FHLB.

From time to time, primarily as a short-term financing arrangement for investment or liquidity purposes, Glacier has made use of reverse repurchase agreements with various securities dealers. This process involves the "selling" of one or more of the securities in the Glacier's 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 Glacier has 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, Glacier and Valley enter into reverse repurchase agreements with local municipalities, and large balance customers, and has adopted procedures designed to ensure proper transfer of title and safe-keeping of the underlying securities. The other banks have not utilized repurchase agreements for liquidity purposes.

The following chart illustrates the average balances and the maximum outstanding month-end balances for FHLB advances and repurchase agreements:

Advances and Repurchase Agreements (dollars in thousands)	For the year ended 12/31/98	For the year ended 12/31/97
FHLB Advances:		
Average balance	$135,533	$139,407
Maximum outstanding at any month-end	$151,165	$144,676
Repurchase Agreements:		
Average balance	$ 16,652	$ 20,107
Maximum outstanding at any month-end	$ 19,300	$ 21,300

For additional information concerning the Company's advances and reverse repurchase agreements, see Notes 7 and 8 to the Consolidated Financial Statements for the year ended December 31, 1998.

SUBSIDIARIES

The Company has six direct subsidiaries, Glacier Bank (wholly owned), First Security (wholly owned), Valley (wholly owned), Whitefish (majority owned), Eureka (majority owned) and Community First, Inc. ("CFI") (wholly owned). For information regarding the holding company, as separate from the subsidiaries, see Note 14 to the Consolidated Financial Statements for the year ended December 31, 1998.

Brokerage services (selling products such as stocks, bonds, mutual funds, limited partnerships, annuities and other insurance products), are available through Raymond James Financial Services, a non-affiliated company. CFI shares in the commissions generated, without devoting significant management and staff time to this portion of the business.

See Item I "Business - Background" on pages 3 and 4 for a detailed discussion and visual representation of the various existing parent/subsidiary relationships.

EMPLOYEES

As of December 31, 1998, the Company employed 398 persons, 265 of who were full time, none of whom were represented by a collective bargaining group. The Company provides its employees with a comprehensive benefit program, including medical insurance, dental plan, life and accident insurance, long-term disability coverage, sick leave, and both a defined contribution pension plan and a 401(k) savings plan. The Company considers its employee relations to be excellent. See Note 11 in the Consolidated Financial Statements for the year ended December 31, 1998 for detailed information regarding pension/savings plan costs and eligibility.

SUPERVISION AND REGULATION

Introduction

The following generally refers to certain statutes and regulations affecting the banking industry. These references provide brief summaries only and are not intended to be complete. They are qualified in their entirety by the referenced statutes and regulations. In addition, some statutes and regulations may exist which apply to and regulate the banking industry, but are not referenced below.

The Company is a bank holding company, due to its ownership of the Banks, all of which are Montana-state chartered commercial banks, and all of which are members of the Federal Reserve. Prior to Glacier Bank's conversion from a federal savings bank to a state-chartered commercial bank, the Company was also a savings and loan holding company within the meaning of the Home Owners' Loan Act and, as such, was registered with and subject to examination and supervision by the Office of Thrift Supervision. The Bank Holding Company Act of 1956, as amended ("BHCA") subjects the Company and the Banks to supervision and examination by the Federal Reserve Bank ("FRB"), and the Company files annual reports of operations with the FRB.

Bank Holding Company Regulation

In general, the BHCA limits bank holding company business to owning or controlling banks and engaging in other banking-related activities. Bank holding companies must obtain the FRB's approval before they: (1) acquire direct or indirect ownership or control of any voting shares of any bank that results in total ownership or control, directly or indirectly, of more than 5% of the voting shares of such bank; (2) merge or consolidate with another bank holding company; or (3) acquire substantially all of the assets of any additional banks. Subject to certain state laws, such as age and contingency laws, a bank holding company that is adequately capitalized and adequately managed may acquire the assets of both in-state and out-of-state banks.

Control of Nonbanks. With certain exceptions, the BHCA prohibits bank holding companies from acquiring direct or indirect ownership or control of voting shares in any company that is not a bank or a bank holding company unless the FRB determines that the activities of such company are incidental or closely related to the business of banking. If a bank holding company is well capitalized and meets certain criteria specified by the FRB, it may engage de novo in certain permissible nonbanking activities without prior FRB approval.

Control Transactions. The Change in Bank Control Act of 1978, as amended, requires a person (or group of persons acting in concert) acquiring "control" of a bank holding company to provide the FRB with 60 days prior written notice of the proposed acquisition. Following receipt of this notice, the FRB has 60 days within which to issue a notice disapproving the proposed acquisition, but the FRB may extend this time period for up to another 30 days. An acquisition may be completed before expiration of the disapproval period if the FRB issues written notice of its intent not to disapprove the transaction. In addition, any "company" must obtain the FRB's approval before acquiring 25% (5% if the "company" is a bank holding company) or more of the outstanding shares or otherwise obtaining control over the Company.

Transactions with Affiliates

The Company and the Banks are deemed affiliates within the meaning of the Federal Reserve Act, and transactions between affiliates are subject to certain restrictions. Accordingly, the Company and the Banks must comply with Sections 23A and 23B of the Federal Reserve Act. Generally, Sections 23A and 23B: (1) limit the extent to which the financial institution or its subsidiaries may engage in "covered transactions" with an affiliate, as defined, to an amount equal to 10% of such institution's capital and surplus and an aggregate limit on all such transactions with all affiliates to an amount equal to 20% of such capital and surplus, and (2) require all transactions with an affiliate, whether or not "covered transactions," to be on terms substantially the same, or at least as favorable to the institution or subsidiary, as those provided to a non-affiliate. The term "covered transaction" includes the making of loans, purchase of assets, issuance of a guarantee and other similar types of transactions.

Regulation of Management

Federal law: (1) sets forth the circumstances under which officers or directors of a financial institution may be removed by the institution's federal supervisory agency; (2) places restraints on lending by an institution to its executive officers, directors, principal stockholders, and their related interests; and (3) prohibits management personnel from serving as a director or in other management positions with another financial institution which has assets exceeding a specified amount or which has an office within a specified geographic area.

Tie-In Arrangements

The Company and its subsidiaries cannot engage in certain tie-in arrangements in connection with any extension of credit, sale or lease of property or furnishing of services. For example, with certain exceptions, neither the Company nor the Banks may condition an extension of credit on either (1) a requirement that the customer obtain additional services provided by it or (2) an agreement by the customer to refrain from obtaining other services from a competitor.

The FRB has adopted significant amendments to its anti-tying rules that: (1) removed FRB-imposed anti-tying restrictions on bank holding companies and their non-bank subsidiaries; (2) allow banks greater flexibility to package products with their affiliates; and (3) establish a safe harbor from the tying restrictions for certain foreign transactions. These amendments were designed to enhance competition in banking and nonbanking products and to allow banks and their affiliates to provide more efficient, lower cost service to their customers. However, the impact of the amendments on the Company and the Banks is unclear at this time.

State Law Restrictions

As a Delaware corporation, the Company may be subject to certain limitations and restrictions as provided under applicable Delaware corporate law. Each of the Banks, as Montana state-chartered commercial banks, is subject to supervision and regulation by the Montana Department of Commerce's Banking and Financial Institutions Division.

THE BANKS

General

The Banks are subject to extensive regulation and supervision by the Montana Department of Commerce's Banking and Financial Institutions Division, and the Banks are also subject to regulation and examination by the FRB as a result of their membership in the Federal Reserve System. The federal laws that apply to the Company's banking subsidiaries 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. The laws and regulations governing the Company's banking subsidiaries generally have been promulgated to protect depositors and not to protect stockholders of such institutions or their holding companies.

CRA. The Community Reinvestment Act (the "CRA") requires that, in connection with examinations of financial institutions within their jurisdiction, the Federal Reserve or the FDIC evaluates the record of the 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 imposed by the Federal Reserve Act on extensions of credit to executive officers, directors, principal shareholders, or any related interests of such persons. Extensions of credit (i) 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 persons not covered above and who are not employees; and (ii) must not involve more than the normal risk of repayment or present other unfavorable features. Banks are also subject to certain lending limits and restrictions on overdrafts to such persons. A violation of these restrictions may result in the assessment of substantial civil monetary penalties on the affected bank or any officer, director, employee, agent, or other person participating in the conduct of the affairs of that bank, the imposition of a cease and desist order, and other regulatory sanctions.

FDICIA. Under the Federal Deposit Insurance Corporation Improvement Act (the "FDICIA"), each federal banking agency has prescribed, by regulation, noncapital safety and soundness standards for institutions under its authority. These standards cover internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, such other operational and managerial standards as the agency determines to be appropriate, and standards for asset quality, earnings and stock valuation. An institution which fails to meet these standards must develop a plan acceptable to the agency, 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. Management of the Company believes that the Company's subsidiary banks meet all such standards, and therefore, does not believe that these regulatory standards materially affect the Company's business operations.

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.

Under recent FDIC regulations, banks are prohibited from using their interstate branches primarily for deposit production. The FDIC has accordingly implemented a loan-to-deposit ratio screen to ensure compliance with this prohibition.

With regard to interstate bank mergers, Montana has "opted-out" of the Interstate Act and prohibits in-state banks from merging with out-of-state banks if the merger would be effective on or before September 30, 2001. Montana law generally authorizes the acquisition of an in-state bank by an out-of-state bank holding company through the acquisition of a financial institution if the in-state bank being acquired has been in existence for at least 5 years prior to the acquisition. 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. At this time, the full impact that the Interstate Act might have on the Company and the Banks is impossible to predict.

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 required to pay semi-annual deposit insurance premium assessments to the FDIC.

The FDICIA included provisions to reform the Federal Deposit Insurance System, including the implementation of risk-based deposit insurance premiums. The FDICIA also permits the FDIC to make special assessments on insured depository institutions in amounts determined by the FDIC to be necessary to give it adequate assessment income to repay amounts borrowed from the U.S. Treasury and other sources, or for any other purpose the FDIC deems necessary. 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 BIF. 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 its 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. Other than the laws and regulations noted above, which apply to all banks and bank holding companies, neither the Company nor the Banks are currently subject to any regulatory restrictions on their dividends.

Capital Adequacy

Federal bank regulatory agencies use capital adequacy guidelines in the examination and regulation of bank holding companies and banks. If capital falls below minimum guideline levels, the holding company or bank may be denied approval to acquire or establish additional banks or nonbank businesses or to open new facilities.

The FDIC and Federal Reserve use risk-based capital guidelines for banks and bank holding companies. These are designed to make such capital requirements more sensitive to differences in risk profiles among banks and bank holding companies, to account for off-balance sheet exposure and to minimize disincentives for holding liquid assets. Assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items. The guidelines are minimums, and the Federal Reserve has noted that bank holding companies contemplating significant expansion programs should not allow expansion to diminish their capital ratios and should maintain ratios well in excess of the minimum. The current guidelines require all bank holding companies and federally-regulated banks to maintain a minimum risk-based total capital ratio equal to 8%, of which at least 4% must be Tier I capital. Tier I capital for bank holding companies includes common shareholders' equity, certain qualifying perpetual preferred stock and minority interests in equity accounts of consolidated subsidiaries, less intangibles such as goodwill.

The Federal Reserve also employs a leverage ratio, which is Tier I capital as a percentage of total assets less intangibles, to be used as a supplement to risk-based guidelines. 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 Federal Reserve requires a minimum leverage ratio of 3%. However, for all but the most highly rated bank holding companies and for bank holding companies seeking to expand, the Federal Reserve expects an additional cushion of at least 1% to 2%.

FDICIA created a statutory framework of supervisory actions indexed to the capital level of the individual institution. Under regulations adopted by the FDIC, 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. Institutions which are deemed to be "undercapitalized" depending on the category to which they are assigned are subject to certain mandatory supervisory corrective actions. The Company does not believe that these regulations have any material effect on its operations.

Effects of Government Monetary Policy

The earnings and growth of the Company are affected not only by general economic conditions, but also by the fiscal and monetary policies of the federal government, particularly the Federal Reserve. The Federal Reserve can and does implement 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 nature and impact of future changes in monetary policies and their impact on the Company and its subsidiary banks cannot be predicted with certainty.

Changes in Banking Laws and Regulations

The laws and regulations that affect banks and bank holding companies are currently undergoing significant changes. In 1998, legislation was proposed in the United States Congress, which contained proposals to alter the structure, regulation, and competitive relationships of the nation's financial institutions. Although the legislation was not passed in the 1998 general session of Congress, similar legislation may be proposed in the coming years and, if enacted into law, such bills could have the effect of increasing or decreasing the cost of doing business, limiting or expanding permissible activities (including activities in the insurance and securities fields), or affecting the competitive balance among banks, savings associations, and other financial institutions. Some of these bills may reduce the extent of federal deposit insurance, broaden the powers or the geographical range of operations of bank holding companies, alter the extent to which banks could engage in securities activities, and change the structure and jurisdiction of various financial institution regulatory agencies. Whether or in what form such legislation may be adopted, or the extent to which the business of the Company might be affected thereby, cannot be predicted with certainty.

TAXATION

Federal Taxation

The Company files consolidated federal and Montana 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 10 in the Consolidated Financial Statements for additional information.

State Taxation

Under Montana law, savings institutions are subject to a corporation license tax, which incorporates or is substantially similar to applicable provisions of the 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%.

Item 2. Properties

At December 31, 1998, Glacier Bank owned nine of its thirteen offices, including its headquarters and other property having an aggregate book value of approximately $6.9 million, and leased the remaining branches.

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

The following table sets forth certain information regarding Glacier Bank's offices at December 31, 1998:

Office	City	Services Offered	Ownership
Main	Kalispell, MT	Full Services Administration	Owned
Branch	Libby, MT	Full Services	Owned
Branch	Polson, MT	Full Services	Owned
Branch	Columbia Falls, MT	Full Services	Owned
Branch	Cut Bank, MT	Full Services	Owned
Branch	Bigfork, MT	Full Services	Leased
Branch	Evergreen area of Kalispell, MT	Full Services	Owned
Branch	Billings, MT	Full Services	Owned
Branch	Thompson Falls, MT	Full Services	Owned
Branch	Buffalo Hill area of Kalispell, MT	Full Services	Owned
Branch	Billings, MT Heights area	Full Services Supermarket Branch	Leased
Branch	Hamilton, MT	Full Services Supermarket Branch	Leased
Branch	Helena, MT	Full Services Supermarket Branch	Leased

First Security conducts banking activities from three locations in Missoula, Montana. The main office has undergone extensive remodeling, and the Great Northern Way office was new in 1996. The East Broadway facility was completed in 1992. Management believes that each facility is in excellent condition. The net book value of the below listed facilities is $2.5 million:

Office	Services Offered	Ownership
1704 Dearborn	Full Services Main Office	Owned
541 East Broadway	Full Services Branch	Owned
3320 Great Northern Way	Full Services Branch	Owned

Valley conducts banking activities from three locations in Helena, MT. The main office has undergone extensive remodeling in 1998. Management believes that each facility is in excellent condition. The net book value of the below listed facilities is $1.6 million:

Office	Services Offered	Ownership
3030 North Montana Avenue	Full Services Main Office	Owned
1900 9th Avenue	Full Services Branch	Owned
306 Euclid	Full Services Branch Supermarket Branch	Leased

Whitefish and Eureka each conduct their banking activities out of one office as listed below. Both institutions have undergone a major remodeling and have net book values of $677,000 and $584,000 respectively. Management believes that both facilities are currently in excellent condition:

Office	City	Services Offered	Ownership
Main	Eureka, MT	Full Services Administration	Owned
Main	Whitefish, MT	Full Services Administration	Owned

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 securities holders in the fourth quarter of 1998.

PART II

Item 5. Market Price of and Dividends on Registrant's Common Equity & Related Stockholder Matters

The Company's stock trades on the NASDAQ Stock Market, Inc., under the symbol: GBCI. The primary market makers are: D.A. Davidson & Company, Inc., Piper Jaffray Companies, Inc., Herzog, Heine, Geduld, Inc. and S.J. Wolfe and Company.

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, 1998, there were approximately 2,500 shareholders of Company common stock.

Quarterly Common Stock Price Ranges

	1998		1997	
Quarter	High	Low	High	Low
First	26.82	21.14	15.00	14.09
Second	25.91	24.09	19.09	13.86
Third	26.36	22.79	17.73	15.91
Fourth	22.63	18.88	22.73	16.93

The Company paid cash dividends on its Common Stock of $.57 and $.47 per share for the years ended December 31, 1998 and 1997, respectively.

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 Registration Statement.

Summary of Operations and Selected Financial Data

	At December 31,				
(dollars in thousands, except per share data)	1998	1997	1996	1995	1994
Summary of Financial Condition:					
Total assets	$ 666,651	648,667	608,467	546,675	475,314
Investment securities	53,718	58,417	70,167	65,592	31,924
Mortgage-backed securities	44,344	57,108	47,579	39,368	51,744
Loans receivable	499,094	470,944	433,077	390,007	350,238
Allowance for loan losses	(4,845)	(4,027)	(3,715)	(3,531)	(3,247)
Deposits	444,459	404,349	371,571	335,684	302,265
Advances	120,586	141,860	147,216	123,365	83,930
Other borrowed money/repurchase agreements	18,357	29,610	17,521	23,489	35,452
Stockholders' equity	74,937	64,775	56,467	50,816	42,837
Equity per common share*	8.95	7.98	7.79	6.97	5.93
Equity as a percentage of total assets	11.24%	9.99%	9.28%	9.30%	9.01%

	Years ended December 31,				
(dollars in thousands, except per share data)	1998	1997	1996	1995	1994
Summary of Operations:					
Interest income	$ 51,081	49,381	45,915	40,987	32,651
Interest expense	22,204	22,134	20,521	17,752	12,893
Net interest income	28,877	27,247	25,394	23,235	19,758
Provision for loan losses	1,490	807	880	581	295
Non-interest income	11,259	9,615	9,540	8,550	7,805
Non-interest expense	21,606	20,093	20,215	17,004	15,033
Earnings before income taxes	17,040	15,962	13,839	14,200	12,235
Income taxes	6,296	5,908	5,632	5,577	4,815
Net earnings	10,744	10,054	8,207	8,623	7,420
Basic earnings per common share*	1.30	1.24	1.03	1.07	0.94
Diluted earnings per common share*	1.28	1.22	1.02	1.07	0.94
Dividends declared per share*	0.57	0.47	0.38	0.34	0.30

	Years ended December 31,				
	1998	1997	1996	1995	1994
Ratios:					
Net earnings as a percent of					
Average assets	1.62%	1.60%	1.42%	1.70%	1.69%
Beginning stockholders' equity	16.59%	17.81%	16.15%	20.13%	19.69%
Net interest margin on average earning assets (tax equivalent)	4.79%	4.76%	4.76%	4.96%	4.88%
Allowance for loan losses as a percent of loans	0.97%	0.86%	0.86%	0.91%	0.93%
Allowance for loan losses as a percent of nonperforming assets	173%	249%	173%	323%	289%
Other Data:					
Loans originated and purchased	$ 394,799	265,759	314,213	254,950	251,224
Loans serviced for others	$ 123,741	128,250	124,619	112,024	92,008
Number of full time equivalent employees	327	299	287	261	237
Number of offices	21	20	19	16	16
Number of shareholders of record	929	772	758	739	792

*revised for stock splits and dividends

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The Company is a Delaware corporation and at December 31, 1998 had five commercial banks as subsidiaries, Glacier Bank, Glacier Bank of Whitefish, Glacier Bank of Eureka, First Security Bank of Missoula, and Valley Bank of Helena. The following discussion and analysis includes the effects of the pooling-of-interests merger with HUB Financial Corporation, and the purchase accounting treatment of the minority shares of Valley Bank of Helena. Prior period information has been restated to include amounts from the HUB Financial Corporation merger. The Company reported earnings of $10,744,000 for the year ended December 31, 1998, or $1.30 basic earnings per share, and $1.28 diluted earnings per share, compared to $10,054,000, or $1.24 basic earnings per share and $1.22 diluted earnings per share, for the year ended December 31, 1997, and $8,207.000, or $1.03 basic and $1.02 diluted earnings per share for the year ended December 31, 1996. During 1996, the FDIC SAIF fund was recapitalized through one-time payments from thrift institutions. Glacier Bank's after tax cost of this payment was $583,000, or $.09 basic earnings per share, In addition, after tax expenses related to the merger of First Security Bank were $563,000, or $.08 basic earnings per share. Operating earnings without the SAIF and merger expenses were $9,353,000, or $1.20 basic earnings per share. This continued improvement in net income can be attributed to an increase in earning assets, management of net interest margin, and strong non-interest income. The following narrative and charts focus on the significant financial changes which have taken place over the past years and include a discussion of the Company's financial condition, results of operations, and capital resources.

Liquidity and Capital Resources

The objective of liquidity management is to maintain cash flows adequate to meet current and future needs for credit demand, deposit withdrawals, maturing liabilities and corporate operating expenses. This source of funds is generated by deposits, principal and interest payments on loans, sale of loans and securities, short and long term borrowings, and net income. In addition, all five subsidiaries are members of the Federal Home Loan Bank of Seattle. This membership provides for established lines of credit in the form of advances which serve as a supplemental source of funds for lending and other general business purposes. During 1998, all five financial institutions maintained liquidity at a level deemed sufficient to meet operating cash needs. The liquidity was in excess of regulatory requirements.

Retention of a portion of Glacier Bancorp, Inc.'s earnings results in stockholders equity at December 31, 1998 of $74,937,000, or 11.2% of assets, which compares with $64,775,000, or 10.0% of assets at December 31, 1997. Earnings retention and increases resulting from the exercise of stock options and acquisitions has outpaced the increase in assets of $17,984,000, or 2.8%, during 1998. The stockholder's equity ratio remains well above required regulatory levels, and above the average of the Company's peers, providing flexibility in the management of assets.

Financial Condition

For the year ended December 31, 1998, consolidated assets increased $17,984,000, or 2.8% over the prior year. The following table summarizes the Company's major asset and liability components as a percentage of total assets at December 31, 1998, 1997, and 1996.

Major Balance Sheet Components as a
Percentage of Total Assets

	December 31,		
	1998	1997	1996
Assets:			
Cash, and Cash Equivalents, Investment securities, FHLB and Federal Reserve Stock	22.2%	24.8%	28.0%
Real Estate Loans	30.0%	32.7%	34.1%
Commercial Loans	27.4%	21.7%	19.4%
Installment and Other Loans	16.7%	17.6%	17.1%
Other Assets	3.7%	3.2%	1.4%
	100.0%	100.0%	100.0%
Liabilities and Stockholder's Equity:			
Deposit Accounts	66.7%	62.3%	61.1%
FHLB Advances	18.1%	21.9%	24.2%
Other Borrowings and Repurchase Agreements	2.8%	4.6%	2.9%
Other Liabilities	1.2%	1.2%	2.6%
Stockholders' Equity	11.2%	10.0%	9.3%
	100.0%	100.0%	100.0%

Real estate loans continue to be the largest component of the Company's assets, although the percentage is decreasing, and commercial loans are increasing as a result of the Company's strategy. Deposit accounts, with comparatively short terms to maturity, represent the majority of the liabilities.

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 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.

GAP analysis

The following table gives a description of our GAP position for various time periods. As of December 31, 1998, we had a positive GAP position at six months, and a negative GAP position at twelve months. The cumulative GAP as a percentage of total assets for six months is a positive 2.5% which compares to a positive .95% at December 31, 1997 and 1.7% at December 31, 1996.

The table also shows the GAP earnings sensitivity, and earnings sensitivity ratio, along with a brief description as to how they are calculated. The traditional one dimensional view of GAP is not sufficient to show a bank's ability to withstand interest rate changes. Superior earnings power is also a key factor in reducing exposure to higher interest rates. For example, our GAP earnings sensitivity ratio shows that a 1% change in interest rates would only change income by .48%. Because of our GAP position, the table illustrates how a 1% increase in rates would increase the Company's income by approximately $51,000. Using this analysis to join GAP information with earnings data, it produces a better picture of our strength and ability to handle interest rate change. 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.

Interest Rate Sensitivity and Gap Analysis as of December 31, 1998

(dollars in thousands)	0-6 Months	6-12 Months	1 - 5 years	More than 5 years	Non-rate Sensitive	Total
	Projected maturity or repricing					
Assets:						
Interest bearing deposits	$ 5,143	0	0	0	0	5,143
Investment securities	3,184	2,088	6,961	41,485	0	53,718
Mortgage-backed securities	4,611	4,770	31,302	3,661	0	44,344
Floating rate loans	147,276	12,980	61,672	1,107	0	223,035
Fixed rate loans	31,976	15,446	90,498	138,139	0	276,059
Other earning assets	11,848	--	--	1,219	--	13,067
Non-earning assets	--	--	--	--	51,285	51,285
Total Assets	$204,038	35,284	190,433	185,611	51,285	666,651
Liabilities and Equity:						
Deposits	154,326	31,893	83,980	174,260	0	444,459
FHLB advances	14,632	11,745	75,098	19,110	0	120,586
Other purchased funds	18,357	0	0	0	0	18,357
Other liabilities	--	0	0	0	8,312	8,312
Equity	--	--	--	--	74,937	74,937
Total liabilities and equity .	$187,316	43,638	159,078	193,370	83,249	666,651
Gap Earnings Sensitivity (1)..	$ 51					
Gap Earnings Sensitivity Ratio (2)	$ 0.48%					

(1) Gap Earnings Sensitivity is the estimated effect on income after taxes of 39%, of a 1% increase or decrease in Interest rates (1% X ($8,368 less tax of $3,264).

(2) Gap Earnings Sensitivity Ratio is Gap Earnings Sensitivity divided by the estimated yearly earnings of $10,744. 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. Non-contractual deposit liabilities are allocated among the various maturity categories as follows: non-interest bearing checking and interest- bearing checking are included in the more than 5 years category. Regular savings are included in the 1 - 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.

Interest Rate Spread

One way to protect against interest rate volatility is to maintain a comfortable interest spread between yields on assets and the rates paid on interest bearing liabilities. As shown below the net interest spread decreased in 1998 from 3.93% to 3.89%, primarily the result of lower rates on interest earning assets. The net interest margin increased slightly in 1998 from 4.76% to 4.79%, primarily the result of an increase in interest earning assets. Although the interest spread is down from 1997 the increased asset levels, and the increased interest-free funding resulted in significantly higher net interest income.

For the year ended:	December 31, [1] 1998	1997	1996
Combined weighted average yield on loans and investments [2]	8.41%	8.58%	8.54%
Combined weighted average rate paid on savings deposits and borrowings	4.52%	4.65%	4.63%
Net interest spread	3.89%	3.93%	3.91%
Net interest margin [3]	4.79%	4.76%	4.76%

[1] Weighted averages are computed without the effect of compounding daily interest.

[2] Includes dividends received on capital stock of the Federal Home Loan Bank and Federal Reserve Bank.

[3] The net interest margin (net yield on average interest earning assets) is interest income from loans and investments (tax free income adjusted for tax effect) less interest expense from deposits, FHLB advances, and other borrowings, divided by the total amount of earning assets.

Future Accounting Pronouncements

Please see the notes to the consolidated financial statement for information on accounting pronouncements.

Year 2000 Issues

The century date change for the Year 2000 is a serious issue that may impact virtually every organization including the Company. Many software programs are not able to recognize the Year 2000, since most programs and systems were designed to store calendar years in the 1900s by assuming and "19" and storing only the last two digits of the year. The problem is especially important to financial institutions since many transactions, such as interest accruals and payments, are date sensitive, and because the Company and its subsidiary banks interact with numerous customers, vendors and third party service providers who must also address the Year 2000 issue. The problem is not limited to computer systems. Year 2000 issues will also potentially affect every system that has an embedded microchip, such as automated teller machines, elevators and vaults.

State of Readiness

The Company and its subsidiary banks are committed to addressing these Year 2000 issues in a prompt and responsible manner, and they have dedicated the resources to do so. Management has completed an assessment of its automated systems and has implemented a program consistent with applicable regulatory guidelines, to complete all steps necessary to resolve identified issues. The Company's compliance program has several phases, including (1) project management; (2) assessment; (3) testing; and (4) remediation and implementation.

Project Management

The Company has formed a Year 2000 compliance committee consisting of senior management and departmental representatives. The committee has met regularly since October 1997. A Year 2000 compliance plan was developed and regular meetings have been held to discuss the process, assign tasks, determine priorities and monitor progress. The committee regularly reports to the Company's Board.

Assessment

All of the Company's and its subsidiary banks' computer equipment and mission-critical software programs have been identified. This phase is essentially complete. Primary software vendors were also assessed during this phase, and vendors who provide mission-critical software have been contacted. The Year 2000 committee is in the process of obtaining written certification from providers of material services that such providers are, or will be, Year 2000 compliant. Based upon its ongoing assessment of the readiness of its vendors, suppliers and service providers, the committee intends to develop contingency plans addressing the most reasonably likely worst case scenarios. The committee will continue to monitor and work with these vendors. The committee and other bank officers have also identified and began working with, the subsidiary banks' significant borrowers and funds providers to assess the extent to which they may be affected by Year 2000 issues.

Testing.

Updating and testing of the Company's and its subsidiary banks' automated systems is currently underway and it is anticipated that all testing will be complete by January 31, 1999. Upon completion, the committee will be able to identify any internal computer systems that remain non-compliant.

Item 7a. Quantitative and Qualitative Disclosures About Market Risk

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

Interest rate risk represents the sensitivity of earnings to changes in market interest rates. As interest rates change the interest income and expense streams associated with the Company's financial instruments also change thereby impacting net interest income (NII), the primary component of the Company's earnings. ALCO utilizes the results of a detailed and dynamic simulation model to quantify the estimated exposure of 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 balance sheet. 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 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. The following reflects the Company's NII sensitivity analysis as of December 31, 1997 as compared to the 10% Board approved policy limit.

Rate change	Estimated NII Sensitivity
-200 bp	-1.99%
+200 bp	1.44%

The preceding sensitivity analysis does not represent a Company 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 cashflows, 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.

Forward-looking Information

The discussion above may include certain "forward looking statements" concerning the future operations of the Company. The Company desires to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform act of 1995 as they apply to forward looking statements. This statement is for the express purpose of availing the Company of the protections of such safe harbor with respect to all "forward looking statements." Management's ability to predict results of the effect of future plans in inherently uncertain, and is subject to factors that may cause actual results to differ materially from those projected.

Item 8. Financial Statements and Supplementary Data

The following audited consolidated financial statements and related documents are set forth in this Annual Report on Form 10-K on the pages indicated:

Independent Auditors' Report

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, 1998 and 1997 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1998. 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 generally accepted auditing standards. 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, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

KPMG LLP

Billings, Montana
January 29, 1999

Consolidated Statements of Financial Condition

(dollars in thousands)		December 31, 1998	1997
Assets:			
Cash on hand and in banks	$	31,509	29,724
Federal funds sold		2,693	3,860
Interest bearing cash deposits		2,450	595
Cash and cash equivalents		36,652	34,179
Investment securities, available-for-sale		90,735	99,474
Investment securities, held-to-maturity (market value of $7,579 and $16,358 at December 31, 1998 and 1997, respectively)		7,327	16,051
Loans receivable, net		494,249	466,917
Premises and equipment, net		16,198	13,604
Real estate and other assets owned, net		151	121
Federal Home Loan Bank of Seattle stock, at cost		11,848	10,956
Federal Reserve Bank stock, at cost		1,219	340
Accrued interest receivable		4,079	4,234
Goodwill, net of accumulated amortization of $707 and $542 at December 31, 1998, and 1997, respectively		2,601	1,371
Other assets		1,592	1,420
	$	666,651	648,667
Liabilities:			
Deposits - non-interest bearing	$	92,710	84,987
Deposits - interest bearing		351,749	319,362
Advances from Federal Home Loan Bank of Seattle		120,586	141,860
Securities sold under agreements to repurchase		17,239	21,673
Other borrowed funds		1,118	7,937
Accrued interest payable		2,278	1,816
Deferred income taxes		1,601	1,870
Minority interest		313	1,280
Other liabilities		4,120	3,107
Total liabilities		591,714	583,892
Stockholders' equity:			
Preferred stock, $.01 par value per share. Authorized 1,000,000 shares; none issued		0	0
Common stock, $.01 par value per share. 8,372,916 and 7,384,139 shares outstanding at December 31, 1998 and 1997, respectively		84	74
Paid-in capital		57,555	34,771
Retained earnings - substantially restricted		16,089	28,743
Accumulated other comprehensive income		1,209	1,187
Total stockholders' equity		74,937	64,775
	$	666,651	648,667

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

(dollars in thousands except per share data)	1998	1997	1996
	Years ended December 31,		
Interest Income:			
Real estate loans	$ 16,624	17,190	16,785
Commercial loans	15,925	12,555	10,706
Consumer and other loans	10,920	10,884	9,590
Investment securities and other	7,612	8,752	8,834
Total Interest Income	51,081	49,381	45,915
Interest Expense:			
Deposits	13,683	13,011	11,941
Advances	7,583	7,792	7,486
Securities sold under agreements to repurchase	772	1,072	875
Other borrowed funds	166	259	219
Total Interest Expense	22,204	22,134	20,521
Net Interest Income	28,877	27,247	25,394
Provision for loan losses	1,490	807	880
Net Interest Income After Provision For Loan Losses	27,387	26,440	24,514
Non-Interest Income:			
Service charges and other fees	5,298	5,183	4,827
Miscellaneous loan fees and charges	4,271	3,380	3,383
Gain on sale of investments, net	33	197	121
Other income	1,657	855	1,209
Total Non-Interest Income	11,259	9,615	9,540
Non-Interest Expense:			
Compensation, employee benefits and related expenses	10,903	10,578	9,848
Occupancy expense	2,582	2,260	2,017
Data processing expense	901	996	880
FDIC/SAIF assessment	0	0	947
Other expense	7,075	6,051	6,332
Minority interest	145	208	191
Total Non-Interest Expense	21,606	20,093	20,215
Earnings before income taxes	17,040	15,962	13,839
Federal and state income tax expense	6,296	5,908	5,632
Net Earnings	$ 10,744	10,054	8,207
Basic earnings per share	$ 1.30	1.24	1.03
Diluted earnings per share	$ 1.28	1.22	1.02

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity
and Comprehensive Income
Years ended December 31, 1998, 1997, and 1996

($ in thousands except share and per share data)	Common Stock Shares	Common Stock Amount	Paid-in capital	Retained earnings substantially restricted	Accumulated other comprehensive income	Total stockholders' equity
Balance at December 31, 1995	4,377,245	45	26,520	23,441	810	50,816
Comprehensive income:						
Net earnings	--	--	--	8,207	--	8,207
Unrealized loss on securities, net of reclassification adjustment ..	--	--	--	--	(795)	(795)
Total comprehensive income						7,412
Cash dividends declared ($.39 per share) ..	--	--	--	(2,495)	--	(2,495)
Stock options exercised	36,697	1	548	--	--	549
Tax benefit from stock related compensation	--	--	81	--	--	81
Increase in stock grant earned	--	--	21	--	--	21
Acquisition of minority interest	12,951	--	85	--	--	85
10% stock dividend	437,346	1	6,701	(6,711)	--	(9)
Stock acquired	(9,000)	--	(192)	--	--	(192)
Additional shares issued	31,306	2	197	--	--	199
Balance at December 31, 1996	4,886,545	49	33,961	22,442	15	56,467
Comprehensive income:						
Net earnings	--	--	--	10,054	--	10,054
Unrealized gain on securities, net of reclassification adjustment ..	--	--	--	--	1,172	1,172
Total comprehensive income						11,226
Cash dividends declared ($.47 per share) ..	--	--	--	(3,748)	--	(3,748)
Stock options exercised	52,160	1	557	--	--	558
Tax benefit from stock related compensation	--	--	257	--	--	257
Increase in stock grant earned	--	--	20	--	--	20
Three for two stock split	2,445,434	24	(24)	(5)	--	(5)
Balance at December 31, 1997	7,384,139	$ 74	34,771	28,743	1,187	64,775
Comprehensive income:						
Net earnings	--	--	--	10,744	--	10,744
Unrealized gain on securities, net of reclassification adjustment ..	--	--	--	--	22	22
Total comprehensive income						10,766
Cash dividends declared ($.57 per share) ..	--	--	--	(4,737)	--	(4,737)
Stock options exercised	149,076	1	1,531	--	--	1,532
Tax benefit from stock related compensation	--	--	386	--	--	386
Increase in stock grant earned	--	--	15	--	--	15
10% stock dividend	755,940	8	18,654	(18,661)	--	1
Additional shares issued	83,761	1	2,198	--	--	2,199
Balance at December 31, 1998	8,372,916	$ 84	57,555	16,089	1,209	74,937

Reclassification adjustment:	December 31, 1998	1997	1996
Holding gains (losses) arising during the period	$ 72	1,976	(1,083)
Tax expense	(28)	(674)	368
Net after tax	44	1,302	(715)
Less reclassification adjustment for amounts included in net income	(33)	(197)	(121)
Tax expense	11	67	41
Net after tax	(22)	(130)	(80)
Net unrealized gains (losses) on securities	$ 22	1,172	(795)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(dollars in thousands)	Years ended December 31, 1998	1997	1996
OPERATING ACTIVITIES :			
Net earnings	$ 10,744	10,054	8,207
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Mortgage loans held for sale originated or acquired	(139,627)	(77,414)	(86,180)
Proceeds from sales of mortgage loans held for sale	134,802	73,566	85,140
Provision for loan losses	1,490	807	880
Depreciation of premises and equipment	1,169	1,076	920
Amortization of goodwill	165	155	168
Gain on sale of investments	(33)	(197)	(121)
Amortization of investment securities premiums and discounts, net	(214)	(31)	(14)
Net decrease in deferred income taxes	(332)	(294)	(68)
Net (increase) decrease in accrued interest receivable	155	(292)	(107)
Net increase in accrued interest payable	462	604	172
Net increase (decrease) in current income taxes	(371)	687	(510)
Net increase in other assets	(172)	(130)	(140)
Net increase (decrease) in other liabilities and minority interest	1,279	(8,330)	3,425
FHLB stock dividends	(892)	(778)	(635)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	8,625	(517)	11,137
INVESTING ACTIVITIES:			
Proceeds from sales, maturities and prepayments of investment securities available-for-sale	30,641	31,343	57,387
Purchases of investment securities available-for-sale	21,621)	(36,636)	(71,572)
Proceeds from maturities and prepayments of investment securities held-to-maturity	8,947	9,788	1,908
Purchases of investment securities held-to-maturity	185)	(94)	(1,682)
Principal collected on installment and commercial loans	147,238	87,741	121,408
Installment and commercial loans originated or acquired	(196,659)	(127,957)	(167,870)
Proceeds from sales of commercial loans	8,756	6,502	10,648
Principal collections on mortgage loans	75,181	59,588	53,251
Mortgage loans originated or acquired	(58,513)	(60,388)	(60,163)
Net proceeds from sales (acquisition) of real estate owned	(30)	385	(454)
Net purchase of FHLB and FRB stock	(879)	(1,056)	(694)
Net addition of premises and equipment	(3,763)	(1,656)	(2,159)
Acquisition of minority interest	236)	(14)	(171)
NET CASH USED IN INVESTING ACTIVITIES	(11,123)	(32,454)	(60,163)
FINANCING ACTIVITIES:			
Net increase in deposits	40,110	31,791	35,756
Net increase (decrease) in FHLB advances and other borrowed funds	(28,093)	(2,698)	27,476
Net increase (decrease) in securities sold under repurchase agreements	(4,434)	9,354	(9,667)
Cash dividends paid to stockholders	(4,144)	(3,309)	(2,258)
Proceeds from exercise of stock options and other stock issued	1,532	553	748
Treasury stock purchased	--	--	(192)
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,971	35,691	51,863
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,473	2,720	2,837
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	34,179	31,459	28,622
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 36,652	34,179	31,459
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the period for: Interest	$ 21,742	21,530	20,349
Income taxes	6,943	5,474	6,358

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies:

(a) General

Glacier Bancorp, Inc. (the "Company"), a Delaware corporation organized in 1990, is a multi-bank, holding company which provides a full range of banking services to individual and corporate customers in Montana 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 generally accepted accounting principles and prevailing practices within the banking industry. 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 judgements 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 bank subsidiaries, Glacier Bank ("Glacier"), First Security Bank of Missoula ("First Security"), Glacier Bank of Whitefish, Glacier Bank of Eureka, and Valley Bank of Helena ("Valley). All significant intercompany transactions have been eliminated in consolidation. The Company owns 100% of the outstanding stock of Glacier Bank, First Security, and Valley, and 94% and 93% of the Glacier Banks of Whitefish and Eureka, respectively.

Valley was acquired on August 31, 1998 through an exchange of stock with HUB Financial Corp. (HUB), formerly the parent company of Valley and the minority shareholders of Valley. The transaction with minority shareholders was accounted for as a purchase. Financial information from August 31, 1998 forward includes the results of operations previously attributable to the minority interest. The pooling method of interests accounting method was used for this merger transaction with HUB. Under this method, financial information for each of the periods presented include the combined companies as though the merger had occurred prior to the earlierst date presented.

(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.

1. Summary of Significant Accounting Policies . . . continued

(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 them 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.

Premiums and discounts on investment securities are amortized or accreted into income using a method which approximates the level-yield interest method.

The cost of any investment, if sold, is determined by specific identification. Declines in the fair value of available-for-sale or held-to-maturity securities below carrying value that are other than temporary are charged to expense as realized losses and the related carrying value reduced to fair value.

(e) Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balance reduced by any chargeoffs or specific valuation accounts and net of any deferred fees or costs on originated loans or unamortized premiums or discounts on purchased loans. 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 interest method.

(f) Loans Held for Sale

Mortgage 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.

(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 specific loans which are deemed to be impaired. 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

1. Summary of Significant Accounting Policies . . . continued

(g) Allowance for Loan Losses . . . continued

cases, the current value of the collateral, reduced by anticipated selling costs, will be used in place of discounted cash flows. Generally, when a loan is deemed impaired, current period interest previously accrued but not collected is reversed against current period interest income. Income on such impaired loans is then recognized only to the extent that cash in excess of any amounts charged off to the allowance for loan losses is received and where the future collection of principal is probable. Interest accruals are resumed on such loans only when they are brought fully current with respect to interest and principal and when, in the judgement of management, the loans are estimated to be fully collectible as to both principal and interest. At December 31, 1998 and 1997 the amount of impaired loans was not.
material.

(h) Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is generally computed on a straight-line method over the estimated useful lives, which range from five to fifty years, of the various classes of assets from their respective dates of acquisition.

(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, not to exceed estimated net realizable value. 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, this deficiency is recognized as a valuation allowance and is charged to expense.

(j) Restricted Stock Investments

The Company holds stock in the Federal Home Loan Bank (FHLB) and the Federal Reserve Bank (FRB). These investments are carried at cost.

(k) Goodwill

Goodwill is being amortized against income using the straight-line method over 15 years.

(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 existing 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.

1. Summary of Significant Accounting Policies . . . continued

(n) Impairment and Disposal of Long-lived Assets

Long lived assets and certain identifiable 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, 1998 and 1997 there were no assets that were considered impaired.

(o) Mortgage Servicing Rights

The Company recognizes mortgage servicing rights on loans originated and subsequently sold as an asset regardless of whether the servicing rights are acquired or retained on loans originated and subsequently sold. The mortgage servicing rights are assessed for impairment based on the fair value of the mortgage servicing rights. As of December 31, 1998 and 1997 the carrying value of originated servicing rights was approximately $689,000 and $572,000, respectively. There was no impairment of carrying value at December 31, 1998 or 1997.

(p) Comprehensive Income

The Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income" effective January 1, 1998. SFAS No. 130 establishes standards for the reporting and display of comprehensive income and its components in a full set of financial statements. 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 comprehensive income is unrealized gains and losses on available-for-sale securities. Prior year financial statements have been reclassified to conform to the requirements of SFAS No. 130.

(q) Reclassifications

Certain reclassifications have been made to the 1997 and 1996 financial statements to conform to the 1998 presentation.

(r) Future Accounting Pronouncements

In June 1998, SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" was issued. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivatives fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Management of the Company is currently assessing the effect, if any, on its financial statements of implementing SFAS No. 133. The Company will adopt the standard on January 1, 1999. The held-to-maturity investment portfolio, with a December 31, 1998 approximate book and market value of $7,327,000 and and $7,579,000, respectively will be reclassified as avaulable-for-sale as of the adoption date.

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, 1998 was approximately $5,265,000.

3. Investment Securities:

A comparison of the amortized cost and estimated fair value of the Company's investment securities is as follows at:

December 31, 1998 (dollars in thousands)	Weighted yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Held-to-Maturity					
U.S. Government and Federal Agencies:					
maturing within one year	7.90%	$ 3,010	63	0	3,073
maturing one year through five years	7.34%	1,038	64	0	1,102
	7.76%	4,048	127	0	4,175
State and Local Governments and other issues:					
maturing within one year	5.31%	517	4	0	521
maturing one year through five years	5.53%	766	23	0	789
maturing five years through ten years	4.99%	839	31	0	870
maturing after ten years	5.69%	1,157	67	0	1,224
	5.41%	3,279	125	0	3,404
Total Held-to-Maturity Securities	6.71%	$ 7,327	252	0	7,579
Available-for-Sale					
U.S. Government and Federal Agencies:					
maturing within one year	5.46%	$ 1,495	1	(1)	1,495
maturing one year through five years	5.85%	4,996	54	0	5,050
maturing after ten years	6.34%	1,270	7	0	1,277
	5.86%	7,761	62	(1)	7,822
State and Local Governments and other issues:					
maturing within one year	6.88%	250	0	0	250
maturing one year through five years	6.00%	100	7	0	107
maturing five years through ten years	5.07%	913	59	0	972
maturing after ten years	5.30%	35,934	1,590	(284)	37,240
	5.31%	37,197	1,656	(284)	38,569
Mortgage-Backed Securities	7.56%	16,377	546	(29)	16,894
Real Estate Mortgage Investment Conduits	6.34%	27,363	180	(93)	27,450
Total Available-for-Sale Securities	6.09%	$ 88,698	2,444	(407)	90,735

December 31, 1997 (dollars in thousands)	Weighted yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Held-to-Maturity					
U.S. Government and Federal Agencies:					
maturing within one year	5.69%	$ 3,303	9	(5)	3,307
maturing five years through ten years	7.89%	6,039	160	(1)	6,198
	7.11%	9,342	169	(6)	9,505
State and Local Governments and other issues:					
maturing within one year	6.28%	438	1	0	439
maturing one year through five years	5.43%	1,254	34	(1)	1,287
maturing five years through ten years	5.12%	869	23	0	892
maturing after ten years	5.70%	1,048	60	0	1,108
	5.54%	3,609	118	(1)	3,726
Mortgage-Backed Securities	7.24%	3,100	27	0	3,127
Total Held-to-Maturity Securities	6.78%	$ 16,051	314	(7)	16,358
Available-for-Sale					
U.S. Government and Federal Agencies:					
maturing within one year	5.64%	$ 3,237	1	(11)	3,227
maturing one year through five years	6.06%	5,491	15	(15)	5,491
maturing five years through ten years	6.72%	1,001	0	(2)	999
maturing after ten years	7.28%	9,044	54	(27)	9,071
	6.61%	18,773	70	(55)	18,788
State and Local Governments and other issues:					
maturing within one year	4.91%	260	1	(2)	259
maturing one year through five years	6.00%	100	3	0	103
maturing five years through ten years	6.68%	1,021	31	(3)	1,049
maturing after ten years	5.55%	24,160	1,110	(3)	25,267
	5.59%	25,541	1,145	(8)	26,678
Mortgage-Backed Securities	7.63%	20,877	678	(20)	21,535
Real Estate Mortgage Investment Conduits	6.98%	32,318	259	(104)	32,473
Total Available-for-Sale Securities	6.68%	$ 97,509	2,152	(187)	99,474

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.

The Company has not entered into any swaps, options or futures contracts.

Gross proceeds from sales of investment securities for the years ended December 31, 1998, 1997, and 1996, were approximately $4,321,000, $9,681,000, and $23,065,000 respectively, resulting in gross gains of approximately $36,000, $204,000, and $291,000 and gross losses of approximately $3,000, $7,000, and $170,000 respectively.

At December 31, 1998, the Company had investment securities with par values of approximately $45,984,000 pledged as security for deposits of several local government units, securities sold under agreements to repurchase, and as collateral for the treasury tax and loan borrowings.

The Real Estate Mortgage Investment Conduits are backed by the FNMA, GNMA or FHLMC.

At December 31, 1998 and 1997 the minority interest share of the unrealized gain was $7,000 and $12,000 respectively.

4. Loans Receivable:

The following is a summary of loans receivable at:

(dollars in thousands)	December 31, 1998	1997
Real Estate Loans and Contracts:		
Residential first mortgage loans	$ 188,740	205,408
Loans held for sale	12,603	7,778
	201,343	213,186
Commercial Loans:		
Real estate	99,897	64,812
Other commercial loans	85,571	77,821
	185,468	142,633
Installment and Other Loans:		
Consumer loans	62,470	82,941
Home equity loans	49,795	28,233
Outstanding balances on credit cards	18	3,951
	112,283	115,125
Less:		
Allowance for losses	(4,845)	(4,027)
	$ 494,249	466,917

Summary of activity in allowance for losses on loans:

(dollars in thousands)	Years ended December 31, 1998	1997	1996
Balance, beginning of period	$ 4,027	3,715	3,531
Net charge offs	(672)	(495)	(696)
Provision	1,490	807	880
Balance, end of period	$ 4,845	4,027	3,715

Allocation of the allowance
for loan losses:

	December 31, 1998		December 31, 1997	
(dollars in thousands)	Amount	% of loans in category	Amount	% of loans in category
Real estate loans and contracts	$ 1,027	0.51%	1,088	0.51%
Commercial real estate	999	1.00%	487	0.75%
Other commercial loans	1,584	1.85%	1,223	1.57%
Consumer loans and credit cards	862	1.38%	1,088	1.25%
Home equity loans	373	0.75%	141	0.50%
	$ 4,845	0.97%	4,027	0.86%

4. Loans Receivable . . . continued

Substantially all of the company's loans receivable are with customers within the Company's market area

The weighted average interest rate on loans was 8.87%, and 8.95% at December 31, 1998 and 1997, respectively.

At December 31, 1998 and 1997 serviced loans sold to others were $123,741,000 and $128,250,000, respectively.

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 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

At December 31, 1998, the Company had outstanding commitments as follows (dollars in thousands):

Letters of credit....................	$ 2,736
Loans and loans in process...........	45,035
Unused consumer lines of credit......	9,554
	$ 57,325

Accrued Interest Receivable:

(dollars in thousands)	December 31, 1998	1997
Investment securities	$ 1,077	973
Mortgage-backed securities	75	381
Loans receivable	2,927	2,880
	$ 4,079	4,234

5. Premises and Equipment:

Premises and equipment consist of the following at:

(dollars in thousands)	December 31, 1998	1997
Land	$ 2,984	2,557
Office buildings and construction in progress	12,563	11,106
Furniture, fixtures and equipment	7,937	6,497
Leasehold improvements	813	794
Accumulated depreciation	(8,099)	(7,350)
	$ 16,198	13,604

6. Deposits:

Deposits consist of the following at:

(dollars in thousands)	December 31, 1998 Weighted Average Rate	December 31, 1998 Amount	December 31, 1998 Percent	December 31, 1997 Amount	December 31, 1997 Percent
Demand accounts	0.0%	$ 92,710	20.9%	84,987	20.8%
NOW accounts	1.4%	81,549	18.3%	72,422	18.0%
Savings accounts	2.4%	43,698	9.8%	44,276	11.0%
Money market demand accounts	4.4%	95,277	21.4%	77,717	19.3%
Certificate accounts:					
4.00% and lower		542	0.1%	529	0.1%
4.01% to 5.00%		23,439	5.3%	12,678	3.1%
5.01% to 6.00%		79,930	18.0%	71,592	17.8%
6.01% to 7.00%		20,539	4.6%	32,327	8.0%
7.01% to 8.00%		6,047	1.4%	7,570	1.9%
8.01% and higher		728	0.2%	251	0.1%
Total certificate accounts	5.9%	131,225	29.5%	124,947	31.0%
Total interest bearing deposits	4.1%	351,749	79.1%	319,362	79.2%
Total deposits	3.2%	$ 444,459	100.0%	404,349	100.0%
Deposits with a balance in excess of $100,000		$ 135,394		97,138	

At December 31, 1998, scheduled maturities of certificates of deposit are as follows:

(dollars in thousands)	Total	1999	2000	2001	2002	Thereafter
		Years ending December 31,				
4.00% and lower	$ 542	494	25	22	1	0
4.01% to 5.00%	23,439	20,294	2,668	347	114	16
5.01% to 6.00%	79,930	62,710	13,415	2,504	743	558
6.01% to 7.00%	20,539	6,503	7,697	4,237	1,420	682
7.01% to 8.00%	6,047	406	5,525	101	0	15
8.01% and higher	728	535	134	50	9	0
	$ 131,225	90,942	29,464	7,261	2,287	1,271

Interest expense on deposits is summarized as follows:

(dollars in thousands)	1998	1997	1996
	Years ended December 31,		
NOW accounts	1,065	1,288	1,301
Money market demand accounts	4,365	3,081	2,354
Certificate accounts	7,230	7,259	6,901
Savings accounts	1,023	1,383	1,385
	13,683	13,011	11,941

7. Advances From Federal Home Loan Bank of Seattle:

Advances from the Federal Home Loan Bank of Seattle consist of the following at December 31, 1998:

		Maturing in years ending December 31,					
(dollars in thousands)	Total	1999	2000	2001	2002	2003	2004-2010
4.00% to 5.00%	$ 590	407	159	24	0	0	0
5.01% to 6.00%	111,906	25,345	2,514	1,943	46,840	16,551	18,713
6.01% to 7.00%	7,640	585	6,281	175	134	117	348
6.01% to 7.00%	450	40	240	40	40	40	50
	$ 120,586	26,377	9,194	2,182	47,014	16,708	19,111

Advances from the Federal Home Loan Bank of Seattle consist of the following at December 31, 1997:

		Maturing in years ending December 31,					
(dollars in thousands)	Total	1998	1999	2000	2001	2002	2003-2009
4.00% to 5.00%	$ 1,637	605	565	321	146	0	0
5.01% to 6.00%	113,656	48,010	13,127	2,443	1,970	46,839	1,267
6.01% to 7.00%	26,076	18,442	395	6,300	195	154	590
6.01% to 7.00%	491	40	40	240	40	40	91
	$ 141,860	67,097	14,127	9,304	2,351	47,033	1,948

These advances were collateralized by the Federal Home Loan Bank of Seattle stock held by the Company, and qualifying real estate loans and investments totaling approximately $223,910,000 and $226,976,000 at December 31, 1998 and 1997, respectively.

The weighted average interest rate on these advances was 5.44% and 5.70% at December 31, 1998 and 1997, respectively.

Included in the above amounts are advances in which the FHLB has a call option which may be exercised after a predetermined time, and quarterly thereafter. The following are the amounts (in thousands) of those advances:

Year of initial call	Total	Weighted Average Interest Rate	Contractual Maturity Date
1999	$ 46,100	5.39%	2002
2000	16,000	5.23%	2003
2001	3,000	5.37%	2008
2003	15,000	5.52%	2008
	$ 80,100	5.38%	

8. Securities Sold Under Agreements to Repurchase and Other Borrowed Funds:

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

(dollars in thousands)	Repurchase amount	Weighted average rate paid	Book value of underlying assets	Market value of underlying assets
December 31, 1998:				
Securities sold under agreements to repurchase within:				
1-30 days	$ 11,000	4.05%	$ 14,706	15,099
31-90 days	6,126	5.18%	6,797	7,174
Greater than 90 days	113	5.31%	120	120
	$ 17,239	4.46%	$ 21,623	22,393
December 31, 1997:				
Securities sold under agreements to repurchase within:				
1-30 days	$ 14,937	4.36%	$ 23,111	23,968
31-90 days	6,428	5.47%	7,063	7,389
Greater than 90 days	308	5.70%	509	520
	$ 21,673	4.70%	$ 30,683	31,877

The 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, 1998, securities sold under agreements to repurchase averaged approximately $16,700,000, and the maximum outstanding at any month end during the year was approximately $19,300,000.

In 1996 the Company entered into the treasury tax and loan account note option program, which provides short term funding up to $12,000,000 at federal funds rate minus 25 basis points. The borrowings are secured with investment securities with a par value of approximately $10,000,000. At December 31, 1998 and 1997 the outstanding balance under this program was approximately $1,100,000 and $7,700,000, respectively.

9. Stockholders' Equity:

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, 1998:

(dollars in thousands)	Tier 1 (Core) Capital	Tier 2 (Total) Capital	Leverage Capital
GAAP Capital	$ 74,937	$ 74,937	$ 74,937
Goodwill	(2,601)	(2,601)	(2,601)
Net unrealized gains on securities available-for-sale	(1,209)	(1,209)	(1,209)
Allowance for loan losses	--	4,845	--
Regulatory capital computed	$ 71,127	$ 75,972	$ 71,127
Risk weighted assets	$ 436,244	$ 436,244	
Total average assets			$ 671,923
Capital as % of defined assets	16.30%	17.42%	10.58%
Regulatory "well capitalized" requirement	6.00%	10.00%	5.00%
Excess over "well capitalized" requirement	10.30%	7.42%	5.58%

The following table illustrates the Company's compliance with capital adequacy guidelines as of December 31, 1997:

	Tier 1 (Core) Capital	Tier 2 (Total) Capital	Leverage Capital
Capital as % of defined assets	15.77%	16.75%	10.05%
Regulatory "well capitalized" requirement	6.00%	10.00%	5.00%
Excess over "well capitalized" requirement	9.77%	6.75%	5.05%

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, 1998, 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, 1998.

Effective February 1, 1998 Glacier Bank converted its charter from a savings bank to a State of Montana chartered commercial bank. With that effective date, each of the Company's subsidiaries are state chartered banks. State banks may pay dividends up to the total of the prior two years earnings without permission of the state regulator. The amount available for dividend distribution by the bank subsidiaries as of December 31, 1998 was approximately $13,272,000.

10. Federal and State Income Taxes:

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

(dollars in thousands)	Years ended December 31, 1998	1997	1996
Current:			
Federal	$ 5,453	5,152	4,650
State	1,175	1,060	1,016
Total current tax expense	6,628	6,212	5,666
Deferred:			
Federal	(368)	(352)	(52)
State	36	48	18
Total deferred tax expense (benefit)	(332)	(304)	(34)
Total income tax expense	$ 6,296	5,908	5,632

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

	Years ended December 31, 1998	1997	1996
Federal statutory rate	34.0%	34.0%	34.0%
State taxes, net of federal income tax benefit	4.5%	4.5%	4.5%
Non-deductible merger expenses	0.1%	0.2%	1.7%
Other, net	-1.7%	-1.7%	0.5%
	36.9%	37.0%	40.7%

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

(dollars in thousands)	December 31, 1998	1997
Deferred tax assets:		
Allowance for losses on loans	$ 2,018	1,508
Other	501	451
Total gross deferred tax assets	2,519	1,959
Deferred tax liabilities:		
Federal Home Loan Bank stock dividends	(1,725)	(1,383)
Fixed assets, due to differences in depreciation	(454)	(430)
Discount on loans and investments due to prior years' sale with concurrent purchase	0	(95)
Tax bad debt reserve in excess of base-year reserve	(595)	(615)
Available-for-sale securities fair value adjustment	(828)	(765)
Basis difference from acquisitions	(192)	(197)
Other	(326)	(344)
Total gross deferred tax liabilities	(4,120)	(3,829)
Net deferred tax liability	$ (1,601)	(1,870)

10. Federal and State Income Taxes . . . continued

There was no valuation allowance at December 31, 1998 and 1987 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.

Retained earnings at December 31, 1998 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.

11. Employee Benefit Plans:

The Company has a noncontributory defined contribution retirement plan covering substantially all employees. The Company follows the policy of funding retirement plan contributions as accrued. The total retirement plan expense for the years ended December 31, 1998, 1997, and 1996 was approximately $552,000, $620,000 and $408,000 respectively.

The Company has an employees' savings plan. The plan allows eligible employees to contribute up to 10% 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, 1998, 1997 and 1996 was approximately $206,000, $173,000, and $119,000, 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, 1998, 1997 and 1996 was approximately $26,000, $46,000, and $41,000, 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 $52,000, $156,000 and $97,000, for the years ending December 31, 1998, 1997, and 1996, 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 credit for 1998, 1997, and 1996 was approximately $12,000, $66,000, and $5,000, respectively.

First Security had a discretionary non-contributory profit sharing plan covering substantially all employees with funding of contributions as accrued. The total plan expense for the year ended December 31, 1996 was approximately $262,000. The plan was terminated as of December 31, 1996.

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

12. Earnings Per Share:

Basic earnings per share is computed by dividing net earnings by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share is computed by including the net increase in shares if all outstanding stock options were exercised, using the treasury stock method. Previous period amounts are restated for the effect of stock dividends.

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

	For the Years Ended December 31,		
	1998	1997	1996
Net income available to common stockholders, basic and diluted	$ 10,744,000	10,054,000	8,207,000
Average outstanding shares - basic	8,235,567	8,077,985	7,968,341
Add: dilutive stock options	154,636	140,407	87,545
Average outstanding shares - diluted	8,390,203	8,218,392	8,055,886
Basic earnings per share	$ 1.30	1.24	1.03
Diluted earnings per share	$ 1.28	1.22	1.02

13. Stock Option Plans:

During fiscal year 1984, an Incentive Stock Option Plan was approved which provided for the grant of options limited to 168,750 shares to certain full time employees of the Company. In the year ended June 30, 1990, additional 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 provides 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 provides for the grant of options limited to 279,768 shares to key employees of the Company. The option price at which the Company's common stock may be purchased upon exercise of options granted under the plan must be at least equal to the per share market value of such stock at the date the option is granted. The 1984 plan also contains provisions permitting the optionee, with the approval 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 then fair market value of the shares on the date of surrender. 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.

At December 31, 1998, total shares available for option grants to employees are 162,335.

Changes in shares granted for stock options for the years ended December 31, 1998, 1997, and 1996, are summarized as follows:

	Options outstanding		Options exercisable	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance, December 31, 1995	128,477	$ 16.63	86,047	$ 16.69
Canceled	(5,853)	(17.43)	(1,266)	(15.80)
Granted	112,880	19.06		
Became exercisable			55,261	17.34
Stock dividend	20,520		13,286	
Exercised	(36,697)	(14.96)	(36,697)	(14.96)
Balance, December 31, 1996	219,327	$ 16.59	116,631	$ 15.65
Canceled	(9,715)	(15.65)		
Granted	115,418	23.45		
Became exercisable			11,338	17.15
Three for two stock split	161,104		57,744	0
Exercised	(52,160)	(10.73)	(52,160)	(10.73)
Balance, December 31, 1997	433,974	$ 12.98	133,553	$ 10.94
Canceled	(8,950)	(15.68)	(600)	(10.37)
Granted	134,377	24.37		
Became exercisable			132,885	11.31
Stock dividend	46,574		28,620	
Exercised	(149,076)	(10.27)	(149,076)	(10.27)
Balance, December 31, 1998	456,899	$ 15.83	145,382	$ 11.00

13. Stock Option Plans . . . continued

The stock options outstanding at December 31, 1998 consist of the following:

				Exercisable	
Price range	Shares	Weighted average exercise price	Weighted average life of options	Shares	Weighted average exercise price
$8.99 - $11.57	127,132	$ 10.54	1.6 years	127,132	$ 10.54
$13.78 - $14.93	184,278	14.48	3.0 years	18,250	14.25
$22.04 - $22.39	145,489	22.15	4.0 years	--	--
	456,899	$ 15.83	2.9 years	145,382	$ 11.00

The options exercised during the year ended December 31, 1998 were at prices from $8.99 to $16.13.

The Company applies the intristic value method in accounting for its grants of options 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 at the grant date for its stock options under SFAS No. 123, the Company's net income would have been reduced to the pro forma amounts indicated below:

		Years ended December 31,		
		1998	1997	1996
Net earnings -	As reported	$ 10,744	10,054	8,207
	Pro forma	10,126	9,606	8,042
Basic earnings per share -	As reported	1.30	1.24	1.03
	Pro forma	1.23	1.19	1.01
Diluted earnings per share -	As reported	1.28	1.22	1.02
	Pro forma	1.21	1.17	1.00

The per share weighted-average fair value of stock options granted during 1998, 1997 and 1996 was $5.09 $5.05, and $3.88, respectively, on the date of grant using the Black Scholes option-pricing model with the following assumptions: 1998 - expected dividend yield of 2.5%, risk-free interest rate of 4.6%, volatility ratio .221, and expected life of 4.8 years; 1997 - expected dividend yield of 2.9%, risk-free interest rate of 5.8%, volatility ratio of .216, and expected life of 4.8 years; 1996 - expected dividend yield of 2.9%, risk-free interest rate of 5.8% volatility ratio of .210, and expected life of 4.8 years.

In September 1993 Missoula Bancshares, Inc. granted 1,000 shares of its common stock to a senior officer to be issued on or after September 1998 at the election of the officer, with vesting over the five year period. In conjunction with the merger of Missoula Bancshares, Inc., the Company issued 14,930 shares which was the vested portion of the 1,000 shares at the exchange ratio, and converted the non-vested portion to options for 8,040 Company shares (13,266 shares after adjustment for 3 for 2 stock split and 10% stock dividend) which fully vested, and shares issued at the end of September 1998. The related compensation expense, based on the fair value of the common stock at the date of the grant, was charged to expense over the service period with a corresponding credit to paid-in capital.

14. Parent Company Information (Condensed):

The following condensed financial information is the unconsolidated (Parent Company Only) information for Glacier Bancorp, Inc, combined with HUB Financial Corporation:

Statements of Financial Condition (dollars in thousands)	December 31, 1998	1997
Assets:		
Cash	$ 598	115
Interest bearing cash deposits	2,487	1,561
Cash and cash equivalents	3,085	1,676
Investments securities, available-for-sale, at market value	1,691	1,581
Investments securities, held-to-maturity, at cost	91	94
Other assets	1,332	1,243
Goodwill, net	2,601	1,371
Investment in subsidiaries	68,522	60,982
	$77,322	66,947
Liabilities and Stockholders' Equity:		
Dividends payable	$ 1,757	1,164
Notes payable	0	216
Other liabilities	1,014	792
Total liabilities	2,771	2,172
Common stock	84	74
Paid-in capital	57,555	34,771
Retained earnings	16,089	28,743
Accumulated other comprehensive income	1,209	1,187
Total stockholders' equity	74,937	64,775
	$77,708	66,947

Statements of Operations (dollars in thousands)	Years ended December 31, 1998	1997	1996
Revenues			
Dividends from subsidiaries	$ 5,192	3,719	4,177
Other income	168	344	266
Intercompany charges for services	1,971	1,803	1,584
Total revenues	7,331	5,866	6,027
Expenses			
Employee compensation and benefits	1,880	1,974	1,971
Goodwill amortization	165	155	168
Other operating expenses	1,239	323	1,010
Total expenses	3,284	2,452	3,149
Earnings before income tax benefit and equity in undistributed earnings of subsidiaries	4,047	3,414	2,878
Income tax benefit	(198)	(88)	(209)
Income before equity in undistributed earnings of subsidiaries	4,245	3,502	3,087
Equity in undistributed earnings of subsidiaries	6,499	6,552	5,120
Net earnings	$ 10,744	10,054	8,207

14. Parent Company Information (Condensed) . . . continued

Statements of Cash Flows (dollars in thousands)	Years ended December 31, 1998	1997	1996
Operating Activities			
Net earnings	$ 10,744	10,054	8,207
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Goodwill amortization	165	155	168
Gain on sale of investments available-for-sale	(8)	(184)	(127)
Equity in undistributed earnings of subsidiaries	(6,499)	(6,552)	(5,120)
Net increase (decrease) in other assets and other liabilities	207	(731)	986
Net cash provided by operating activities	4,609	2,742	4,114
Investing activities			
Purchases of investment securities available-for-sale	(198)	(176)	(221)
Proceeds from sales, maturities and prepayments of securities available-for-sale	59	484	198
Proceeds from maturities of securities held-to-maturity	3	3	3
Payment for land purchase	0	(160)	0
Acquisition of minority interest	(236)	(14)	(171)
Net cash provided in investing activities	(372)	137	(191)
Financing activities			
Proceeds from exercise of stock options and other stock issued	1,532	553	748
Treasury stock purchased	0	0	(268)
Principal reductions on notes payable	(216)	(82)	(1,500)
Proceeds on note payable	0	222	0
Cash dividends paid to stockholders	(4,144)	(3,309)	(2,258)
Net cash used in financing activities	(2,828)	(2,616)	(3,278)
Net increase in cash and cash equivalents	1,409	263	645
Cash and cash equivalents at beginning of period	1,676	1,413	768
Cash and cash equivalents at end of period	$ 3,085	1,676	1,413

15. Unaudited Quarterly Financial Data:

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

	Quarters Ended			
	March 31, 1998	June 30, 1998	Sept. 30, 1998	Dec. 31, 1998
Interest income	$ 12,635	12,839	12,914	12,693
Interest expense	5,625	5,687	5,583	5,309
Net earnings	2,635	2,665	2,656	2,788
Basic earnings per share [1]	0.32	0.33	0.32	0.33
Diluted earnings per share [1]	0.31	0.32	0.32	0.33
Dividends per share [1]	0.11	0.12	0.13	0.21[3]
Market range high-low [1]	$26.82-$21.14	$25.91-$24.09	$26.36-$22.79	$22.63-$18.88

	Quarters Ended			
	March 31, 1997	June 30, 1997	Sept. 30, 1997	Dec. 31, 1997
Interest income	$ 11,765	12,299	12,618	12,699
Interest expense	5,357	5,518	5,648	5,611
Net earnings	2,186	2,514	2,549	2,805
Basic earnings per share [1]	0.27	0.31	0.32	0.34
Diluted earnings per share [1]	0.27	0.31	0.31	0.33
Dividends per share [1]	0.10	0.11	0.11	0.15[2]
Market range high-low [1]	$15.00-$14.09	$19.09-$13.86	$17.73-$15.91	$22.73-$16.93

	Quarters Ended			
	March 31, 1996	June 30, 1996	Sept. 30, 1996	Dec. 31, 1996
Interest income	$ 10,989	11,303	11,668	11,955
Interest expense	4,941	5,012	5,204	5,364
Net earnings	2,222	2,396	1,694	1,895
Basic earnings per share [1]	0.27	0.30	0.22	0.24
Diluted earnings per share [1]	0.27	0.29	0.22	0.24
Dividends per share [1]	0.09	0.10	0.10	0.10
Market range high-low [1]	$12.39-$10.75	$13.56-$11.57	$15.30-$12.27	$15.30-$14.09

[1] Per share amounts adjusted to reflect effect of 10% stock dividend
[2] Special dividend was paid at $.05 per share.
[3] Special dividend was paid at $.08 per share.

16. 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:

(dollars in thousands)	1998 Amount	1998 Fair Value	1997 Amount	1997 Fair Value
Financial Assets:				
Cash	$ 31,509	31,509	29,724	29,724
Federal funds sold	2,693	2,693	3,860	3,860
Interest bearing cash deposits	2,450	2,450	595	595
Investment securities	53,718	53,970	58,417	58,697
Mortgage-backed securities	44,344	44,344	57,108	57,135
Loans	494,249	501,506	466,917	472,876
FHLB and Federal Reserve Bank stock	13,067	13,067	11,296	11,296
Financial Liabilities:				
Deposits	$444,459	445,507	404,349	404,068
Advances from the FHLB of Seattle	120,586	121,011	141,860	141,702
Repurchase agreements and other borrowed funds	18,357	18,357	29,610	29,610

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 approximates the book value of cash, federal funds sold and interest bearing cash accounts. For securities, the fair value is based on quoted market prices. The fair value of loans is estimated by discounting future cash flows using current rates at which similar loans would be made. The fair value of FHLB and Federal Reserve Bank stock approximates the book value.

Financial Liabilities - The estimated fair value of demand and savings deposits approximates the book value since rates are periodically adjusted to market rates. Certificates of deposit fair value is estimated by discounting the future cash flows using current rates for similar deposits. Repurchase agreements and other borrowed funds have variable interest rates, or are short term, so fair value approximates book value. Advances from the FHLB of Seattle fair value is estimated by discounting future cash flows using current rates for advances with similar weighted average maturities.

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.

17. Contingencies and commitments:

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 or results of operations.

18. Business combinations:

On December 31, 1996, the Company issued 1,145,599 shares of common stock in exchange for all of the outstanding stock of Missoula Bancshares, Inc., parent company of First Security Bank of Missoula. This business combination has been accounted for as a pooling-of-interests combination and, accordingly the consolidated financial statements for periods prior to the combination have been restated to include the accounts and results of operations of Missoula Bancshares, Inc.

On August 31, 1998, the Company issued 536,154 shares of common stock in exchange for all of the outstanding stock of HUB Financial Corporation (HUB), parent company of Valley Bank of Helena (Valley). As a result of this transaction, the Company acquired the majority interest, 86.5%, of Valley. This business combination has been accounted for as a pooling-of-interests combination and, accordingly the consolidated financial statements for periods prior to the combination have been restated to include the accounts and results of operations of HUB.

The results of operations previously reported by the separate companies and the combined amounts presented in the accompanying consolidated financial statements are summarized below:

	Six months ended June 30, 1998 (unaudited)	Years ended December 31, 1997	1998
Net earnings of:			
Glacier Bancorp, Inc.	$4,892	9,180	7,425
HUB Financial Corporation	408	874	782
Combined	$5,300	10,054	8,207

There were no transactions between the companies prior to the combination.

Also on August 31, 1998, the Company issued 83,761 shares of common stock in exchange for the minority interest of 13.5% of Valley. This business combination has been accounted for as a purchase and, accordingly, the consolidated statement of operations for the year ended December 31, 1998 includes the results of operations related to this minority interest commencing August 31, 1998 and the proportional interest of the net assets acquired have been restated to estimated fair value.

The premium paid over the historical carrying value of the net assets of the minority interest of Valley at the date of purchase was as follows (dollars in thousands):

Issuance of common shares	$2,199
Historical net assets acquired	(857)
Premium paid over historical carrying value - goodwill	$1,342

19. Agreement to merge:

On October 20, 1998, the Company entered into a definitive agreement to acquire through an exchange of stock, Big Sky Western Bank, Big Sky, Montana (Big Sky). On January 20, 1999 the transaction was completed with 227,707 shares of Company stock issued for 100 percent of the outstanding stock of Big Sky. Big Sky will operate as an independent, wholly-owned subsidiary of the Company. The acquisition is being accounted for using the pooling-of-interests method. Transactions accounted for as a pooling-of-interests reflect the assets, liabilities, stockholders' equity, and results of operations of the separate entities as though the entities had been combined as of the earliest date reported.

The following unaudited pro forma data summarizes the combined results of operations of Glacier and Big Sky as if the combination had been consummated on December 31, 1998:

	Years ended December 31,		
dollars in thousands	1998	1997	1996
Interest income	$53,678	51,686	47,697
Interest expense	23,550	23,296	21,426
Net interest income	30,128	28,390	26,271
Net earnings	$10,914	10,236	8,329
Basic earnings per share	$ 1.29	1.24	1.03
Diluted earnings per share	$ 1.26	1.22	1.01

PART III

Item 9. Directors and Executive Officers of the Registrant

Information regarding "Directors and Executive Officers of the Registrant" is set forth under the headings "Proposal No. 1 - Election of Directors - Information with Respect to Nominees for Director and Continuing Directors" - "Background of Directors" and "Security Ownership of Certain Beneficial Owners and Management - Executive Officers who are not Directors" of the Company's 1999 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.

Item 10. Executive Compensation

Information regarding "Executive Compensation" is set forth under the headings "Proposal No. 1 - Election of Directors - Compensation of Directors" and "Executive Compensation" of the Company's Proxy Statement and is incorporated herein by reference.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Information regarding "Security Ownership of Certain Beneficial Owners and Management" is set forth under the headings "Proposal No. 1 - Election of Directors--Information with Respect to Nominees for Director and Continuing 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 12. 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.

PART IV

Item 13. Exhibits, Financial Statement Schedules and Reports on Form 8-K

List of Financial Statements and Financial Statement Schedules

(a) (1) and (2) 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.

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 24, 1999.

GLACIER BANCORP, INC.

By: /s/ Michael J. Blodnick

Michael J. Blodnick
President/CEO

PURSUANT to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 24, 1999, by the following persons in the capacities indicated.

/s/ Michael J. Blodnick - ------------------------------ Michael J. Blodnick	President and Chief 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/ Michael J. Blodnick - ------------------------------ Michael J. Blodnick	President/CEO, and Director
/s/ L. Peter Larson - ------------------------------ L. Peter Larson	Director
/s/ Darrel R. Martin - ------------------------------ Darrel R. (Bill) Martin	Director
/s/ F. Charles Mercord - ------------------------------ F. Charles Mercord	Director
/s/ Everit A. Sliter - ------------------------------ Everit A. Sliter	Director
/s/ Harold A. Tutvedt - ------------------------------ Harold A. Tutvedt	Director
/s/ William L. Bouchee - ------------------------------ William L. Bouchee	Director
/s/ Fred J. Flanders - ------------------------------ Fred J. Flanders	Director

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

Exhibit No.	Exhibit
3(a)	Amended and Restated Certificate of Incorporation
3(b)	Amended and Restated Bylaws
3(c)	Amendment to Bylaws dated November 25, 1998
10(a)	1989 Incentive Stock Option Plan (2)
10(b)	Employment Agreement dated August 31, 1996 between the Company, Glacier Bank and Michael J. Blodnick (3)
10(c)	Employment Agreement dated August 31, 1996 between the Company, Glacier Bank and Stephen J. Van Helden (3)
10(d)	Employment Agreement dated August 31, 1996 between the Company, Glacier Bank and James H. Strosahl (3)
10(f)	Employment Agreement dated August 9, 1996 between First Security Bank and William L. Bouchee (4)
10(g)	Employment Agreement dated December 30, 1997 between Valley Bank of Helena and Fred J. Flanders(1)
10(h)	1994 Director Stock Option Plan (5)
10(i)	1995 Employee Stock Option Plan (6)
10(j)	Deferred Compensation Plan (5)
10(k)	Supplemental Executive Retirement Agreement (5)
21	Subsidiaries of the Company -- See item 1, "Subsidiaries"
23	Consent of KPMG LLP
27	Financial Data Schedule

(1) Incorporated by reference to exhibit 3.1 included in the Company's Registration Statement on Form S-4 (333-58503) declared effective July 16, 1998

(2) 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.

(3) Incorporated by reference to exhibits 10(c), 10(d) and 10(f) included in the Company's Form 10-K for the fiscal year ended December 31, 1996.

(4) Incorporated by reference to Exhibit 10.2 of the Company's Registration Statement on Form S-4 (No. 333-13595) declared effective on October 16, 1996.

(5) Incorporated by reference to Exhibits 10(i), 10(k) and 10(h), included in the Company's Form 10-K for the fiscal year ended December 31, 1995.

(6) Incorporated by reference to Exhibit 99.1 of the Company's S-8 Registration Statement (No. 33-94648).

BYLAWS
OF
GLACIER BANCORP, INC.

ARTICLE I. OFFICES

1.1 Registered Office and Registered Agent. The registered office of Glacier Bancorp, Inc. ("Corporation") shall be located in the State of Delaware at such place as may be fixed from time to time by the Board of Directors upon filing of such notices as may be required by law, and the registered agent shall have a business office identical with such registered office.

1.2 Other Offices. The Corporation may have other offices within or without the State of Delaware at such place or places as the Board of Directors may from time to time determine.

ARTICLE II. STOCKHOLDERS' MEETINGS

2.1 Meeting Place. All meetings of the stockholders shall be held at the principal place of business of the Corporation, or at such other place within or without the State of Delaware as shall be determined from time to time by the Board of Directors, and the place at which any such meeting shall be held shall be stated in the notice of the meeting.

2.2 Annual Meeting Time. The annual meeting of the stockholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held each year on the last Wednesday of April at the hour of 9:00 a.m., if not a legal holiday, and if a legal holiday, then on the day following, at the same hour, or at such other date and time as may be determined by the Board of Directors and stated in the notice of such meeting.

2.3 Organization. Each meeting of the stockholders shall be presided over by the Chairman of the Board, or in his absence by the President. The Secretary, or in his absence a temporary Secretary, shall act as secretary of each meeting of the stockholders. In the absence of the Secretary and any temporary Secretary, the chairman of the meeting may appoint any person present to act as secretary of the meeting. The chairman of any meeting of the stockholders shall announce the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting and, unless prescribed by law or regulation or unless the Board of Directors has otherwise determined, shall determine the order of the business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussions as seem to him in order.

2.4 Special Meetings. Special meetings of the stockholders, for any purpose or purposes, may be called at any time by the Chairman of the Board, the President or a majority of the Board of Directors and shall be called by the Chairman of the Board, the President or the Secretary upon the written request of the holders of not less than 10% of the issued and

outstanding capital stock of the Corporation entitled to vote on the matter for which the meeting is called, voting together as a single class.

2.5 Notice.

(a) Notice of the time and place of the annual meeting of stockholders shall be given by delivering personally or by mailing a written or printed notice of the same, at least ten days and not more than sixty days prior to the meeting, to each stockholder of record entitled to vote at such meeting. When any stockholders' meeting, either annual or special, is adjourned for thirty days or more, or if a new record date is fixed for an adjourned meeting of stockholders, notice of the adjourned meeting shall be given as in the case of an original meeting. It shall not be necessary to give any notice of the time and place of any meeting adjourned for less than thirty days or of the business to be transacted thereat (unless a new record date is fixed therefor), other than an announcement at the meeting at which such adjournment is taken.

(b) At least ten days and not more than sixty days prior to the meeting, a written or printed notice of each special meeting of stockholders, stating the place, day and hour of such meeting, and the purpose or purposes for which the meeting is called, shall be either delivered personally or mailed to each stockholder of record entitled to vote at such meeting.

2.6 Voting Record Date. At least ten days before each meeting of stockholders, a complete record of the stockholders entitled to vote at such meeting, or any adjournment thereof, shall be made, arranged in alphabetical order, with the address of and number of shares held by each, which record shall be kept on file at the registered office of the Corporation for a period of ten days prior to such meeting. The record shall be kept open at the time and place of such meeting for the inspections of any stockholder.

2.7 Quorum: Actions of Stockholders. Except as otherwise required by law:

(a) A quorum at any annual or special meeting of stockholders shall consist of stockholders representing, either in person or by proxy, a majority of the outstanding capital stock of the Corporation entitled to vote at such meeting.

(b) The votes of a majority in interest of those present at any properly called meeting or adjourned meeting of stockholders at which a quorum, as defined above, is present, shall be sufficient to transact business.

2.8 Voting of Shares.

(a) Except as otherwise provided in these Bylaws or to the extent that voting rights of the shares of any class or classes are limited or denied by the Certificate of Incorporation, each stockholder, on each matter submitted to a vote at a meeting of stockholders, shall have one vote for each share of stock registered in his name on the books of the Corporation.

(b) Directors are to be elected by a plurality of votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. Stockholders shall not be permitted to cumulate their votes for the election of directors. If, at any meeting of the stockholders, due to a vacancy or vacancies or otherwise, directors of more than one class of the Board of Directors are to be elected, each class of directors to be elected at the meeting shall be elected in a separate election by a plurality vote.

2.9 Closing of Transfer Books and Fixing of the Record Date. For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders, or any adjournment thereof, or entitled to receive payment of any dividend, the Board of Directors may provide that the stock transfer books shall be closed for a stated period not to exceed sixty days nor less than ten days preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a record date for any such determination of stockholders, such date to be not more than sixty days and, in case of a meeting of stockholders, not less than ten days prior to the date on which the particular action requiring such determination of stockholders is to be taken.

2.10 Proxies. A stockholder may vote either in person or by proxy executed in writing by the stockholder, or his duly authorized attorney-in-fact. Without limiting the manner in which a stockholder may authorize another person or persons to act for him as proxy, a stockholder may grant such authority in the manner specified in Section 212(c) of the General Corporation Law of the State of Delaware. No proxy shall be valid after three years from the date of its execution, unless otherwise provided in the proxy.

2.11 Waiver of Notice. A waiver of any notice required to be given any stockholder, signed by the person or persons entitled to such notice, whether before or after the time stated therein for the meeting, shall be equivalent to the giving of such notice.

2.12 Voting of Shares in the Name of Two or More Persons. When ownership stands in the name of two or more persons, in the absence of written directions to the Corporation to the contrary, at any meeting of the stockholders of the Corporation any one or more of such stockholders may cast, in person or by proxy, all votes to which such ownership is entitled. In the event an attempt is made to cast conflicting votes, in person or by proxy, by the several persons in whose names shares of stock stand, the vote or votes to which those persons are entitled shall be cast as directed by a majority of those holding such stock and present in person or by proxy at such meeting, but no votes shall be cast for such stock if a majority cannot agree.

2.13 Voting of Shares by Certain Holders. Shares standing in the name of another corporation may be voted by an officer, agent or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provision, as the Board of Directors of such corporation may determine. Shares held by an administrator, executor, guardian or conservator may be voted by him, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by him, either in person or by proxy, but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name. Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority to do so is contained in an appropriate order of the court or other public authority by which such receiver was appointed. A stockholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

2.14 Proposals. At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, or (b) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not later than (i) with respect to a proposal for submission at the first annual meeting of stockholders of the Corporation after its acquisition of First Federal Savings Bank of Montana, ninety days prior to the date on which the annual meeting of stockholders of the Corporation is scheduled to be held pursuant to section 2.2 hereof, and (ii) with respect to a proposal for submission at any succeeding annual meeting of stockholders, sixty days prior to the anniversary date of the mailing of proxy materials by the Corporation in connection with the immediately preceding annual meeting. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting, (b) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, (c) the class and number of shares of the Corporation which are beneficially owned by the stockholder, and (d) any material interest of the stockholder in such business. The chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Article II, Section 2.14, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. This provision is not a limitation on any other applicable laws and regulations.

2.15 Inspectors. For each meeting of stockholders, the Board of Directors shall appoint one or more inspectors of election. If for any meeting the inspector(s) appointed by the Board of Directors shall be unable to act or the Board of Directors shall fail to appoint any inspector, one or more inspectors shall be appointed at the meeting by the chairman thereof. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability. An inspector or inspectors shall (i) ascertain the number of shares outstanding and the voting power of each, (ii) determine the shares represented at a meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors and (v) certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. An inspector or inspectors shall not accept a ballot, proxy or vote, nor any revocations thereof or changes thereto, after the closing of the polls (unless the Court of Chancery of the State of Delaware upon application by a stockholder shall determine otherwise) and may appoint or retain other persons or entities to assist them in the performance of their duties. Inspectors need not be stockholders and may not be nominees for election as directors.

2.16 Informal Action by Stockholders. Any action required to be taken at a meeting of the stockholders, or any other action which may be taken at a meeting of the stockholders, may be taken without a meeting if consent in writing, setting forth the action so taken, shall be given by all of the stockholders entitled to vote with respect to the subject matter thereof.

ARTICLE III. CAPITAL STOCK

3.1 Certificates. Certificates of stock shall be issued in numerical order, and each stockholder shall be entitled to a certificate signed by the Chairman of the Board or the President, and the Secretary or the Treasurer, and may be sealed with the seal of the Corporation or a facsimile thereof. The signatures of such officers may be facsimiles if the certificate is manually signed on behalf of a transfer agent, or registered by a registrar, other than the Corporation itself or an employee of the Corporation. If an officer who has signed or whose facsimile signature has been placed upon such certificate ceases to be an officer before the certificate is issued, it may be issued by the Corporation with the same effect as if the person were an officer on the date of issue. Each certificate of stock shall state:

(a) that the Corporation is organized under the laws of the State of Delaware;

(b) the name of the person to whom issued;

(c) the number and class of shares and the designation of the series, if any, which such certificate represents; and

(d) the par value of each share represented by such certificate, or a statement that such shares are without par value.

3.2 Transfers.

(a) Transfers of stock shall be made only upon the stock transfer books of the Corporation, kept at the registered office of the Corporation or at its principal place of business, or at the office of its transfer agent or registrar, and before a new certificate is issued the old certificate shall be surrendered for cancellation. The Board of Directors may, by resolution, open a share register in any state of the United States, and may employ an agent or agents to keep such register, and to record transfers of shares therein.

(b) Shares of stock shall be transferred by delivery of the certificates therefor, accompanied either by an assignment in writing on the back of the certificate or an assignment separate from the certificate, or by a written power of attorney to sell, assign and transfer the same, signed by the holder of said certificate. No shares of stock shall be transferred on the books of the Corporation until the outstanding certificates therefor have been surrendered to the Corporation.

3.3 Registered Owner. Registered stockholders shall be treated by the Corporation as the holders in fact of the stock standing in their respective names and the Corporation shall not be bound to recognize any equitable or other claim to or interest in any share on the part of any other person, whether or not it shall have express or other notice thereof, except as expressly provided by the laws of the State of Delaware.

3.4 Mutilated, Lost or Destroyed Certificates. In case of any mutilation, loss or destruction of any certificate of stock, another may be issued in its place upon receipt of proof of such mutilation, loss or destruction. The Board of Directors may impose conditions on such issuance and may require the giving of a satisfactory bond or indemnity to the Corporation in such sum as it may determine or establish such other procedures, as it may deem necessary.

3.5 Fractional Shares or Scrip. The Corporation may (a) issue fractions of a share which shall entitle the holder to exercise voting rights, to receive dividends thereon, and to participate in any of the assets of the Corporation in the event of liquidation; (b) arrange for the disposition of fractional interests by those entitled thereto; (c) pay in cash the fair value of fractions of a share as of the time when those entitled to receive such shares are determined; or (d) issue scrip in registered or bearer form which shall entitle the holder to receive a certificate for a full share upon the surrender of such scrip aggregating a full share.

3.6 Shares of Another Corporation. Shares owned by the Corporation in another corporation, domestic or foreign, may be voted by such officer, agent or proxy as the Board of Directors may determine or, in the absence of such determination, by the President of the Corporation.

ARTICLE IV. BOARD OF DIRECTORS

4.1 Powers. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors, which may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not by law, the Certificate of Incorporation, or these Bylaws directed or required to be exercised or done by the stockholders.

4.2 Classification and Term. The Board of Directors shall be divided into three classes as nearly equal in number as possible. The term of office of the initial directors shall be as follows: the term of directors of the first class shall expire at the first annual meeting of stockholders after the effective date of the Corporation's Certificate of Incorporation; the term of office of the directors of the second class shall expire at the second annual meeting of stockholders after the effective date of the Corporation's Certificate of Incorporation; and the term of office of the third class shall expire at the third annual meeting of stockholders after the effective date of the Corporation's Certificate of Incorporation; and as to directors of each class, when their respective successors are elected and qualified. At each annual meeting of stockholders, directors elected to succeed those whose terms are expiring shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders and when their respective successors are elected and qualified.

4.3 Number of Directors. The initial Board of Directors shall consist of seven persons. The number of directors may at any time be increased or decreased by a vote of a majority of the Board of Directors, provided that no decrease shall have the effect of shortening the term of any incumbent director. Notwithstanding anything to the contrary contained within these Bylaws, the number of directors may not be less than seven nor more than twelve.

4.4 Vacancies. All vacancies in the Board of Directors shall be filled in the manner provided in the Corporation's Certificate of Incorporation.

4.5 Removal of Directors. Directors may be removed in the manner provided in the Corporation's Certificate of Incorporation.

4.6 Regular Meetings. Regular meetings of the Board of Directors or any committee thereof may be held without notice at the principal place of business of the Corporation or at such other place or places, either within or without the State of Delaware, as the Board of Directors or such committee, as the case may be, may from time to time designate. The annual meeting of the Board of Directors shall be held without notice immediately after the adjournment of the annual meeting of stockholders.

4.7 Special Meetings.

(a) Special meetings of the Board of Directors may be called at any time by the Chairman of the Board, the President or by a majority of the authorized number of directors, to be held at the principal place of business of the Corporation or at such other place or places as the Board of Directors or the person or persons calling such meeting may from time to time designate. Notice of all special meetings of the Board of Directors shall be given to each director by five days' service of the same by telegram, by letter or personally. Such notice need not specify the business to be transacted at, nor the purpose of, the meeting.

(b) Special meetings of any committee of the Board of Directors may be called at any time by such person or persons and with such notice as shall be specified for such committee by the Board of Directors, or in the absence of such specification, in the manner and with the notice required for special meetings of the Board of Directors.

4.8 Waiver of Notice. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. A waiver of notice signed by the director or directors, whether before or after the time stated for the meeting, shall be equivalent to the giving of notice.

4.9 Quorum; Actions of the Board of Directors. Except as may be otherwise specifically provided by law, the Certificate of Incorporation or these Bylaws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

4.10 Action by Directors Without a Meeting. Any action required or which may be taken at a meeting of the directors, or of a committee thereof, may be taken without a meeting if a consent in writing, setting forth the action so taken or to be taken, shall be signed by all of the directors, or all of the members of the committee, as the case may be. Such consent shall have the same effect as a unanimous vote.

4.11 Action by Directors by Communications Equipment. Any action required or which may be taken at a meeting of directors, or of a committee thereof, may be taken by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time.

4.12 Registering Dissent. A director who is present at a meeting of the Board of Directors at which action on a corporate matter is taken shall be presumed to have assented to such action unless his dissent shall be entered in the minutes of the meeting, or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting, before the adjournment thereof, or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

4.13 Executive and Other Committees. Standing or special committees may be appointed from its own number by the Board of Directors from time to time and the Board of Directors may from time to time invest such committees with such powers as it may see fit, subject to such conditions as may be prescribed by the Board. An Executive Committee may be appointed by resolution passed by a majority of the full Board of Directors. It shall have and exercise all of the authority of the Board of Directors, except in reference to amending the Certificate of Incorporation, adopting a plan of merger or consolidation, recommending to the stockholders the sale, lease or exchange or other disposition of all or substantially all the property and assets of the Corporation, recommending to the stockholders a voluntary dissolution of the Corporation or a revocation thereof, or amending these Bylaws. The designation of any such committee and the delegation of authority thereto, shall not relieve the Board of Directors, or any member thereof, of any responsibility imposed by law.

4.14 Remuneration. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors and/or a stated salary as director. Members of special or standing committees may be allowed like compensation for attending committee meetings. No such payments shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

4.15 Nominations of Directors. Subject to the rights of holders of any class or series of stock having a preference over the common stock as to dividends or upon liquidation, nominations for the election of directors may be made by the Board of Directors or committee appointed by the Board of Directors or by any stockholder entitled to vote generally in an election of director. However, any stockholder entitled to vote generally in an election of directors may nominate one or more persons for election as directors at a meeting only if written notice of such stockholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid to the Secretary of the Corporation not later than (i) with respect to the election to be held at the first annual meeting of stockholders of the Corporation after its acquisition of First Federal Savings Bank of Montana, ninety days prior to the date on which the annual meeting of stockholders of the Corporation is scheduled to be held pursuant to Section 2.2 hereof, (ii) with respect to an election to be held at any succeeding annual meeting of stockholders, sixty days prior to the anniversary date of the mailing of proxy materials by the Corporation in connection with the immediately preceding annual meeting, and (iii) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the tenth day following the date on which notice of such meeting is first given to stockholders. Each such notice shall set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the stockholder and each nominee and any arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission; and (e) the consent of each nominee to serve as a director of the Corporation if so elected. The presiding officer of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedures.

ARTICLE V. OFFICERS

5.1 Designations: The officers of the Corporation shall be a Chairman of the Board, a President, a Secretary and a Treasurer, as well as such Vice Presidents, Assistant Secretaries and Assistant Treasurers as the Board may designate, who shall be elected for one year by the directors at their first meeting after the annual meeting of stockholders, and who shall hold office until their successors are elected and qualified. Any two or more offices may be held by the same person, except the offices of President and Secretary.

5.2 Powers and Duties. The officers of the Corporation shall have such authority and perform such duties as the Board of Directors may from time to time authorize or determine. In the absence of action by the Board of Directors, the officers shall have such powers and duties as generally pertain to their respective offices.

5.3 Delegation. In the case of absence or inability to act of any officer of the Corporation and of any person herein authorized to act in his place, the Board of Directors may from time to time delegate the powers or duties of such officer to any other officer or any director or other person whom it may select.

5.4 Vacancies Vacancies in any office arising from any cause may be filled by the Board of Directors at any regular or special meeting of the Board.

5.5 Other Officers. Directors may appoint such other officers and agents as it may deem necessary or expedient, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

5.6 Term - Removal. The officers of the Corporation shall hold office until their successors are chosen and qualified. Any officer or agent elected or appointed by the Board of Directors may be removed at any time, with or without cause, by the affirmative vote of a majority of the whole Board of Directors, but such removal shall be without prejudice to the contact rights, if any, of the person so removed.

5.7 Bonds. The Board of Directors may, by resolution, require any and all of the officers to give bonds to the Corporation, with sufficient surety or sureties, conditions for the faithful performance of the duties of their respective offices, and to comply with such other conditions as may from time to time by required by the Board of Directors.

ARTICLE VI. INDEMNIFICATION, ETC. OF DIRECTORS, OFFICERS AND EMPLOYEES

6.1 Indemnification The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director, officer or employee of the Corporation or any predecessor of the Corporation, or is or was serving at the request of the Corporation or any predecessor of the partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), judgments, fines, excise taxes and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding to the fullest extent authorized by Section 145(a)-(d) of the General Corporation Law of the State of Delaware, provided that the Corporation shall not be liable for any amounts which may be due to connection with a settlement of any action, suit or proceeding effected without its prior written consent or any action suit or proceeding initiated by any person seeking indemnification hereunder without its prior written consent.

6.2 Advancement of Expenses. Reasonable expenses (including attorneys' fees) incurred by a director, officer or employee of the Corporation in defending any civil, criminal, administrative or investigative action, suit or proceeding described in Section 6.1 shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors only upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that the person is not entitled to be indemnified by the Corporation.

6.3 Other Rights and Remedies. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Corporation's Certificate of Incorporation, any agreement, vote of stockholders or disinterested directors or otherwise, both as to actions in their official capacity and as to actions in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of the heirs, executors and administrators of such person.

6.4 Insurance. Upon resolution passed by the Board, the Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer or employee of the Corporation, or is or was serving at the request of the Corporation as a director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of its Certificate of Incorporation or this Article VI.

6.5 Modification. The duties of the Corporation to indemnify and to advance expenses to a director, officer or employee provided in this Article VI shall be in the nature of a contract between the Corporation and each such person, and no amendment or repeal of any provision of this Article VI shall alter, to the detriment of such person, the right of such person to the advance of expenses or indemnification related to a claim based on an act or failure to act which took place prior to such amendment or repeal.

ARTICLE VII. DIVIDENDS; FINANCE; AND FISCAL YEAR

7.1 Dividends. Subject to the applicable provisions of the General Corporation Law of the State of Delaware, dividends upon the capital stock of the Corporation may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property or in shares of the capital stock of the Corporation. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, may deem proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any other proper purpose, and the Board of Directors may modify or abolish any such reserve.

7.2 Disbursements. All checks or demand for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

7.3 Depositories. The monies of the Corporation shall be deposited in the name of the Corporation in such bank or banks or trust company or trust companies as the Board of Directors shall designate, and shall be drawn out only by check or other order for payment of money signed by such persons and in such manner as may be determined by resolution of the Board of Directors.

7.4 Fiscal Year. The fiscal year of the Corporation shall end on the 31st day of December of each year.

ARTICLE VIII. NOTICES

Except as may otherwise be required by law, any notice to any stockholder or director may be delivered personally or by mail. If mailed, the notice shall be deemed to have been delivered when deposited in the United State mail, addressed to the addressee at his last known address in the records of the Corporation, with postage thereon prepaid.

ARTICLE IX. SEAL

The corporate seal of the Corporation shall be in such form and bear such inscription as may be adopted by resolution of the Board of Directors, or by usage of the officers on behalf of the Corporation.

ARTICLE X. BOOKS AND RECORDS

The Corporation shall keep correct and complete books and records of account and shall keep minutes and proceedings of its stockholders and Board of Directors (including committees thereof); and it shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its stockholders, giving the names and addresses of all stockholders and the number and class of the shares held by each. Any books, records and minutes may be in written form or any other form capable of being converted into written form within a reasonable time.

ARTICLE XI. AMENDMENTS

11.1 Amendments. These Bylaws may be altered, amended or repealed by the affirmative vote of a majority of the Board of Directors or by the affirmative vote of the holders of a majority of the votes cast by stockholders of the Corporation at an annual or special meeting of the stockholders.

11.2 Emergency Bylaws. The Board of Directors may adopt emergency Bylaws, subject to repeal or change or by action of the stockholders, which shall be operative during any emergency in the conduct of the business of the Corporation resulting from an attack on the United States or any nuclear or atomic disaster.

ARTICLE XII. USE OF PRONOUNS

Use of the masculine gender in these Bylaws shall be considered to represent either masculine or feminine gender whenever appropriate.

CERTIFICATION
OF THE BOARD OF DIRECTORS OF
GLACIER BANCORP, INC.

1. At its meeting of November 25, 1998, the Board of Directors ("Board") of Glacier Bancorp, Inc. ("Bancorp"), among other things (I) approved Amendment 1 to the Bylaws as follows:

AMENDMENT 1
BYLAWS
OF GLACIER BANCORP, INC.

ARTICLE II. STOCKHOLDERS' MEETINGS

2.2 Annual Meeting Time. The annual meeting of the stockholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held each year on the last Wednesday of April at the hour of 9:00 a.m., if not a legal holiday, and if a legal holiday, then on the day following, at the same hour, or at such other date and time as may be determined by the Board of Directors and stated in the notice of such meeting.

/s/ James H. Strosahl

James H. Strosahl, Secretary

November 25, 1998

[logo] KPMG

P.O. Box 7108
Billings, MT 59103

Independent Accountants' Consent

The Board of Directors
Glacier Bancorp, Inc.:

We consent to incorporation by reference in the registration statement on Form S-8 (No. 33-94648) of our report dated January 29, 1999 relating to the consolidated statements of financial condition of Glacier Bancorp, Inc. and subsidiaries as of December 31, 1998 and 1997 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, 1998, which report appears in the December 31, 1998 annual report on Form 10-K of Glacier Bancorp, Inc.

KPMG LLP

Billings, Montana
March 23, 1999

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Extracted from (A)
Consolidated Statements of Financial Condition Dec 31, 1998
Consolidated Statements of Operations Dec 31, 1998
Reference to (B)
Annual report form 10-K Dec 31, 1998

1000
U.S. DOLLARS

12-MOS
DEC-31-1998
JAN-01-1998
DEC-31-1998
1
31,509
5,143
0
0
90,735
7,327
7,579
499,094
4,845
666,651
444,459
43,616
8,312
95,327
0
0
84
74,853
666,651
43,469
7,612
0
51,081
13,683
22,204
28,877
1,490
33
21,606
17,040
10,744
0
0
10,744
1.3
1.28
4.69
1,508
1,136
0
0
0
1,032
360
4,845
4,845
0
0