

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 1996

☐ Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

COMMISSION FILE 0-18911

G L A C I E R B A N C O R P , I N C.
(Exact name of registrant as specified in its charter)

DELAWARE

81-0468393

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

P.O. Box 27; 202 Main Street, Kalispell, Montana
(Address of principal executive offices)

59903-0027

(Zip Code)

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

N/A

(Former name, former address, and former fiscal year, if changed since last report)

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

The number of shares of Registrant's common stock outstanding on November 4, 1996, was 3,376,347. No preferred shares are issued or outstanding.

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

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GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Unaudited - dollars in thousands)

	September 3 1996 ----	December 31 1995 ----	September 30, 1995 ----
ASSETS:			
Cash on hand and in banks.....	\$ 14,437	15,367	13,402
Interest bearing cash deposits.....	2,545	710	4,530
	-----	-----	-----
Cash and cash equivalents.....	16,982	16,077	17,932
	-----	-----	-----
Investments:			
Investment securities, held-to-maturity.....	10,236	9,366	12,385
Investment securities, available-for-sale.....	36,576	28,524	23,929
Mortgaged backed securities, held-to-maturity.....	3,623	3,943	21,493
Mortgaged backed securities, available-for-sale.....	29,313	31,084	7,490
	-----	-----	-----
Total Investments.....	79,748	72,917	65,297
	-----	-----	-----
Net loans receivable:			
Real estate loans.....	181,932	174,675	172,078
Commercial Loans.....	48,465	49,262	50,358
Installment and other loans.....	65,261	57,104	54,065
Total Loans.....	295,658	281,040	276,501
Office properties, equipment and leasehold improvements, at cost less accumulated depreciation of \$4,586, \$4,212 and \$4,199, at September 30, 1996, December 31, 1995 and September 30, 1995, respectively.....			
	8,062	7,476	7,233
Real estate and other assets owned.....	168	52	27
Federal Home Loan Bank of Seattle stock, at cost.....	7,901	7,123	6,586
Federal Reserve stock, at cost.....	90	90	90
Accrued interest receivable.....	2,544	2,622	2,490
Other assets.....	889	660	603
	-----	-----	-----
	\$412,042	388,058	376,759
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY:			
Deposits (Interest Bearing).....	\$180,310	171,565	168,293
Demand deposits (Non-Interest Bearing).....	31,691	26,268	27,702
Advances from Federal Home Loan Bank of Seattle.....	125,331	120,714	109,551
Securities sold under agreements to repurchase.....	22,982	20,805	25,597
Accrued interest payable.....	1,645	479	1,467
Advance payments by borrowers for taxes and insurance.....	2,320	1,007	2,165
Current federal and state income taxes.....	0	87	197
Deferred federal and state income taxes.....	1,185	2,232	1,734
Accrued expenses and other liabilities.....	7,248	6,632	3,317
Minority Interest.....	404	501	551
	-----	-----	-----
Total liabilities.....	373,116	350,290	340,574
	-----	-----	-----
Preferred stock, \$.01 par value per share, 7,500,000 shares authorized, none issued.....			
	0	0	0
Common stock, \$.01 par value per share, 12,500,000 shares authorized; 3,374,282, 3,356,191, and 3,361,271 shares issued and outstanding at September 30, 1996, December 31, 1995, and September 30, 1995, respectively (1).....			
	34	31	31
Paid-in capital.....	29,572	22,465	22,435
Retained earnings.....	11,045	15,411	14,390
Treasury stock at cost.....	(1,066)	(874)	(740)
Net unrealized gain (loss) on securities available for sale.....	(659)	735	69
	-----	-----	-----
Total stockholders' equity.....	38,926	37,768	36,185
	-----	-----	-----
	\$412,042	388,058	376,759
	=====	=====	=====
Book value per share.....	\$ 11.54	11.25	10.77
	=====	=====	=====

(1) Number of shares outstanding adjusted for 10% stock dividend in 1996.

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited - dollars in thousands except per share data)	Three months ended		Nine months ended	
	09/30/96	09/30/9	09/30/96	09/30/95
	-----	-----	-----	-----
INTEREST INCOME:				
interest on real estate loans.....	\$ 3,778	3,709	11,148	10,877
Interest on mortgage backed securities.....	663	556	1,988	1,716
Interest on commercial, consumer and other loans.....	2,611	2,438	7,533	6,754
Interest and dividends on investments.....	963	759	2,822	1,806
	-----	-----	-----	-----
Total interest income.....	8,015	7,462	23,491	21,153
	-----	-----	-----	-----
INTEREST EXPENSE:				
Interest on deposits, net of penalties on				
early withdrawals.....	1,712	1,586	5,053	4,364
Interest on advances and repurchase agreements.....	2,076	1,905	6,045	5,286
	-----	-----	-----	-----
Total interest expense.....	3,788	3,491	11,098	9,650
	-----	-----	-----	-----
NET INTEREST INCOME.....	4,227	3,971	12,393	11,503
Provision for loan losses.....	159	43	254	243
	-----	-----	-----	-----
Net Interest Income after provision for loan losses.....	4,068	3,928	12,139	11,260
	-----	-----	-----	-----
NON-INTEREST INCOME:				
Loan fees and service charges.....	1,231	1,067	3,446	2,848
Gains (Losses) on sale of investments.....	37	(5)	37	(5)
Other income.....	160	241	645	746
	-----	-----	-----	-----
Total fees and other income.....	1,428	1,303	4,128	3,589
	-----	-----	-----	-----
NON-INTEREST EXPENSE:				
Compensation, employee benefits				
and related expenses.....	1,526	1,321	4,368	3,787
Occupancy expense.....	303	280	861	850
Data processing expense.....	154	127	432	379
Other expenses.....	2,141	977	4,189	2,929
Minority interest.....	13	22	49	64
	-----	-----	-----	-----
Total non-interest expense.....	4,137	2,727	9,899	8,009
	-----	-----	-----	-----
EARNINGS BEFORE INCOME TAXES.....	1,359	2,504	6,368	6,840
	-----	-----	-----	-----
Federal and state income tax expense.....	521	971	2,457	2,661
	-----	-----	-----	-----
NET EARNINGS.....	\$ 838	1,533	3,911	4,179
	=====	=====	=====	=====
Earnings per common share (1).....	\$ 0.25	0.45	1.16	1.24
Dividends declared per common share (1).....	0.16	0.14	0.47	0.40
Return on average assets (annualized).....	0.82%	1.67%	1.30%	1.56%
Return on beginning equity (annualized).....	8.74%	17.44%	13.81%	16.78%
Weighted average shares outstanding (1).....	3,365,289	3,358,529	3,360,629	3,369,617

GLACIER BANCORP, INC.
Consolidated Statements of Cash Flows

	Nine months ended September 30,	
(dollars in thousands)	1996	1995
	----	----
OPERATING ACTIVITIES :		
Net Earnings.....	\$ 3,911	4,179
Adjustments to reconcile Net Earnings to Net Cash Provided by Operating Activities:		
Provision for loan and real estate owned losses.....	254	243
Depreciation of premises and equipment and amortization of purchase premium	404	584
Loss (gain) on sale of investments and other real estate owned.....	(37)	5
Amortization of investment securities premiums, net.....	20	89
Net increase (decrease) in deferred income taxes	(136)	306
Net decrease (increase) in interest receivable.....	78	(449)
Net increase in interest payable.....	1,166	1,155
Net increase (decrease) in current income taxes	(87)	197
Net (increase) decrease in other assets.....	(229)	1,011
Net increase (decrease) in other liabilities and minority interest.....	628	(1,700)
FHLB stock dividends.....	(435)	(289)
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	5,537	5,331
	-----	-----
INVESTING ACTIVITIES:		
Proceeds from sales, maturities and prepayments of investment securities available-for-sale.....	\$ 15,313	8,010
Purchases of investment securities available-for-sale.....	(23,880)	(18,942)
Proceeds from sales, maturities and prepayments of investment securities held-to-maturity.....	443	4,054
Purchases of investment securities held-to-maturity.....	(995)	(4,000)
Principal collected on installment and commercial loans.....	47,667	38,914
Installment and commercial loans originated or acquired.....	(55,318)	(58,860)
Principal collections on mortgage loans.....	27,682	23,484
Mortgage loans originated or acquired.....	(54,778)	(40,826)
Proceeds from sales of loans.....	19,876	18,153
Net proceeds from sales (acquisition) of real estate owned.....	(116)	84
Net purchase of FHLB stock.....	(343)	(608)
Net addition of premises and equipment.....	(990)	(788)
Acquisition of minority interest.....	(109)	(14)
	-----	-----
NET CASH USED BY INVESTING ACTIVITIES.....	(25,548)	(31,339)
	-----	-----
FINANCING ACTIVITIES:		
Net increase in deposits.....	\$ 14,168	12,954
Net increase in FHLB advances & other borrowing.....	4,617	27,010
Net increase in advance payments from borrowers for taxes and insurance.....	1,313	1,479
Net increase (decrease) in securities sold under repurchase agreements.....	2,177	(7,455)
Cash dividends paid to stockholders.....	(1,567)	(1,342)
Treasury stock purchased.....	(192)	(580)
Proceeds from exercise of stock options.....	400	191
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES.....	20,916	32,257
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	905	6,249
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.....	16,077	11,683
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 16,982	17,932
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period:		
Interest.....	\$ 9,932	8,495
Income taxes.....	\$ 2,544	2,464

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS:

1) Basis of Presentation:

In the opinion of Management, the accompanying unaudited consolidated statements contain all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of Glacier Bancorp Inc's (the "Company") Financial Condition as of September 30, 1996, December 31, and September 30, 1995 and the Results of Operations for the nine and three months ended September 30, 1996 and 1995 and the Statements of Cash Flows for the nine months ended September 30, 1996 and 1995.

2) Organizational Structure:

The Company is the parent company for four subsidiaries: Glacier Bank (the "Savings Bank"); First National Bank of Whitefish ("Whitefish"); First National Bank of Eureka ("Eureka") and Community First, Inc. (CFI). At September 30, 1996, the Company owned 100%, 94%, 93% and 100% of the Savings Bank, Whitefish, Eureka and CFI, respectively. CFI provides full service brokerage services through INVEST Financial Services. The following abbreviated organizational chart illustrates the various relationships:

Glacier
Bancorp, Inc.

Glacier
Bank

First National Bank
Whitefish

First National Bank
Eureka

Community First
Inc.

3) Stock Dividend:

The company paid a 10% stock dividend May 23, 1996. As a result, all per share amounts from time periods preceding this date have been restated to illustrate the effect of the stock dividend. Any fractional shares were paid in cash.

4) Computation of Earnings Per Share:

Earnings per common share were computed by dividing net income by the weighted average number of shares of common stock outstanding during the period presented. Stock options are considered common stock equivalents, but are excluded from earnings per share computations due to immateriality.

The weighted average number of shares for the three months ended September 30, 1996 and 1995 (after adjustment for 10% stock dividend) were 3,365,289 shares and 3,358,529 shares, respectively.

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5) Ratios:

Return on Average Assets (ROAA) was calculated based on the average of the total assets for each month-end in the period. Return on Beginning Equity (ROBE) was calculated based on the Shareholders' Equity (Capital) at the beginning of each period presented.

6) Cash Dividend Declared:

On September 25, 1996, the Board of Directors declared a \$.16 per share quarterly cash dividend to stockholders of record on October 15, 1996, payable on October 24, 1996.

7) Investments:

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

Investment Securities as of September 30, 1996

(dollars in thousands)	Amortized Cost ----	Gross Unrealized Gains -----	Losses -----	Estimated Fair Value -----
Held to Maturity:				
U.S. Government and Federal Agencies	\$ 7,978	8	(231)	7,755
State, Local Government and other issues	2,258	44	(4)	2,298
Mortgage-backed securities	3,623	0	(51)	3,572
	-----	-----	-----	-----
Total Held to Maturity Securities	\$13,859	52	(286)	13,625
	=====	=====	=====	=====
Available for Sale:				
U.S. Government and Federal Agencies	\$14,388	13	(500)	13,901
State, Local Government and other issues	8,397	38	(79)	8,356
Mortgage-backed securities	29,339	402	(428)	29,313
Real Estate Mortgage Investment Conduit	14,869	0	(550)	14,319
	-----	-----	-----	-----
Total Available for Sale securities	\$66,993	453	(1,557)	65,889
	=====	=====	=====	=====

Investment Securities as of December 31, 1995

(dollars in thousands)	Amortized Cost ----	Gross Unrealized Gains -----	Losses -----	Estimated Fair Value -----
Held to Maturity:				
U.S. Government and Federal Agencies	\$ 7,973	156	0	8,129
State, Local Government and other issues	1,393	65	(1)	1,457
Mortgage-backed securities	3,943	11	0	3,954
	-----	-----	-----	-----
Total Held to Maturity Securities	\$13,309	232	(1)	13,540
	=====	=====	=====	=====
Available for Sale:				
U.S. Government and Federal Agencies	\$20,541	211	(7)	20,745
State, Local Government and other issues	5,535	186	(116)	5,605
Mortgage-backed securities	30,157	990	(63)	31,084
Real Estate Mortgage Investment Conduit	2,174	7	(7)	2,174
	-----	-----	-----	-----
Total Available for Sale securities	\$58,407	1,394	(193)	59,608
	=====	=====	=====	=====

8) Consolidated Statements of Cash Flows:

Cash equivalents include demand deposits at other financial institutions and short term certificates of deposit.

9) Regulatory Capital Requirements -

The following chart illustrates the compliance by the Savings Bank with currently applicable regulatory capital requirements at September 30, 1996 (in thousands except percentages):

	ACTUAL -----	REQUIREMENT -----	EXCESS -----
TANGIBLE CAPITAL:			
\$ AMOUNT	\$30,941	\$5,264	\$25,677
% OF TANGIBLE ASSETS	8.8%	1.5%	7.3%
CORE CAPITAL:			
\$ AMOUNT	\$30,941	\$10,529	\$20,412
% OF TANGIBLE ASSETS	8.8%	3.0%	5.8%
RISK-BASED CAPITAL:			
\$ AMOUNT	\$32,370	\$14,631	\$17,739
% OF RISK-WEIGHTED ASSETS	17.7%	8.0%	9.7%

Each of the two Banks (Whitefish and Eureka) also have similar specific capital standards which they must meet. At both December 31, 1995 and September 30, 1996, both Banks met, without exception, all regulatory capital standards.

The Office of Thrift Supervision (OTS) has adopted, but postponed implementation until further notice, an additional capital component requirement based upon an institution's exposure to losses from changes in market interest rates (interest rate risk). This additional capital requirement is equal to 50% of the estimated decline in market value of an institution's portfolio equity after an instantaneous 200 basis points increase or decrease (whichever results in the larger decrease) in market interest rates. The market value of portfolio equity represents the net present value of an institution's assets, liabilities and any off balance sheet items. This net present value is calculated by OTS based upon information submitted in quarterly reports and using discount rates derived from rates paid and received on various financial instruments. The requirement provides for a two quarter lag between calculating interest rate risk and recognizing any deduction from capital. The amount to be deducted from capital is the lowest interest rate risk component reported in an institution's exposure reports to the OTS for the three most recent quarters. Based on interest rate risk exposure calculations as provided by the OTS for the period ended June 30, 1996, the most recent date such information is available from the OTS, the Savings Bank would be subject to a \$1,980,000 deduction under this requirement. As illustrated in the above chart, the Savings Bank's capital levels are high enough to absorb this risk.

Qualified Thrift Lender - In order to avoid certain restrictions on their operations, all savings associations are required to meet a Qualified Thrift Lender ("QTL") test. The regulations require that institutions maintain a percentage of qualifying lending activity of at least 65% as measured monthly. The Savings Bank reported on its September 30, 1996 Thrift Financial Report QTL ratios of 81%, 81%, and 81% for July, August and September 1996.

Whitefish and Eureka do not have a similar requirement.

10)

Changes in Accounting Methods

Loan Impairment

In 1995, the Company adopted the provisions of SFAS Statement No. 114, "Accounting by Creditors for Impairment of a Loan," and SFAS Statement No. 118, "Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures," (collectively the Statements). The Statements provide guidance for establishing a reserve for losses on specific loans which are deemed to be impaired and apply only to specific impaired loans. Groups of small balance homogenous basis loans (generally consumer 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 reserve for possible loan losses is increased through a charge to expense for the amount of the impairment. The amount of the impairment is measured using cash flows discounted at the loan's effective interest rate, except when it is determined that the sole source of repayment for the loan is the operations, or liquidation of the underlying collateral. In such cases the current value of the collateral, reduced by anticipated selling costs, will be used in place of discounted cash flows. The Company uses the cash basis of income recognition on impaired loans.

The Company's adoption of the statements did not have a material impact on the Company's financial position or results of operations. During 1995 and the first nine months of 1996, the amount of impaired loans was not material.

Mortgage Servicing Rights

On May 6, 1995 SFAS No. 122, "Accounting for Mortgage Servicing Rights", an amendment of SFAS No. 65 was issued. Under SFAS No. 122 mortgage servicing rights are recognized as an asset regardless of whether the servicing rights are acquired or originated and retained. Additionally, SFAS No. 122 requires mortgage servicing rights assets be assessed for impairment based on the fair value of the mortgage servicing rights. The Statement provides for adoption as of the beginning of the reporting period on a prospective basis, and was adopted by the Company effective January 1, 1995. As of September 30, 1996, the carrying value of originated servicing rights was \$342,090. There was no material impairment of value at September 30, 1996.

Impairment of Assets

As of January 1, 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of." SFAS No. 121 provides that long-lived assets and identifiable intangibles should be reviewed for impairment whenever events or circumstances provide evidence that suggests the carrying amount of the asset may not be recoverable. The determination of whether an asset is impaired is based on undiscounted cash flows. An impairment, if any, is measured based on the fair value of the asset, if readily determinable. Otherwise, impairment would be measured based on the present value of the expected future net cash flows calculated using either a market interest rate or the entity's incremental borrowing rate. As of September 30, 1996, there are no assets that are considered impaired.

Stock Based Compensation

On October 23, 1995, the FASB issued SFAS No. 123, "Accounting for Stock Based Compensation." SFAS No. 123 defines a "fair value based method" of accounting for an employee stock option plan. However, it also allows an entity to continue to measure compensation cost for those plans using the "intrinsic value based method" of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees." Entities electing to remain with the accounting in APB Opinion No. 25 must make pro forma disclosures of net income and earnings per share, as if the fair value based method of accounting defined in SFAS No. 123 had been applied. The Company will adopt SFAS No. 123, retaining the accounting treatment of APB No. 25, in 1996, with appropriate disclosures presented in the December 31, 1996 financial statements.

- 11) Stock Repurchase - In 1995, the Board of Directors authorized the repurchase of up to 5% of the Company's shares outstanding. As of April 4, 1996, the last date shares were acquired, 57,260 shares, or approximately 1.7% of outstanding shares had been acquired. The Board of Directors terminated the repurchase authorization on August 9, 1996.
- 12) Pending Acquisition - On August 9, 1996, the Board of Directors of Glacier Bancorp, Inc. and Missoula Bancshares, the parent company of the First Security Bank of Missoula, Montana, approved a definitive agreement for Glacier Bancorp, Inc. to acquire Missoula Bancorp, Inc. in a stock transaction to be accounted for as a pooling of interests. Following the merger, First Security Bank will be operated as a subsidiary of Glacier Bancorp, Inc.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -

Financial Condition - This section discusses the changes in Statement of Financial Condition items from December 31, 1995 to September 30, 1996.

At September 30, 1996, total consolidated assets increased by \$23,985,000, or 6.18%, over the December 31, 1995 level. This increase was primarily in loan growth of \$14,618,000, or 5.20%, and investments of \$6,831,000, or 9.37%.

Real Estate loans increased \$7.3 million during the period, commercial loans declined \$.8 million, and Consumer loans increased \$8.2 million.

Loans sold to the secondary market amounted to \$19.9 million and \$18.2 million during the first nine months of 1996 and 1995, respectively.

The amount of loans serviced for others on September 30, 1996 was \$65.6 million.

Total deposits increased nearly \$14.2 million, with \$8.7 million of the increase occurring in interest bearing deposits. Non-interest bearing deposits were \$5.4 million over the December 31, 1995 level, an increase of \$20.6%. Advances from the Federal Home Loan Bank ("FHLB") were up \$4.6 million from year end, and securities sold under repurchase agreements increased \$2.2 million.

The OTS' minimum average liquidity requirement for the Savings Bank is 5.0%. For the three months ended September 30, 1996, the Savings Bank's liquidity percentage averaged 5.6%. The Savings Bank's principal source of funds are generated by deposits, payments on loans and securities, short and long term borrowings and net income. If there should ever be insufficient funds derived from these areas, the Savings Bank may borrow additional amounts from the FHLB, subject to regulatory limits.

All three institutions are members of the FHLB at September 30, 1996. Accordingly, management of the Company has a wide range of versatility in managing the liquidity and asset/liability mix for each individual institution as well as the Company as a whole. The following table demonstrates the available FHLB lines of credit and the extent of utilization as of September 30, 1996:

	Available line -----	Amount used -----	Available -----
The Savings Bank	140,188,000	96,537,000	43,651,000
Whitefish	6,465,000	4,300,000	2,165,000
Eureka	6,695,000	1,881,000	4,814,000

Classified Assets and Reserves

Non-performing assets, consisting of non-accrual loans, accruing loans 90 days or more overdue, and real estate and other assets acquired by foreclosure or deed-in-lieu thereof, net of related reserves, amounted to \$1,203,000 or .41% of total loans at September 30, 1996, as compared to \$314,000, or .11% of total loans, at December 31, 1995.

Although non-performing assets have increased, the ratio remains well below the average of the Company's peer group which was .93% at June 30, 1996, the latest available data.

	September 30, 1996 -----	December 31, 1995 -----
Total Reserves for Loan and Real Estate Owned losses:	\$2.1 million	\$2.1 million
Reserves as a percentage of Total Loans:	0.70%	.73%
Reserves as a percentage of Non-performing Assets:	173%	656%

Impaired Loans

The company adopted SFAS No. 114 "Accounting by Creditor for Impairment of a Loan" and SFAS No. 118 "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures" as of January 1, 1995. As of September 30, 1996, there were no loans considered impaired as measured under SFAS No. 114 criterion. Interest income on impaired loans and interest recoveries on loans that have been charged off, is recognized on a cash basis after principal has been fully paid, or at the time a loan becomes fully performing per the terms of the loan.

Minority Interest

The Minority Interest on the consolidated statement of financial condition represents the minority stockholders' share in the Retained Earnings of the Company. These are shares of Eureka and Whitefish that are still outstanding. The Company has extended an offer to each minority stockholder notifying them that the Company would buy their shares at the current book value. As of September 30, 1996, the Company owns 46,900 shares of Whitefish and 46,389 shares of Eureka. The Company's ownership of Whitefish and Eureka is 94% and 93%, respectively.

Branch Approvals

Approvals have been received from the Office of Thrift Supervision for a supermarket office in Hamilton, and for a stand alone office in Thompson Falls, both of which are located in western Montana. The Hamilton office is expected to open in late November.

Results of Operations - The three months ended 9/30/96 compared to the three months ended 9/30/95. The following discussion relates to the consolidated income for the Company.

Net income decreased to \$838 thousand, or \$.25 per share, compared with \$1,533 million, or \$.45 per share, for the third quarter of 1995. 1996 earnings were impacted by a one-time assessment to recapitalize the Federal Deposit Insurance Corporation (FDIC) Savings Association Insurance Fund (SAIF), and merger related expenses, resulted in net earnings reduction of \$658 thousand, or \$.19 per share. Earnings, exclusive of the SAIF assessment and merger expenses, decreased \$37 thousand or 2.4 percent of net income, and 2.6 percent of per share earnings from the very strong third quarter of 1995. The cash dividend, adjusted for the 10 percent stock dividend paid in May 1996, was increased from \$.14 to \$.16 per share, a 14.3 percent increase over the third quarter of 1995. Return on average assets and return on beginning equity were .82 percent and 8.74 percent, respectively, compared with returns of 1.67 percent and 17.44 percent for the third quarter of 1995. Return on average assets and return on beginning equity, exclusive of the SAIF and merger expenses, were 1.46 percent and 15.61 percent, respectively. Total assets have increased \$38.284 million, or 9.4 percent, and stockholders' equity increased \$2.741 million, or 7.6 percent, over the third quarter of 1995.

Net Interest Income

Net interest income was \$4.227 million, an increase of \$256 thousand, or 6.4 percent, over the same quarter in 1995, primarily the result of higher net earning assets. Loan balances grew \$19.157 million from a year earlier, or 6.9 percent, with consumer loans leading the way with \$11.196 million, or 20.7 percent, followed by real estate loans at \$9.854 million, or 5.7 percent. Total investments, including mortgage backed securities, increased \$14.451 million, or 22.1% from September 30, 1995, the result of a strategy to better utilize capital in excess of loan growth requirements. The capital level was 9.4% of assets at September 30, 1996.

Loan Loss Provision and Non-Performing Assets

The third quarter provision for loan losses was \$159 thousand, up from \$43 thousand during the same quarter in 1995. Although non-performing assets have increased from the very low September 30, 1995 level of .17 percent of loans, to .41 percent of loans at September 30, 1996, the ratio remains well below the average of the Company's Peer group which was .93 percent at June 30, 1996, the last available data. The reserve for loan losses was 173 percent of non-performing assets as of September 30, 1996.

Non-Interest Income

Non-interest income increased \$125 thousand, or 9.6 percent over the third quarter of 1995. Loan fees and service charges on deposit accounts were up \$164 thousand, while other income was down \$81 thousand, attributed to a reduction in insurance income.

Non-Interest Expense

Non-interest expense increased by \$1.410 million or 51.7 percent, over the third quarter of 1995. The SAIF assessment of \$947 thousand was the largest portion of the increase, while merger related expenses added \$114 thousand to the increase. Without the SAIF assessment and the merger expenses, non-interest expenses increased \$349 thousand, or 12.8 percent. The largest portion of the increase from operations was in compensation and employee benefits which increased \$205 thousand, or 15.5 percent. Expansion of the Billings loan production office into a full service branch, staffing of the first supermarket branch which opened in Billings in July, expansion of banking services to include Saturdays and holidays, other growth related staffing additions, plus normal cost increases resulted in these increased costs.

Results of Operations - The nine months ended 9/30/96 compared to the nine months ended 9/30/95. The following discussion pertains to the consolidated income for the Company.

Year to date net income decreased \$268 thousand, or 6.4 percent, to \$3.911 million, or \$1.16 per share, from \$4.179 million, or \$1.24 per share, a 6.4 percent per share decrease from the same period in 1995. Return on average assets and return on beginning equity was 1.30 percent and 13.81 percent, respectively, down from 1.56 percent and 16.78 percent for 1995. Total assets have increased \$23.985 million, or 6.2 percent from December 31, 1995, while stockholders' equity increased \$1.158, or 3.1 percent. Equity growth was curtailed by net unrealized losses on available for sale securities. Exclusive of the SAIF and merger expenses, net income increased \$390 thousand, or 9.3 percent, to \$4.569 million, or \$1.36 per share. Return on average assets, and return on beginning equity were 1.52 percent, and 16.13 percent, respectively.

Net Interest Income

Net interest income increased \$890 thousand, or 7.7 percent, over the first nine months of 1995, reflecting the growth in loans and investments. Total interest income increased \$2.338 million, or 11.0 percent, while total interest expense increased \$1.448 million, or 15.0 percent. The increased interest expense has narrowed the net interest margin ratio, however, the earnings power from the increased earning asset levels has resulted in the significant net interest income increase.

The Company's net interest income is determined by its interest rate spread (i.e., the difference between the yields earned on its earning assets, and the rates paid on its interest-bearing liabilities) and the relative amounts of earning assets and interest-bearing liabilities. The following table sets forth information concerning the Company's interest rate spread at September 30, 1996 and 1995:

FOR THE NINE MONTHS ENDED:	September 30, [1]	
	1996	1995
	----	----
Combined weighted average yield on loans and investments [2].....	8.30%	8.49%
Combined weighted average rate paid on interest-bearing deposits and borrowings.....	4.56%	4.53%
Net interest spread.....	3.74%	3.96%
Net interest margin [3].....	4.36%	4.60%

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

Non-Interest Income

Non-interest income is also up from the prior year, \$539,000, or 15.0 percent. Loan fees and service charges on deposit accounts increased by \$598,000. Loan origination fees are deferred and recognized over the life of the loan, as prescribed by FASB #91. However, origination fees on loans sold are recognized at the time of sale.

Non-Interest Expense

Non-interest expense has also increased during 1996, with the total \$1.890 million, or 23.6 percent greater than the same nine months in 1995. Without the SAIF assessment and merger expenses, the increase was \$829 thousand, or 10.3 percent. Compensation, employee benefits and related expenses increased \$581 thousand, or 15.3 percent from the first nine months of 1995 the result of establishing the full-service branch in Billings, expansion of banking services to include Saturdays and some holidays, opening of the supermarket branch in Billings in July, other growth related expenses, and normal cost increases. The number of full time equivalent employees has increased from 155.5 at September 30, 1995, to 178.5 at September 30, 1996, an increase of 23, or 14.8 percent. The opening of new branches results in higher costs which are not offset with increased revenues until a certain level of growth in loans and deposits is achieved. Thus, initially new branches have an adverse effect on results of operations until earnings grow to cover the increased overhead. The remainder of the increased expense is comprised of small increases in several classifications of expense.

Tax Expense

Income tax expense decreased by \$204,000 during the nine months ended September 30, 1996, as compared to the same period in the prior year, reflecting the \$472,000 decrease in pre-tax income during the same period. Effective federal and state tax rates were approximately 39% for each of the nine month periods ended September 30, 1996 and 1995.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS ON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

Form 8-K dated August 9, 1996 announcing the signing of a definitive agreement to acquire Missoula Bancshares, Inc.

SIGNATURES

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

GLACIER BANCORP, INC.

November 14, 1996

- - - - -

Date

By /s/ Michael J. Blodnick

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Michael J. Blodnick
Executive Vice President/COO

November 14, 1996

- - - - -

Date

By /s/ James H. Strosahl

- - - - -

James H. Strosahl
Senior Vice President/Chief Financial Officer

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JAN-01-1996
SEP-30-1996
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