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, 2002 or

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

COMMISSION FILE 000-18911

GLACIER BANCORP, INC.

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

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

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

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

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

Common Stock, $.01 par value

Indicate by check mark whether the registrant (i) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (ii) has been subject to such filing requirements for the past 90 days. [X]

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

As of March 10, 2003, there were issued and outstanding 17,441,105 shares of the Registrant's common stock. No preferred shares are issued or outstanding.

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

The aggregate market value of the voting common equity held by non-affiliates of the Registrant at June 28, 2002 (the last business day of the most recent second quarter), was $388,474,401 (based on the average bid and ask price as quoted on the Nasdaq National Market at the close of business on that date).

Document Incorporated by Reference

Portions of the 2003 Annual Meeting Proxy Statement dated March 28, 2003 are incorporated by reference into Part III of this Form 10-K.

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GLACIER BANCORP, INC.
FORM 10-K ANNUAL REPORT
For the year ended December 31, 2002
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PART I.

Item 1. Business

GENERAL DEVELOPMENT OF BUSINESS

Glacier Bancorp, Inc. headquartered in Kalispell, Montana (the “Company”), is a Delaware corporation incorporated in 1990, pursuant to the reorganization of Glacier Bank, FSB into a bank holding company. The Company is a regional multi-bank holding company providing commercial banking services from 50 banking offices throughout Montana, Idaho and Utah. The Company offers a wide range of banking products and services, including transaction and savings deposits, commercial, consumer, and real estate loans, mortgage origination services, and retail brokerage services. The Company serves individuals, small to medium-sized businesses, community organizations and public entities.

Subsidiaries

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

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

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

Internet Access

The Company’s website address is www.glacierbancorp.com. The Company’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed with the Securities and Exchange Commission (SEC) are made available on the Company’s website, free of charge, as soon as reasonably practicable after such material is electronically filed with the SEC.

Recent Acquisitions

The Company’s strategy has been to profitably grow its business through internal growth and selective acquisitions. The Company continues to look for profitable expansion opportunities in existing and contiguous markets. On February 28, 2001, the Company acquired Western, through the purchase of WesterFed Financial Corporation, its parent company. On March 15, 2001, the Company acquired seven Wells Fargo & Company and First Security Corporation subsidiary banks located in Idaho and Utah. Both acquisitions were accounted for under the purchase method of accounting. Accordingly, the assets and liabilities of the acquired banks were recorded by the Company at their respective fair values at the date of the acquisition and the results of the banks operations had been included with those of the Company since the date of acquisition. The excess of the Company’s purchase price over the net fair value of the assets acquired and liabilities assumed, including identifiable intangible assets, was recorded as goodwill.

Mountain West was acquired February 4, 2000 and Big Sky was acquired on January 20, 1999. Both acquisitions were accounted for using the pooling of interests method of accounting. Under this method, financial information for each of the periods presented includes the combined companies as though the merger had occurred prior to the earliest date presented.

FDIC and FHLB

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

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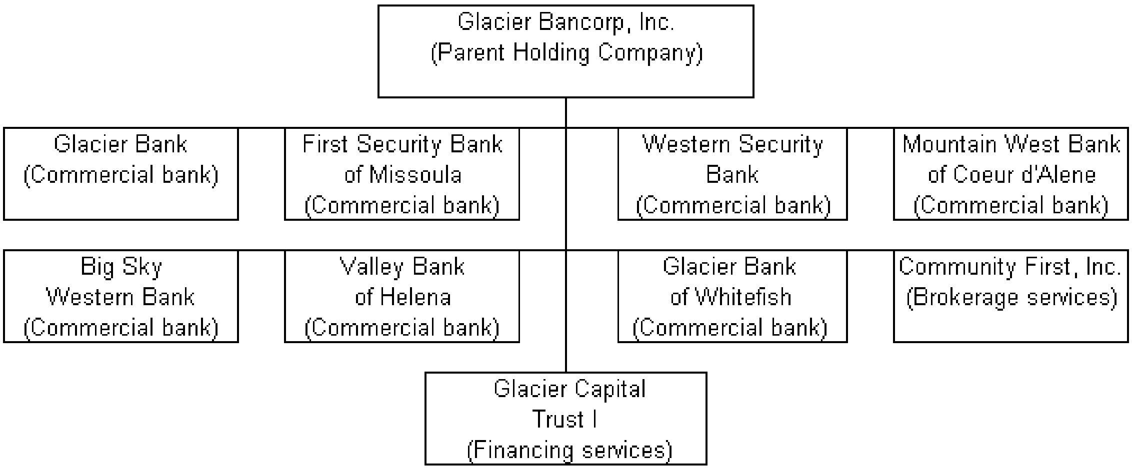
Bank Locations

Glacier Bancorp, Inc.'s office is located at 49 Commons Loop, Kalispell, MT 59901 and its telephone number is (406) 756-4200. Glacier's address is 202 Main Street, Kalispell, MT 59901 (406) 756-4200, First Security's address is 1704 Dearborn, Missoula, MT 59801 (406) 728-3115, Western's address is 2929 3rd Avenue North, Billings, MT 59101 (406) 252-3700, Mountain West's address is 125 Ironwood Drive, Coeur d' Alene, Idaho 83816 (208) 765-0284, Big Sky's address is Big Horn Center, Highway 191, Big Sky, MT, 59716 (406) 995-2321, Valley's address is 3030 North Montana Avenue, Helena, MT 59601 (406) 443-7440, and Whitefish's address is 319 East 2nd Street, Whitefish, MT 59937 (406) 863-6300. See "Item 2. Properties."

The following abbreviated organizational chart illustrates the various existing parent/subsidiary relationships at December 31, 2002:



FINANCIAL INFORMATION ABOUT SEGMENTS

The Company has seven wholly owned banking subsidiaries, Glacier Bank, First Security, Western, Mountain West, Big Sky, Valley, and Whitefish. For information regarding the holding company, as separate from the subsidiaries, see Management's Discussion & Analysis and footnote 16 to the Consolidated Financial Statements for the year ended December 31, 2002.

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.

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Business Segment Results

The Company evaluates segment performance internally based on individual bank charter, and thus the operating segments are so defined. The following schedule provides selected financial data for the Company's operating segments. Centrally provided services to the Banks are allocated based on estimated usage of those services. The operating segment identified as "Other" includes the Parent company, nonbank units, and eliminations of transactions between segments. During the third quarter of 2001, certain branches of Western were transferred to other Company owned banks located in the same geographic area which accounted for the change in activity for certain segments.

(Dollars in thousands)	Glacier 2002	Glacier 2001	Glacier 2000	First Security 2002	First Security 2001	First Security 2000	Western 2002	Western 2001	Western 2000
Condensed Income Statements									
Net interest income	$ 22,787	19,032	16,361	20,596	14,239	9,324	13,699	17,094	—
Noninterest income	7,554	7,216	5,913	3,880	3,070	2,000	2,782	4,517	—
Total revenues	30,341	26,248	22,274	24,476	17,309	11,324	16,481	21,611	—
Provision for loan losses	1,080	962	460	1,800	975	360	325	1,350	—
Core deposit intangible expense	332	254	199	325	136	—	419	650	—
Goodwill and merger expense	—	393	118	—	143	—	—	590	—
Other noninterest expense	12,913	12,120	11,440	9,192	6,813	4,771	7,832	10,795	—
Minority interest	—	—	—	—	—	—	—	—	—
Pretax earnings	16,016	12,519	10,057	13,159	9,242	6,193	7,905	8,226	—
Income tax expense (benefit)	5,763	4,505	3,456	4,761	3,556	2,251	2,432	3,026	—
Net income	10,253	8,014	6,601	8,398	5,686	3,942	5,473	5,200	—
Average Balance Sheet Data									
Total assets	$477,195	493,342	464,565	455,039	310,253	199,697	397,277	529,514	—
Total loans	320,774	309,738	285,398	324,274	260,481	171,462	216,238	331,079	—
Total deposits	331,661	315,252	279,973	350,945	241,897	146,439	224,486	326,583	—
Stockholders' equity	51,014	45,509	38,547	41,457	27,326	17,164	45,065	45,035	—
End of Year Balance Sheet Data									
Total assets	$490,999	474,421	469,351	487,699	427,976	214,231	405,282	406,359	—
Net loans	319,906	316,626	282,467	300,481	341,214	180,041	188,793	229,007	—
Total deposits	327,018	340,186	288,556	352,805	345,423	164,168	226,482	237,477	—
Performance Ratios									
Return on average assets	2.15%	1.62%	1.42%	1.85%	1.83%	1.97%	1.38%	0.98%	—
Return on average equity	20.10%	17.61%	17.12%	20.26%	20.81%	22.97%	12.14%	11.55%	—
Efficiency ratio	43.65%	48.64%	52.78%	38.88%	40.97%	42.13%	50.06%	55.69%	—
Regulatory Capital Ratios & Other									
Tier I risk-based capital ratio	13.54%	12.04%	13.45%	11.06%	9.80%	9.98%	15.33%	13.04%	—
Tier II risk-based capital ratio	14.79%	13.17%	14.38%	12.31%	10.95%	11.15%	16.61%	14.30%	—
Leverage capital ratio	9.48%	8.32%	8.08%	7.82%	7.56%	8.64%	9.83%	8.62%	—
Full time equivalent employees	170	164	152	120	121	73	105	97	—
Locations	11	11	13	9	9	4	8	8	—

(Dollars in thousands)	Mountain West 2002	Mountain West 2001	Mountain West 2000	Big Sky 2002	Big Sky 2001	Big Sky 2000	Valley 2002	Valley 2001	Valley 2000
Condensed Income Statements									
Net interest income	13,629	10,141	5,037	6,860	4,678	2,721	7,522	5,998	4,171
Noninterest income	6,392	3,855	2,206	1,591	1,294	750	2,641	1,990	1,411
Total revenues	20,021	13,996	7,243	8,451	5,972	3,471	10,163	7,988	5,582
Provision for loan losses	695	276	410	330	333	180	1,335	365	205
Core deposit intangible expense	224	208	—	49	21	—	90	56	—
Goodwill and merger expense	—	1,492	—	—	60	—	—	134	—
Other noninterest expense	13,439	10,854	5,153	3,618	2,983	2,527	5,371	4,356	3,498
Minority interest	—	—	—	—	—	—	—	—	—
Pretax earnings	5,663	1,166	1,680	4,454	2,575	764	3,367	3,077	1,879
Income tax expense (benefit)	1,633	150	657	1,705	995	258	1,053	1,114	657

Net income	4,030	1,016	1,023	2,749	1,580	506	2,314	1,963	1,222
Average Balance Sheet Data									
Total assets	366,254	281,318	106,445	170,000	117,542	70,806	173,785	129,514	86,305
Total loans	186,233	138,991	78,602	111,911	85,642	50,491	96,471	91,090	62,813
Total deposits	260,420	228,761	77,334	92,894	68,998	46,981	127,243	108,503	69,864
Stockholders’ equity	42,045	30,537	7,650	15,021	9,121	5,584	15,047	10,772	5,254
End of Year Balance Sheet Data									
Total assets	396,777	342,841	126,518	179,543	168,865	77,111	190,536	165,372	87,791
Net loans	214,453	162,701	90,921	111,378	110,363	57,050	97,937	103,062	62,645
Total deposits	275,809	254,133	86,632	95,897	97,488	49,616	126,418	124,072	76,508
Performance Ratios									
Return on average assets	1.10%	0.36%	0.96%	1.62%	1.34%	0.71%	1.33%	1.52%	1.42%
Return on average equity	9.58%	13.28%	13.37%	18.30%	17.32%	9.06%	15.38%	18.22%	23.26%
Efficiency ratio	68.24%	89.70%	71.14%	43.39%	51.31%	72.80%	53.73%	56.91%	62.67%
Regulatory Capital Ratios & Other									
Tier I risk-based capital ratio	9.85%	10.03%	11.12%	10.77%	9.53%	9.68%	11.43%	10.02%	12.41%
Tier II risk-based capital ratio	10.85%	11.06%	12.19%	12.03%	10.79%	10.81%	12.45%	11.05%	13.55%
Leverage capital ratio	6.71%	6.33%	8.11%	8.04%	7.10%	8.28%	7.54%	7.22%	8.66%
Full time equivalent employees	152	153	74	43	42	30	61	67	34
Locations	11	12	5	3	3	3	6	6	3

(Dollars in thousands)	Whitefish 2002	Whitefish 2001	Whitefish 2000	Other 2002	Other 2001	Other 2000	Consolidated 2002	Consolidated 2001	Consolidated 2000
Condensed Income Statements									
Net interest income	4,901	4,290	3,741	(3,527)	(3,098)	125	86,467	72,374	41,480
Noninterest income	1,096	1,157	1,036	(19)	152	(22)	25,917	23,251	13,294
Total revenues	5,997	5,447	4,777	(3,546)	(2,946)	103	112,384	95,625	54,774
Provision for loan losses	180	264	249	—	—	—	5,745	4,525	1,864
Core deposit intangible expense	—	—	—	—	—	—	1,439	1,325	199
Goodwill and merger expense	—	5	—	—	857	242	—	3,674	360
Other noninterest expense	2,634	2,572	2,455	1,375	1,858	863	56,374	52,351	30,707
Minority interest	—	—	—	—	35	61	—	35	61
Pretax earnings	3,183	2,606	2,073	(4,921)	(5,696)	(1,063)	48,826	33,715	21,583
Income tax expense (benefit)	1,040	819	622	(1,963)	(2,139)	(321)	16,424	12,026	7,580
Net income	2,143	1,787	1,451	(2,958)	(3,557)	(742)	32,402	21,689	14,003
Average Balance Sheet Data									
Total assets	121,757	103,264	84,304	(6,613)	(18,495)	(4,327)	2,154,694	1,946,252	1,007,795
Total loans	63,676	61,617	58,591	—	—	—	1,319,577	1,278,638	707,357
Total deposits	64,107	62,188	58,036	(9,868)	(10,190)	(3,497)	1,441,888	1,341,992	675,130
Stockholders’ equity	10,080	8,879	8,002	(24,152)	(16,447)	6,267	195,577	160,732	88,468
End of Year Balance Sheet Data									
Total assets	129,255	121,409	87,125	1,253	(21,496)	(5,415)	2,281,344	2,085,747	1,056,712
Net loans	68,066	59,721	60,437	(361)	(367)	—	1,300,653	1,322,327	733,561
Total deposits	67,810	64,885	60,760	(12,316)	(17,600)	(5,670)	1,459,923	1,446,064	720,570
Performance Ratios									
Return on average assets	1.76%	1.73%	1.72%				1.50%	1.11%	1.39%
Return on average equity	21.26%	20.13%	18.13%				16.57%	13.49%	15.83%
Efficiency ratio	43.92%	47.31%	51.39%				51.44%	59.97%	57.08%
Regulatory Capital Ratios & Other									
Tier I risk-based capital ratio	11.64%	11.65%	13.43%				12.99%	11.81%	12.31%
Tier II risk-based capital ratio	12.88%	12.90%	14.66%				14.24%	13.07%	13.36%
Leverage capital ratio	8.09%	7.06%	9.59%				8.95%	8.21%	8.72%
Full time equivalent employees	30	28	26	56	56	34	737	728	423
Locations	2	2	2				50	51	30

Market Area

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

Northwest Montana has a diversified economic base, primarily comprised of wood products, primary metal manufacturing, 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 freshwater lake west of the Mississippi. Missoula, the home of the University of Montana, has a large population base with a diverse economy comprised of government services, transportation, medical services, forestry, technology, tourism, trade and education. Missoula is located on Interstate Highway 90, and has good air service. Helena, the county seat of Lewis and Clark County and the state capital, is highly dependent on state and federal government, but also has tourism, trade, transportation, and education contributing to its economy. Bozeman, the home of Montana State University, is the gateway to Yellowstone National Park and the Big Sky ski resort, both of which are very active tourist areas. Bozeman also has a high-tech center and is located on Interstate 90, and has good air service. Billings, the largest city in Montana, is located on Interstate 90 and is the western termination point of Interstate 94, and has very good air service. Agriculture, medical services, transportation, oil related industries and education are the primary economical activities. Coeur d’Alene, located in northern Idaho, is one of the

fastest growing areas in the United States. Boise, the state capital, is also growing rapidly, with much of the growth related to high-tech manufacturing.

Competition

Glacier and Whitefish comprise the largest financial institution group in terms of total deposits in the three county area of northwest Montana, and have approximately 23% of the total deposits in this area. Glacier’s three Butte, Montana offices have approximately 24% of the deposits in Silver Bow County and Glacier’s Anaconda office has 23% of the deposits in Deer Lodge County. First Security has approximately 29% of the total deposits in Missoula County. Western has approximately 12% of the deposits in Yellowstone and Fergus counties combined. Big Sky has approximately 10% of Gallatin County’s deposits and Valley has approximately 20% of Lewis and Clark County’s total deposits. In Idaho, Mountain West has approximately 11% of the deposits in Kootenai and Blaine counties, and 2% in Ada and Canyon counties. In Utah, Mountain West has 6% of the deposits in the Box Elder and Summit counties combined.

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

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DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

Average Balance Sheet

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

AVERAGE BALANCE SHEET	For the year ended 12-31-02			For the year ended 12-31-01			For the year ended 12-31-00		
(Dollars in Thousands)	Average Balance	Interest and Dividends	Average Yield/ Rate	Average Balance	Interest and Dividends	Average Yield/ Rate	Average Balance	Interest and Dividends	Average Yield/ Rate
ASSETS									
Real Estate Loans	$ 380,993	29,290	7.69%	$ 428,999	34,012	7.93%	$ 230,661	19,557	8.48%
Commercial Loans	649,665	47,013	7.24%	556,907	48,292	8.67%	312,434	28,784	9.21%
Consumer and Other Loans	288,919	22,559	7.81%	292,732	25,528	8.72%	164,262	14,856	9.04%
Total Loans	1,319,577	98,862	7.49%	1,278,638	107,832	8.43%	707,357	63,197	8.93%
Tax-Exempt Investment Securities (1)	156,315	8,074	5.17%	81,416	4,624	5.68%	50,337	2,659	5.28%
Taxable Investment Securities	509,137	27,053	5.31%	420,511	25,464	6.06%	185,950	12,981	6.98%
Total Earning Assets	1,985,029	133,989	6.75%	1,780,565	137,920	7.75%	943,644	78,837	8.35%
Non-Earning Assets	169,036			165,687			64,151		
TOTAL ASSETS	$2,154,065			$1,946,252			$1,007,795		
LIABILITIES AND STOCKHOLDERS' EQUITY									
NOW Accounts	$ 206,410	723	0.35%	$ 183,399	1,758	0.96%	$ 96,737	1,068	1.10%
Savings Accounts	127,245	857	0.67%	102,736	1,855	1.81%	44,996	806	1.79%
Money Market Accounts	355,211	6,771	1.91%	287,150	9,575	3.33%	167,533	7,447	4.45%
Certificates of Deposit	495,951	17,917	3.61%	552,469	29,504	5.34%	230,024	13,353	5.81%
FHLB Advances	409,168	16,959	4.14%	349,023	18,280	5.24%	211,217	13,454	6.37%
Repurchase Agreements and Other Borrowed Funds	76,087	4,295	5.64%	66,658	4,574	6.86%	31,799	1,229	3.86%
Total Interest Bearing Liabilities	1,670,072	47,522	2.85%	1,541,435	65,546	4.25%	782,306	37,357	4.78%
Non-interest Bearing Deposits	257,072			216,238			135,840		
Other Liabilities	31,344			27,847			1,181		
Total Liabilities	1,958,488			1,785,520			919,327		
Common Stock	171			157			110		
Paid-In Capital	170,291			152,420			95,554		
Retained Earnings	19,195			5,929			(2,250)		
Accumulated Other Comprehensive Earnings (Loss)	5,920			2,226			(4,946)		
Total Stockholders' Equity	195,577			160,732			88,468		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$2,154,065			$1,946,252			$1,007,795		
Net Interest Income		$ 86,467			$ 72,374			$41,480	
Net Interest Spread			3.90%			3.49%			3.57%
Net Interest Margin on average earning assets (1)			4.36%			4.06%			4.40%
Return on Average Assets (2)			1.50%			1.11%			1.39%
Return on Average Equity (3)			16.57%			13.49%			15.83%

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

(2) Net income divided by average total assets

(3) Net income divided by average equity

Rate/Volume Analysis

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

	Years Ended December 31, 2002 vs. 2001			Years Ended December 31, 2001 vs. 2000		
	Increase (Decrease) due to:			Increase (Decrease) due to:		
(Dollars in Thousands)	Volume	Rate	Net	Volume	Rate	Net
Interest Income						
Real Estate Loans	$ (3,806)	$ (916)	$ (4,722)	$16,816	$(2,362)	$14,454
Commercial Loans	8,044	(9,323)	(1,279)	22,524	(3,015)	19,509
Consumer and Other Loans	(332)	(2,637)	(2,969)	11,619	(947)	10,672
Investment Securities	9,803	(4,764)	5,039	17,583	(3,135)	14,448
Total Interest Income	13,709	(17,640)	(3,931)	68,542	(9,459)	59,083
Interest Expense						
NOW Accounts	221	(1,255)	(1,034)	957	(267)	690
Savings Accounts	443	(1,441)	(998)	1,034	15	1,049
Money Market Accounts	2,270	(5,074)	(2,804)	5,317	(3,189)	2,128
Certificates of Deposit	(3,018)	(8,570)	(11,588)	18,719	(2,568)	16,151
FHLB Advances	3,150	(4,471)	(1,321)	8,778	(3,952)	4,826
Other Borrowings and Repurchase Agreements	647	(926)	(279)	1,347	1,998	3,345
Total Interest Expense	3,713	(21,737)	(18,024)	36,152	(7,963)	28,189
Net Interest Income	$ 9,996	$ 4,097	$ 14,093	$32,390	$(1,496)	$30,894

Net interest income increased $14 million in 2002 over 2001. The increase was primarily due to increases in volumes and the decrease in rates on deposits. For additional information see section "Management's Discussion and Analysis".

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 was no trading in the Company's investment portfolios during 2002. The Company's investment securities are generally classified as available for sale and are carried at estimated fair value with unrealized gains or losses reflected as an adjustment to stockholders' equity. During 2002, 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 35% in calculating the tax equivalent yield. Approximately $202 million of the investment portfolio is comprised of tax exempt investments which is an increase of $106 million from the prior year. The increase in tax exempt investments is the result of higher after-tax yields on tax exempt investment securities versus taxable investment securities and the availability to fund these 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 Management's Discussion & Analysis and footnote 3 to the Consolidated Financial Statements for the year ended December 31, 2002.

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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 summarizes the Company's loan portfolio:

(Dollars in Thousands)	At 12/31/02		At 12/31/01		At 12/31/00		At 12/31/99		At 12/31/98	
TYPE OF LOAN	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Real Estate Loans:										
Residential first mortgage loans	$ 310,205	23.85%	$ 395,417	29.90%	$224,631	30.62%	$219,482	33.65%	$222,018	38.87%
Loans held for sale	$ 51,987	4.00%	$ 27,403	2.07%	$ 7,058	0.96%	$ 5,896	0.90%	$ 16,474	2.88%
Total	$ 362,192	27.85%	$ 422,820	31.98%	$231,689	31.58%	$225,378	34.55%	$238,492	41.75%
Commercial Loans:										
Real estate	$ 397,803	30.58%	$ 379,346	28.69%	$198,414	27.05%	$154,155	23.64%	$118,434	20.73%
Other commercial loans	$ 276,675	21.27%	$ 241,811	18.29%	$142,519	19.43%	$125,462	19.24%	$ 97,463	17.06%
Total	$ 674,478	51.85%	$ 621,157	46.97%	$340,933	46.48%	$279,617	42.88%	$215,897	37.79%
Installment and Other Loans:										
Consumer loans	$ 112,893	8.68%	$ 142,875	10.80%	$ 86,336	11.77%	$ 87,967	13.49%	$ 69,726	12.21%
Home equity loans	$ 174,033	13.38%	$ 156,140	11.81%	$ 83,539	11.39%	$ 66,566	10.21%	$ 53,325	9.34%
Outstanding balances on credit cards	—	—	—	—	—	—	—	—	$ 18	—
Total	$ 286,926	22.06%	$ 299,015	22.61%	$169,875	23.16%	$154,533	23.70%	$123,069	21.55%
Net deferred loan fees, premiums and discounts	($ 1,999)	-0.15%	($ 2,011)	-0.15%	($ 1,137)	-0.16%	($ 598)	-0.10%	($ 602)	-0.10%
Allowance for Losses	($ 20,944)	-1.61%	($ 18,654)	-1.41%	($ 7,799)	-1.06%	($ 6,722)	-1.03%	($ 5,668)	-0.99%
NET LOANS	$1,300,653	100.00%	$1,322,327	100.00%	$733,561	100.00%	$652,208	100.00%	$571,188	100.00%

Loan Portfolio Maturities or Repricing Term

The stated maturities or first repricing term (if applicable) for the loan portfolio at December 31, 2002 was as follows:

(Dollars in Thousands)	Real Estate	Commercial	Consumer	Totals
Variable Rate Maturing or Repricing in:				
One year or less	$ 66,906	254,840	109,874	431,620
One to five years	30,379	204,147	2,114	236,640
Thereafter	2,001	4,550	—	6,551
Fixed Rate Maturing or Repricing in:				
One year or less	126,492	103,067	46,906	276,465
One to five years	90,833	76,814	105,169	272,816
Thereafter	45,581	31,060	22,863	99,504
Totals	$362,192	674,478	286,926	1,323,596

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 39% of the Banks' consumer portfolio consists of variable interest rate loans compared to 25% in prior year. The Banks intend to continue lending for such loans because of their short-term nature, generally between three months and five years, with an average term of approximately two years. Moreover, interest rates on consumer loans are generally higher than on mortgage loans. The Banks also originate second mortgage and home equity loans, especially to its existing customers in instances where the first and second mortgage loans are less than 80% of the current appraised value of the property.

Commercial 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 loan type and experience of the individual. Each subsidiary bank has a loan committee, consisting of senior lenders and members of senior management, and generally has approval authority up to $500,000 ($1,000,000 for Western and Mountain West). Loans between $500,000 and $2,000,000 ($3,500,000 for Glacier and First Security) go to the individual Bank's Board of Directors for approval. Loans over these limits up to $5,000,000 are approved by the Executive Loan Committee of the Company's Board of Directors. The membership of the Executive Loan Committee consists of the bank's senior loan officers and the Company's Credit Administrator. Loans greater than $5,000,000 are approved by the Company's Board of Directors. Under banking laws loans to one borrower and related entities are limited to a set percentage of the unimpaired capital and surplus of the bank.

Loan Purchases and Sales

Fixed-rate, long-term mortgage loans are generally sold in the secondary market. The Banks have been active in the secondary market, primarily through the origination of conventional FHA and VA residential mortgages for sale in whole, or in part, to savings associations, banks and other purchasers in the secondary market. The sale of loans in the secondary mortgage market reduces the Banks' risk of increases in interest rates of holding long-term, fixed-rate loans in the loan portfolio and allows the Banks to continue to make loans during periods when deposit flows decline or funds are not otherwise available for lending purposes. In connection with conventional loan sales, the Banks typically sell a majority of mortgage loans originated, retaining servicing only on loans sold to certain lenders. The Banks have also been very active in generating commercial SBA loans, and other commercial loans, with a portion of those loans sold to other investors. As of December 31, 2002, loans serviced for others aggregated approximately $253 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 collectibility 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:

NONPERFORMING ASSETS (Dollars in Thousands)	At 12/31/02	At 12/31/01	At 12/31/00	At 12/31/1999	At 12/31/1998
Non-accrual loans:					
Mortgage loans	$ 2,476	$ 4,044	$ 687	$ 613	$ 438
Commercial loans	5,157	4,568	442	776	1,068
Consumer loans	409	620	25	74	64
Total	8,042	9,232	1,154	1,463	1,570
Accruing Loans 90 days or more overdue:					
Mortgage loans	846	818	576	62	632
Commercial loans	968	376	91	99	385
Consumer loans	184	243	83	104	124
Total	1,998	1,437	750	265	1,141
Troubled debt restructuring:	—	—	—	—	205
Real estate and other assets owned, net	1,542	593	291	550	151
Total non-performing loans, troubled debt restructurings, and real estate and other assets owned, net	$11,582	$11,262	$2,195	$2,278	$3,067
As a percentage of total assets	0.51%	0.53%	0.21%	0.23%	0.39%
Interest Income (1)	$ 596	$ 658	$ 101	$ 132	$ 103

(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. Interest income recognized on non-performing loans for each of the above periods was not significant.

Non-performing assets as a percentage of total assets at December 31, 2002 were .51 percent versus .53 percent at the same time as last year, which compares to the Peer Group average of .63 percent at September 30, 2002, the most recent information available. The reserve for loan losses was 181 percent of non-performing assets at December 31, 2002, up from 165 percent a year ago.

With the continuing change in loan mix from residential real estate to commercial and consumer loans, which historically have greater credit risk, the Company has increased the balance in the reserve for loan losses account. The reserve balance has increased $2,290,000, or 12 percent, to $20,944,000, which is 1.58 percent of total loans outstanding, up from 1.39 percent of loans at December 31, 2001.

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. Inherently this 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 bank regulatory standards. The Banks typically place loans on non-accrual when principal or interest is due and has remained unpaid for 90 days or more, unless the loan is secured by collateral having realizable value sufficient to discharge the debt in full, or if the loan is in the legal process of collection. Once a loan has been classified as non-accrual, previously accrued unpaid interest is reversed.

Loan Loss Experience

(Dollars in Thousands)	Years ended December 31, 2002	2001	2000	1999	1998
Balance at beginning of period	$18,654	7,799	6,722	5,668	4,654
Charge offs:					
Residential real estate	(887)	(677)	(98)	(44)	(50)
Commercial loans	(2,522)	(723)	(450)	(409)	(514)
Consumer loans	(1,328)	(2,029)	(424)	(433)	(517)
Total charge offs	$ (4,737)	(3,429)	(972)	(886)	(1,081)
Recoveries:					
Residential real estate	276	33	5	1	—
Commercial loans	326	266	43	110	250
Consumer loans	680	567	137	106	110
Total recoveries	$ 1,282	866	185	217	360
Chargeoffs, net of recoveries	(3,455)	(2,563)	(787)	(669)	(721)
Acquisitions (1)	—	8,893	—	—	—
Provision	5,745	4,525	1,864	1,723	1,735
Balance at end of period	$20,944	18,654	7,799	6,722	5,668
Ratio of net charge offs to average loans outstanding during the period	0.26%	0.20%	0.11%	0.11%	0.13%

(1) Acquisition of WesterFed Financial Corporation and several branches

Allocation of the Allowance for Loan Loss

(Dollars in thousands)	2002 Allowance	2002 Percent of loans in category	2001 Allowance	2001 Percent of loans in category	2000 Allowance	2000 Percent of loans in category	1999 Allowance	1999 Percent of loans in category	1998 Allowance	1998 Percent of loans in category
Residential first mortgage and loans held for sale	$ 2,334	27.4%	2,722	31.5%	1,227	31.2%	1,174	34.2%	1,221	41.3%
Commercial real estate	7,088	30.1%	5,906	28.3%	2,300	26.7%	1,526	23.4%	1,095	20.5%
Other commercial	7,670	20.9%	6,225	18.0%	2,586	19.2%	2,466	19.0%	1,992	16.9%
Consumer	3,852	21.6%	3,801	22.2%	1,686	22.9%	1,556	23.4%	1,360	21.3%
Totals	$20,944	100.0%	18,654	100.0%	7,799	100.0%	6,722	100.0%	5,668	100.0%

SOURCES OF FUNDS

General

Deposits are the most important source of the Banks' funds for lending and other business purposes. In addition, the Banks derive funds from loan repayments, advances from the FHLB of Seattle, repurchase agreements, and loan sales. Loan repayments are a relatively stable source of funds, while interest bearing deposit inflows and outflows are significantly influenced by general interest rate levels and money market conditions. Borrowings and advances may be used on a short-term basis to compensate for reductions in normal sources of funds such as deposit inflows at less than projected levels. They also may be used on a long-term basis to support expanded activities and to match maturities of longer-term assets. Deposits obtained through the Banks have traditionally been the principal source of funds for use in lending and other business purposes. Currently, the Banks have a number of different deposit programs designed to attract both short-term and long-term deposits from the general public by providing a wide selection of accounts and rates. These programs include regular statement savings, interest-bearing checking, money market deposit accounts, fixed rate certificates of deposit with maturities ranging form three months to five years, negotiated-rate jumbo certificates, non-interest demand accounts, and individual retirement accounts.

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 certificate accounts with balances of $100,000, or more, and have paid a limited amount of fees to brokers to obtain deposits. The following table illustrates the amounts outstanding for deposits greater than $100,000, according to the time remaining to maturity:

(Dollars in thousands)	Certificate Accounts	Demand Deposits	Totals
Within three months	$21,422	384,815	406,237
Three months to six months	10,881	—	10,881
Seven months to twelve months	25,780	—	25,780
Over twelve months	15,486	—	15,486
Totals	$73,569	384,815	458,384

For additional information, see Management's Discussion & Analysis and footnote 7 to the Consolidated Financial Statements for the year ended December 31, 2002.

In addition to funds obtained in the ordinary course of business, the Company formed Glacier Trust as a financing subsidiary. Glacier Trust issued 1,400,000 preferred securities at $25 per preferred security. The purchase of the securities entitles the shareholder to receive cumulative cash distributions at an annual interest rate of 9.40% from payments on the junior subordinated debentures of Glacier Bancorp, Inc. The subordinated debentures will mature and the preferred securities must be redeemed by February 1, 2031. In exchange for the Company's capital contribution, the Company owns all of the outstanding common securities of the trust. The purpose of the issuance of the securities was to finance the acquisition of WesterFed Financial Corporation and seven Wells Fargo & Company and First Security Corporation branches. For additional information regarding the trust preferred securities and the acquisitions, see Notes 10 and 20 to the Consolidated Financial Statements for the year ended December 31, 2002.

Advances and Other Borrowings

As a member of the Federal Home Loan Bank of Seattle ("FHLB"), the Banks may borrow from the FHLB on the security of stock which it is required to own in that bank and certain of its home mortgages and other assets (principally, securities which are obligations of, or guaranteed by, the United States), provided certain standards related to credit-worthiness have been met. Advances are made pursuant to several different credit programs, each of which has its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based either on a fixed percentage of an institution's capital or on the FHLB's assessment of the institution's credit-worthiness. FHLB advances have been used from time to time to meet seasonal and other withdrawals of savings accounts and to expand lending by matching a portion of the estimated amortization and prepayments of retained fixed rate mortgages. All of the Banks are members in the FHLB.

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

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

(Dollars in thousands)	For the year ended December 31, 2002	2001	2000
FHLB Advances			
Amount outstanding at end of period	$483,660	367,295	196,791
Average balance	$409,168	349,023	211,217
Maximum outstanding at any month-end	$483,660	416,222	234,688
Weighted average interest rate	4.15%	5.24%	6.37%
Repurchase Agreements:			
Amount outstanding at end of period	$ 46,206	32,585	24,877
Average balance	$ 35,479	27,375	19,052
Maximum outstanding at any month-end	$ 46,206	37,814	24,877
Weighted average interest rate	1.46%	2.11%	5.39%

For additional information concerning the Company's advances and repurchase agreements, see footnotes 8 and 9 to the Consolidated Financial Statements for the year ended December 31, 2002.

EMPLOYEES

As of December 31, 2002, the Company employed 809 persons, 737 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, profit sharing plan and employee stock options. Prior to 2002, the Company had a noncontributory defined contribution retirement plan and an employee savings plan, however as of January 1, 2002, both plans were merged into the new profit sharing plan. The Company considers its employee relations to be excellent. See Note 13 in the Consolidated Financial Statements for the year ended December 31, 2002 for detailed information regarding profit sharing plan costs and eligibility.

SUPERVISION AND REGULATION

Introduction

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

Bank Holding Company Regulation

General. The Company is a bank holding company because of its ownership of Glacier Bank, First Security Bank of Missoula, Western Security Bank, Mountain West Bank, Big Sky Western Bank, Valley Bank of Helena, and Glacier Bank of Whitefish, all of which are Montana-state chartered commercial banks (with the exception of Mountain West Bank, an Idaho state-chartered bank), and all of which are members of the Federal Reserve (with the exception of Mountain West Bank, a non-Fed member FDIC-insured bank). As a bank holding company, the Company is subject to the Bank Holding Company Act of 1956, as amended, which places us under the supervision of the Board of Governors of the Federal Reserve. The Company is required to file annual reports and additional information with the Federal Reserve, and the Company is periodically examined by the Federal Reserve.

In general, the Bank Holding Company Act limits bank holding company business to owning or controlling banks and engaging in other banking-related activities. Bank holding companies must obtain the Federal Reserve Board's approval before they: (1) acquire control (i.e., 5% or more) of the voting shares of a bank; (2) merge or consolidate with another bank holding company; or (3) acquire substantially all of the assets of any additional banks. Under the Financial Services Modernization Act of 1999, a bank holding company may apply to the Federal Reserve Board to become a financial holding company, and thereby engage (directly or through a subsidiary) in certain activities deemed financial in nature, such as securities brokerage and insurance underwriting.

Control of Nonbanks. With certain exceptions, the Bank Holding Company Act 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 Federal Reserve Board determines that the activities of such company are incidental or closely related to the business of banking.

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 Federal Reserve Board with 60 days' prior written notice of the proposed acquisition. Following receipt of this notice, the Federal Reserve Board has 60 days (or up to 90 days if extended) within which to issue a notice disapproving the proposed acquisition. In addition, any "company" must obtain the Federal Reserve Board's approval before acquiring 25% (5% if the "company" is a bank holding company) or more of the Company's outstanding shares or otherwise obtaining control over the Company.

Transactions with Affiliates

The Company and its subsidiaries are affiliates within the meaning of the Federal Reserve Act, and transactions between affiliates are subject to certain restrictions. Generally, the Federal Reserve Act limits the extent to which a financial institution or its subsidiaries may engage in "covered transactions" with an affiliate. It also requires 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 its subsidiaries 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 Subsidiaries

General

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

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

Community Reinvestment. The Community Reinvestment Act requires that, in connection with examinations of financial institutions within their jurisdiction, federal bank regulators must evaluate the record of financial institutions in meeting the credit needs of their local communities, including low and moderate income neighborhoods, consistent with the safe and sound operation of those banks. These factors are also considered in evaluating mergers, acquisitions, and applications to open a branch or facility.

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

Safety and Soundness Standards. Under the Federal Deposit Insurance Corporation Improvement Act of 1991, each federal banking agency has prescribed noncapital safety and soundness standards for institutions under its authority. These standards cover internal controls, information systems, and 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 that fails to meet these standards must develop a plan acceptable to its regulators specifying the steps that the institution will take to meet the standards. Failure to submit or implement a plan may subject the institution to regulatory actions.

Interstate Banking and Branching

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

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

With regard to interstate bank mergers, Montana "opted-out" of the Interstate Act and prohibited in-state banks from merging with out-of-state banks on or prior to September 30, 2001. After that date, subject to certain conditions, an in-state bank that has been in existence for at least 5 years may merge with an out-of-state bank. Banks, bank holding companies, and their respective subsidiaries cannot acquire control of a bank located in Montana if, after the acquisition, the acquiring institution, together with its affiliates, would directly or indirectly control more than 22% of the total deposits of insured depository institutions and credit unions located in Montana. Montana law does not authorize the establishment of a branch bank in Montana by an out-of-state bank.

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

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

Deposit Insurance

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

Dividends

The principal source of the Company's cash revenues is dividends received from the Company's subsidiary Banks. The payment of dividends is subject to government regulation, in that regulatory authorities may prohibit banks and bank holding companies from paying dividends which would constitute an unsafe or unsound banking practice. In addition, a bank may not pay cash dividends if that payment could reduce the amount of its capital below that necessary to meet minimum applicable regulatory capital requirements.

Capital Adequacy

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

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

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

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

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

Financial Services Modernization

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

Bank holding companies may now engage in a wider variety of financial activities than permitted under previous law, particularly insurance and securities activities. In addition, in a change from previous law, a bank holding company may be owned, controlled or acquired by any company engaged in financially related activities, so long as such company meets certain regulatory requirements. The act also permits national banks (and certain state banks), either directly or through operating subsidiaries, to engage in certain non-banking financial activities.

The Company does not believe that the act will negatively affect the Company’s operations. However, to the extent the act permits banks, securities firms and insurance companies to affiliate, the financial services industry may experience further consolidation. This consolidation could result in a growing number of larger financial institutions that offer a wider variety of financial services than the Company currently offers and that can aggressively compete in the markets it currently serves.

Anti-Terrorism Legislation

On October 26, 2001, President Bush signed the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (“USA Patriot Act”) of 2001. Among other things, the USA Patriot Act (1) prohibits banks from providing correspondent accounts directly to foreign shell banks; (2) imposes due diligence requirements on banks opening or holding accounts for foreign financial institutions or wealthy foreign individuals (3) requires financial institutions to establish an anti-money-laundering compliance program, and (4) generally eliminates civil liability for persons who file suspicious activity reports. The Act also increases governmental powers to investigate terrorism, including expanded government access to account records. The Department of the Treasury is empowered to administer and make rules to implement the Act. While the USA Patriot Act may, to some degree, affect the Company’s record-keeping and reporting expenses, it does not believe that the Act will have a material adverse effect on its business and operations.

Significant Changes In Banking Laws And Regulations

Sarbanes-Oxley Act of 2002. On July 30, 2002, the President signed into law the Sarbanes-Oxley Act of 2002 (the “Act”) to address corporate and accounting fraud. The Act establishes a new accounting oversight board that will enforce auditing standards and restricts the scope of services that accounting firms may provide to their public company audit clients. Among other things, the Act also (i) requires chief executive officers and chief financial officers to certify to the accuracy of periodic reports filed with the Securities and Exchange Commission (the “SEC”); (ii) imposes new disclosure requirements regarding internal controls, off-balance-sheet transactions, and pro forma (non-GAAP) disclosures; (iii) accelerates the time frame for reporting of insider transactions and periodic disclosures by public companies; and (iv) requires companies to disclose whether or not they have adopted a code of ethics for senior financial officers and whether the audit committee includes at least one “audit committee financial expert.”

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

As a publicly reporting company, we are subject to the requirements of the Act and are in the process of complying with, and establishing procedures for, compliance with the Act and related rules and regulations issued by the SEC and NASDAQ. At the present time, and subject to the final rules and regulations the SEC and NASDAQ may adopt, we anticipate that we will incur additional expense as a result of the Act, but we do not expect that such compliance will have a material impact on our business.

Effects of Government Monetary Policy

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

TAXATION

Federal Taxation

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

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

State Taxation

Under Montana and Idaho law, financial institutions are subject to a corporation license tax, which incorporates or is substantially similar to applicable provisions of the Internal Revenue Code. The corporation license tax is imposed on federal taxable income, subject to certain adjustments. State taxes are incurred at the rate of 6.75% in Montana. Idaho imposes an 8% tax.

Item 2. Properties

At December 31, 2002, the Company owned 38 of its 50 offices, including its headquarters and other property having an aggregate book value of approximately $38 million, and leased the remaining branches. 8 offices are leased in Montana, 4 offices are leased in Idaho, and 1 office is leased in Utah. The following schedule provides property information for the Company's operating segments as of December 31, 2002.

(dollars in thousands)	Properties Leased	Properties Owned	Net Book Value
Glacier	2	9	$ 7,989
First Security	3	6	6,642
Western	2	6	5,075
Mountain West	5	6	10,104
Big Sky	2	1	3,618
Valley	1	5	2,883
Whitefish	—	2	1,579
	15	35	$37,890

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

For additional information concerning the Company's premises and equipment and lease obligations, see Note 5 and 19 to the Consolidated Financial Statements for the year ended December 31, 2002.

Item 3. Legal Proceedings

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

Item 4. Submission of Matter to a Vote of Security Holders

No matters were submitted to a vote of security holders in the fourth quarter of 2002.

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 National Market., under the symbol: GBCI. The primary market makers are: D.A. Davidson & Company, Inc.; Archipelago, LLC; Knight Securities LP; Piper Jaffray Companies, Inc.; Morgan Stanley & Co., Inc.; Cincinnati Stock Exchange; and Spear, Leeds & Kellogg.

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, 2002, there were approximately 8,713 shareholders of Company common stock. Following is a schedule of quarterly common stock price ranges:

	2002		2001	
Quarter	**High**	**Low**	**High**	**Low**
First	$23.25	$19.10	$16.13	$12.25
Second	$24.99	$20.85	$19.75	$14.50
Third	$24.60	$19.73	$19.20	$17.06
Fourth	$24.00	$19.90	$21.19	$15.78

The Company paid cash dividends on its common stock of $.67 and $.60 per share for the years ended December 31, 2002 and 2001, respectively.

Unregistered Securities

On September 26, 2001, the Company's Board of Directors approved the issuance of 33,024 shares of Company common stock, to be issued in exchange for outstanding debentures issued by Big Sky Western Bank with a principal amount of $350,000 (the "Debentures"). The Debentures were scheduled to mature on December 31, 2001, and were convertible into common stock at that time. In connection with the Company's acquisition of Big Sky on January 20, 1999 (the "Acquisition"), the Company assumed the obligation to deliver shares of Company common stock to those Debenture holders that elect to convert their Debentures into stock upon maturity. Based on the conversion provision in the Debentures and the exchange ratio for the Acquisition, the Debentures were convertible into an aggregate of 27,993 shares of Company common stock at the time of the Acquisition. As adjusted for subsequent stock dividends by the Company, the Debentures were convertible into an aggregate of 33,024 shares of Company common stock.

In issuing the Shares, the Company relied upon the exemption from registration set forth in Section 3(a)(9) of the Securities Act of 1933, as amended ("1933 Act"). Section 3(a)(9) of the 1933 Act applies when securities are exchanged "by the issuer with its existing securities holders exclusively where no commission or other remuneration is paid or given directly or indirectly for soliciting such exchange." No commission or other consideration was paid or given, directly or indirectly, for soliciting the conversion of the Debentures. Further, the exchange was available exclusively to existing securities holders.

With respect to the "same issuer" requirement of Section 3(a)(9) of the 1933 Act, the Company recognized that Big Sky issued the Debentures and that the Company was issuing the common stock upon conversion. The Company, however, relied on "no-action positions" taken by SEC Commission Staff with respect to Section 3(a)(9) in which a bank holding company in a reorganization has assumed joint and several responsibility for the due payment of principal and interest of the convertible debt securities of the acquired operating subsidiary and substituted the holding company's common stock for the operating subsidiary's common stock as the underlying security for conversion purposes, the bank holding company was allowed to issue its common stock upon conversion of the debt securities, without registration under the 1933 Act.

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The Company, with the assistance of legal counsel, confirmed with SEC Staff that the issuance of the Shares in exchange for the Debentures was an exempt transaction under Section 3(a)(9) of the Securities Act.

Item 6. Selected Financial Data

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

Summary of Operations and Selected Financial Data

	At December 31,				
(dollars in thousands, except per share data)	2002	2001	2000	1999	1998
Summary of Financial Condition:					
Total assets	**$2,281,344**	2,085,747	1,056,712	974,001	786,802
Investment securities, available for sale	**739,961**	508,578	211,888	209,312	119,087
Loans receivable, net	**1,300,653**	1,322,327	733,561	652,208	571,188
Allowance for loan losses	**(20,944)**	(18,654)	(7,799)	(6,722)	(5,668)
Intangibles	**40,011**	41,771	6,493	7,035	2,601
Deposits	**1,459,923**	1,446,064	720,570	644,106	546,503
Advances from Federal Home Loan Bank	**483,660**	367,295	196,791	208,650	125,886
Securities sold under agreements to repurchase and other borrowed funds	**61,293**	32,585	29,529	26,614	18,707
Stockholders' equity	**212,249**	176,983	98,113	85,056	84,146
Equity per common share*	**12.28**	10.49	8.57	7.44	7.85
Equity as a percentage of total assets	**9.30%**	8.49%	9.28%	8.73%	10.69%

	Years ended December 31,				
(dollars in thousands, except per share data)	2002	2001	2000	1999	1998
Summary of Operations:					
Interest income	**$ 133,989**	137,920	78,837	64,719	58,828
Interest expense	**47,522**	65,546	37,357	27,635	25,470
Net interest income	**86,467**	72,374	41,480	37,084	33,358
Provision for loan losses	**5,745**	4,525	1,864	1,723	1,735
Non-interest income	**25,917**	23,251	13,294	12,809	13,596
Non-interest expense	**57,813**	57,385	31,327	29,096	27,170
Earnings before income taxes	**48,826**	33,715	21,583	19,074	18,049
Income taxes	**16,424**	12,026	7,580	6,722	6,674
Net earnings	**32,402**	21,689	14,003	12,352	11,375
Basic earnings per common share*	**1.89**	1.38	1.22	1.08	1.02
Diluted earnings per common share*	**1.86**	1.34	1.21	1.07	1.00
Dividends declared per share*	**0.67**	0.60	0.59	0.58	0.47

	At or for the years ended December 31,				
	2002	2001	2000	1999	1998
Ratios:					
Net earnings as a percent of					
average assets	**1.50%**	1.10%	1.39%	1.41%	1.47%
average stockholders' equity	**16.57%**	13.49%	15.83%	14.60%	14.43%
Dividend payout ratio	**35.45%**	43.48%	48.36%	53.70%	46.08%
Average equity to average asset ratio	**9.08%**	8.26%	8.78%	9.73%	10.22%
Net interest margin on average earning assets (tax equivalent)	**4.51%**	4.08%	4.48%	4.67%	4.80%
Allowance for loan losses as a percent of loans	**1.58%**	1.39%	1.05%	1.02%	0.98%
Allowance for loan losses as a percent of nonperforming assets	**181%**	165%	372%	295%	185%

	At or for the years ended December 31,				
(dollars in thousands)	2002	2001	2000	1999	1998
Other Data:					

Loans originated and purchased	**$1,204,852**	994,527	570,652	528,325	516,497
Loans serviced for others	**$ 253,063**	286,996	146,534	159,451	169,378
Number of full time equivalent employees	**737**	728	423	434	412
Number of offices	**50**	51	30	31	27
Number of shareholders of record	**1,586**	1,645	1,228	1,212	929

*revised for stock splits and dividends

All amounts have been restated to include mergers using the pooling of interests accounting method and includes the impact of purchasing minority interest in Valley Bank in 1998 and two Butte, Montana branches in 1999. WesterFed was acquired on February 28, 2001 using the purchase method of accounting, accordingly the financial information presented includes the operations of WesterFed since the acquisition date.

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Management's Discussion and Analysis of Financial Condition
And Results of Operations

The Company is a Delaware corporation and at December 31, 2002 had six commercial banks located in Montana as subsidiaries: Glacier Bank, First Security Bank of Missoula, Western Security Bank, Big Sky Western Bank, Valley Bank of Helena, and Glacier Bank of Whitefish. Mountain West Bank of Coeur d'Alene, Idaho is its seventh banking subsidiary. The first quarter 2001 acquisitions of WesterFed Financial Corporation and the branch purchases in Idaho and Utah from Wells Fargo and First Security Corporation were accounted for as purchases, and accordingly the financial information presented includes the assets and results of operations of those locations from the date of purchase. The following narrative and tables focus on the significant financial changes that have taken place over the past years and include a discussion of the Company's financial condition, results of operations, and capital resources.

Financial Condition

The following table summarizes the Company's major asset and liability components as a percentage of total assets at December 31, 2002, 2001, and 2000.

	December 31,		
Assets:	**2002**	**2001**	**2000**
Cash, and Cash Equivalents, Investment Securities, FHLB and Federal Reserve Stock	**37.8%**	30.8%	26.7%
Real Estate Loans and Loans Held for Sale	**15.7%**	20.1%	21.8%
Commercial Loans	**28.9%**	29.2%	31.8%
Consumer Loans	**12.4%**	14.1%	15.9%
Other Assets	**5.2%**	5.8%	3.8%
	100.0%	100.0%	100.0%
Liabilities and Stockholder's Equity:			
Deposit Accounts	**64.0%**	69.3%	68.2%
FHLB Advances	**21.2%**	17.6%	18.6%
Other Borrowings and Repurchase Agreements	**2.7%**	3.3%	2.8%
Other Liabilities	**2.8%**	1.3%	1.1%
Stockholders' Equity	**9.3%**	8.5%	9.3%
	100.0%	100.0%	100.0%

Effect of inflation and changing prices

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

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GAP analysis

The following table gives a description of our GAP position for various time periods. As of December 31, 2002, we had a negative GAP position at six months and a positive GAP position at twelve months. The cumulative GAP as a percentage of total assets for six months is a negative 2.77% which compares to a negative 12.52% at December 31, 2001 and a negative 19.01% at December 31, 2000. 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. Using this analysis to join GAP information with earnings data 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.

	Projected maturity or repricing				
(dollars in thousands)	0-6 Months	6-12 Months	1 - 5 years	More than 5 years	Total
Assets:					
Interest bearing deposits	$ 4,753	—	—	—	4,753
Investment securities	7,219	1,661	39,553	212,173	260,606
Mortgage-backed securities	110,224	112,791	238,215	18,125	479,355
Floating rate loans	369,534	62,086	236,640	6,551	674,811
Fixed rate loans	169,833	106,630	272,818	99,504	648,785
FHLB stock and FRB stock	36,175	—	—	6,689	42,864
Total interest bearing assets	$697,738	283,168	787,226	343,042	2,111,174
Liabilities:					
Interest-bearing deposits	592,668	132,303	110,765	329,171	1,164,907
FHLB advances	102,278	57,394	220,819	103,169	483,660
Other borrowed funds and repurchase agreements	61,293	—	—	—	61,293
Total interest bearing liabilities	$756,239	189,697	331,584	432,340	1,709,860
Repricing gap	$ (58,501)	93,471	455,642	(89,298)	401,314
Cumulative repricing gap	$ (58,501)	34,970	490,612	401,314	
Cumulative gap as a % of total assets	-2.77%	1.66%	23.24%	19.01%	
Gap Earnings Sensitivity (1)		$ 213			
Gap Earnings Sensitivity Ratio (2)		0.66%			

(1) Gap Earnings Sensitivity is the estimated effect on income, after taxes of 39%, of a 1% increase or decrease in interest rates (1% of ($34,970 — $13,638))

(2) Gap Earnings Sensitivity Ratio is Gap Earnings Sensitivity divided by the estimated yearly earnings of $32,402. A 1% increase in interest rates has this estimated percentage decrease effect on annual income.

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

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. The interest spread for 2002 was .53 basis points higher than the prior year. The net interest margin increased in 2002 to 4.51% from 4.08%, primarily the result of reducing liability costs more than the reduction in income on assets in this low interest rate environment.

Interest Rate Spread

	December 31, [1]		
	2002	2001	2000
Combined weighted average yield on loans and investments [2]	6.90%	7.80%	8.51%
Combined weighted average rate paid on savings deposits and borrowings	2.84%	4.27%	4.89%
Net interest spread	4.06%	3.53%	3.62%
Net interest margin [3]	4.51%	4.08%	4.48%

(1) Weighted averages are computed without the effect of compounding daily interest.

(2) Includes dividends received on capital stock of the FHLB 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.

Liquidity and Capital Resources

The objective of liquidity management is to maintain cash flows adequate to meet current and future needs for credit demand, deposit withdrawals, maturing liabilities and corporate operating expenses. The principal source of the Company’s cash revenues is the dividends received from the Company’s banking subsidiaries. The payment of dividends is subject to government regulation, in that regulatory authorities may prohibit banks and bank holding companies from paying dividends which would constitute an unsafe or unsound banking practice. The subsidiaries source of funds is generated by deposits, principal and interest payments on loans, sale of loans and securities, short and long-term borrowings, and net income. In addition, all seven subsidiaries are members of the Federal Home Loan Bank of Seattle (FHLB). This membership provides for established lines of credit in the form of advances that are a supplemental source of funds for lending and other general business purposes. As of year ended December 31, 2002, the Company had $776 million of available FHLB line of which $484 million was utilized. Accordingly, management of the Company has a wide range of versatility in managing the liquidity and asset/liability mix for each individual institution as well as the Company as a whole. During 2002, all seven financial institutions maintained liquidity levels in excess of regulatory requirements and deemed sufficient to meet operating cash needs.

Commitments

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

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 statement of financial condition. This sensitivity analysis is compared to ALCO policy limits which specify a maximum tolerance level for NII exposure over a one year horizon, assuming no balance sheet growth, given a 200 or 100 basis point (bp) upward and downward shift in interest rates. A parallel and pro rata shift in rates over a 12-month period is assumed as a benchmark. Other non-parallel rate movement scenarios are also modeled to determine the potential impact on net interest income. The following reflects the Company's NII sensitivity analysis as of December 31, 2002 and 2001 as compared to the 10% Board approved policy limit.

+200 bp	2002	2001
Estimated sensitivity	-1.37%	-3.20%
Estimated decrease in net interest income	$(1,185)	(2,316)
-100 bp and -200 bp (1)		
Estimated sensitivity	0.46%	0.77%
Estimated increase in net interest income	$ 398	557

(1) -100 bp and -200 bp for the years ended December 31, 2002 and 2001, respectively

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

Critical Accounting Policies

Companies may apply certain critical accounting policies requiring management to make subjective or complex judgments, often as a result of the need to estimate the effect of matters that are inherently uncertain. The Company considers its only material critical accounting policy to be the allowance for loan losses. The allowance for loan losses is established through a provision for loan losses charged against earnings. The balance of allowance for loan losses is maintained at the amount management believes will be adequate to absorb known and inherent losses in the loan portfolio. The appropriate balance of allowance for loan losses is determined by applying estimated loss factors to the credit exposure from outstanding loans. Estimated loss factors are based on subjective measurements including management's assessment of the internal risk classifications, changes in the nature of the loan portfolio, industry concentrations and the impact of current local, regional and national economic factors on the quality of the loan portfolio. Changes in these estimates and assumptions are reasonably possible and may have a material impact on the Company's consolidated financial statements, results of operations or liquidity.

For additional information regarding the allowance for loan losses, its relation to the provision for loans losses and risk related to asset quality, see Note 4 in the Consolidated Financial Statements for the year ended December 31, 2002.

Impact of Recently Issued Accounting Standards

In July 2001, the FASB issued Statement 141, *Business Combinations*, and Statement 142, *Goodwill and Other Intangible Assets*. In October 2002, the FASB issued Statement 147, *Acquisitions of Certain Financial Institutions.* Statement 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. Statement 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement 142. However, goodwill recognized in connection with a branch acquisition will follow Statement 147, which states that if certain criteria are met in Statement 147, the amount of unidentifiable intangible asset will be reclassified to goodwill upon adoption of that Statement and follow Statement 142. Prior to October 2002, goodwill associated with branch acquisitions was subject to the provisions of Statement 72, *Accounting for Certain Acquisitions of Banking or Thrift Institutions*, which required the amortization of the unidentifiable intangible asset. In addition, financial institutions meeting the requirements of Statement 147 will be required to restate previously issued financial statements. The objective of that restatement requirement is to present the balance sheet and income statement as if the amount accounted for under Statement 72 as an unidentifiable intangible asset had been reclassified to goodwill as of the date Statement 142 was initially applied. Statement 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with Statement 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Company adopted the provisions of Statement 141 immediately, and Statement 142 and 144 effective January 1, 2002. Statement 147 was adopted October 1, 2002 and retroactively applied to January 1, 2002.

Statement 141 required upon adoption of Statement 142 that the Company evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and make any necessary reclassifications in order to conform with the new criteria in Statement 141 for recognition apart from goodwill. The Company was required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption (March 31, 2002). In addition, to the extent an intangible asset was identified as having an indefinite useful life, the Company was required to test the intangible asset for impairment in accordance with the provisions of Statement 142 within the first interim period. Any impairment loss would be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period.

In connection with the transitional goodwill impairment evaluation, Statement 142 required the Company to perform an assessment of whether there was an indication that goodwill was impaired as of the date of adoption. To accomplish this, the Company identified its reporting units and determined the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. The Company had up to six months from the date of adoption (June 30, 2002) to determine the fair value of each reporting unit and compare it to the reporting unit’s carrying amount. To the extent a reporting unit’s carrying amount exceeded its fair value, an indication would exist that the reporting unit’s goodwill may be impaired and the Company would be required to perform the second step of the transitional impairment test. In the second step, the Company would compare the implied fair value of the reporting unit’s goodwill, determined by allocating the reporting unit’s fair value to all of its assets and liabilities in a manner similar to a purchase price allocation in accordance with Statement 141, to its carrying amount, both of which would be measured as of the date of adoption (January 1, 2002). The second step, if necessary, is required to be completed as soon as possible, but no later than the end of the year of adoption (December 31, 2002). Any transitional impairment loss would be recognized as the cumulative effect of a change in accounting principle in the Company’s consolidated statements of operations.

As of December 31, 2002, the Company has identified its reporting units as its banking subsidiaries and has allocated goodwill accordingly. Intangibles with definite useful lives have been re-assessed and the useful lives and residual values were determined to be adequate. The Company estimated the fair value of each reporting unit, and determined that each unit's fair value exceeded the carrying value of each reporting unit, and consequently no impairment is evident at this time. The Company has evaluated the goodwill recognized in connection with branch acquisitions and determined that it meets the criteria of Statement 147, and therefore the unidentifiable intangible asset has been reclassified to goodwill and is subject to Statement 142. The reclassification was retroactively applied to January 1, 2002, which resulted in the restatement of previously filed quarterly financial statements. On an annual basis, prior to the end of the third quarter, the Company will test goodwill for impairment, as required by Statement 142.

In November 2002, the FASB issued Interpretation No. 45, *Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, clarifying the accounting treatment and financial statement disclosure of certain guarantees issued and outstanding. Interpretation No. 45 clarifies that a guarantor is required to recognize, at the inception of certain guarantees, a liability for the fair value undertaken in issuing the guarantee. In addition, guarantors must disclose the approximate term and nature of the guarantee, the maximum potential amount of future payments, current carrying amount of the liability and the nature of recourse provisions and collateral. The initial recognition and measurement provisions of Interpretation No. 45 are effective for guarantees issued or modified after December 31, 2002. Management does not expect the adoption of the initial recognition and measurement provisions of Interpretation No. 45 to have a material impact on the Bank's consolidated financial statements, results of operations or liquidity. Disclosure provisions of Interpretation No. 45 became effective and were adopted by the Bank on December 31, 2002.

In December 2002, the FASB issued Statement 148, *Accounting for Stock-Based Compensation-Transition and Disclosure*, providing alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. Statement 148 also amends the disclosure requirements of Statement 123 to include prominent disclosures in financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company adopted the disclosure provisions of Statement 148 at December 31, 2002.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities*, addressing consolidation by business enterprises of certain variable interest entities. Under the provisions of Interpretation No. 46, an enterprise must consolidate a variable interest entity if that enterprise will absorb a majority of the entity's expected losses or receive a majority of the entity's residual returns, or both, regardless of the enterprise's direct or indirect ability to make decisions about the entity's activities through voting or similar rights. An enterprise that consolidates a variable interest entity is called the primary beneficiary of that entity. Interpretation No. 46 requires the primary beneficiary to disclose the nature, purpose, size and activities of the variable interest entity; the carrying amount and classification of consolidated assets that are collateral for the variable interest entity's obligations; and, creditor's recourse to the general credit of the primary beneficiary. Additional disclosures are required for enterprises that hold significant interests in a variable interest entity but are not the primary beneficiaries. Interpretation No. 46 applies immediately to interests in variable interest entities created or acquired after January 31, 2003 and to the first fiscal year or interim period beginning after June 15, 2003 for interests in variable interest entities acquired before February 1, 2003. Interpretation No. 46 may be applied prospectively or retroactively with a cumulative-effect adjustment recorded as of the beginning of the first year applied. Application of this Interpretation is not expected to have a material effect on the Company's financial statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations Year Ended December 31, 2002 Compared to December 31, 2001

Financial Condition

Total assets increased $196,597,000, or 9.4%, over the December 31, 2001 asset level. Total gross loans outstanding decreased 1.4%, or $19,384,000. Residential real estate loans held for investment decreased $85,058,000, or 21.6%. With the continued decline in interest rates during 2002 a large number of real estate loans were refinanced which combined with the Company strategy of selling long term real estate loans as they are originated has resulted in a net reduction in real estate loans outstanding. Consumer loans, including home equity loans, also decreased 12,032,000, or 4.2%. The majority of the consumer loan decrease is attributed to dealer originated loans. Commercial loans, which continue to be our lending focus, increased $53,123,000 or 8.6%. Investment securities increased $231,383,000, or 45.5%, the result of redeploying the cash received from the residential real estate loans to mortgage related investment securities, and the investment of other liquid funds.

Total liabilities increased $160,331,000, or 8.4%, primarily the result of the increase in FHLB and other borrowings which increased $144,013,000 or 36%. Total deposits decreased $13,859,000 or 1.0% however, there was a significant shift from interest bearing deposits to non-interest bearing deposits. Non-interest bearing deposits increased $60,698,000 or 26% and interest bearing deposits decreased $46,839,000 or 3.9%. Federal Home Loan Bank advances increased $116,365,000, or 31.7% and securities sold under repurchase agreements and other borrowed funds were up $27,648,000, or 82.2%.

During 2002, the Company increased dividends per share to $.67, an increase of 11.7% over the prior year. Stockholders' equity, excluding accumulated other comprehensive income, increased $26,911,000, or 15.4% the result of earnings retention and the exercise of stock options. Accumulated other income, which is comprised of unrealized gains on securities available-for-sale, increased $8,355,000 or 475.8%.

Results of Operations

The 2002 results of operations include the full year impact of the first quarter 2001 acquisitions of WesterFed Financial Corporation and branch purchases in Idaho and Utah.

Interest Income — Interest income was $133,989,000 and $137,920,000 for the years ended December 31, 2002 and 2001, respectively, a $3,931,000, or 2.9% decrease, primarily the result of continuing low interest rates. The weighted average yield on the loan and investment portfolios decreased from 7.8% to 6.9%, also the result of lower interest rates.

Interest Expense — Interest expense was $47,522,000 for the year ended December 31, 2002, down from $65,546,000 in 2001, a $18,024,000, or 27.50%, decrease. The increase in non-interest bearing deposits and significant reductions in rates paid on interest bearing deposits and borrowed funds, are the primary reasons for the decreased interest expense. The cost of interest bearing liabilities decreased from 4.3% in 2002 to 2.8% in 2001.

Net Interest Income — Net interest income was $86,467,000 compared to $72,374,000 in 2001, an increase of $14,093,000, or 19.5%, the net result of the items discussed in the above paragraphs.

Provision for Loan Losses — The provision for loan losses was $5,745,000 for 2002, up from $4,525,000 for 2001. Total loans charged off, net of recoveries, were $3,455,000 in 2002, up from the $2,563,000 experienced in 2001. The allowance for loan losses balance was $20,944,000 at year end 2002, up from $18,654,000 at year end 2001, an increase of $2,290,000. With the continual change in loan mix from residential real estate to commercial and consumer loans, which historically have greater credit risk, the Company has increased the balance in the reserve for loan losses account. At December 31, 2002, the non-performing assets (non-accrual loans, accruing loans 90 days or more overdue, real estate acquired by foreclosure or deed-in-lieu thereof, and repossessed personal property) totaled $11,582,000 or .51% of total assets; compared to $11,275,000 or .53% of total assets at December 31, 2001. The peer group average, according to the Federal Reserve Bank Performance Report as of September 30, 2002, the most recent information available, for banking companies similar to our size was .63% of total assets. The allowance for loan losses was 181% of non-performing assets at December 31, 2002, up from 165% the prior year end. The allowance for loan losses as a percentage of loans increased to 1.58% from 1.39 % at the 2002 and 2001 year ends, respectively.

Non-interest income — Total non-interest income of $25,917,000 was up $2,666,000, or 11.5% from 2001. Loan fees and charges and gain on sale of loans increased $138,000 and $1,324,000, respectively, from the prior year, the result of increased loan originations and refinancing in the low interest rate environment. Service charges and other fees increased $1,721,000 or 14.0% from 2001. Other income decreased $691,000, primarily from the 2001 $511,000 gain on sale of Glacier Bank Cutbank office included in other income. The gain on sale of investments was $238,000 in 2002, up from $64,000 in 2001, the result of repositioning certain investments.

Non-interest expense – Total non-interest expense was $57,813,000 compared to $57,385,000 for the year ended December 31, 2001. Prior year includes $1,975,000 of merger expenses and $1,699,000 in goodwill amortization, and current year includes a reversal of a merger related accrual of $323,000. Compensation, employee benefits, and related expenses increased $2,507,000, or 9.0% from 2001. Outsourced data processing expense has decreased $548,000, or 21.1%, a result of converting Western Security Bank’s data processing functions to the Company’s system, which also was a reason for the increase in compensation expense. Occupancy and equipment expense increased $912,000, or 10.5% from 2001. Other expenses increased $1,152,000, or 8.8%.

The efficiency ratio (non-interest expense)/(net interest income + non-interest income), was 51.4% in 2002, down from 60.0% in 2000, which compares favorably with similar sized bank holding companies nationally which average approximately 60.5%.

Management’s Discussion and Analysis of Financial Condition and Results of Operations Year Ended December 31, 2001 Compared to December 31, 2000

Financial Condition

The acquisition of WesterFed and branch purchases in Idaho and Utah from Wells Fargo and First Security Corporation were the primary reasons for the increases detailed in the following discussion.

Total assets increased $1,029,035,000, or 97.4% over the December 31, 2000 asset level. Total loans outstanding increased 80.9%, or $599,620,000, with the largest increase occurring in residential real estate loans and loans held for sale classification which increased $190,781,000, or 82.5%. The increase in loans from the WesterFed and branch acquisitions was approximately $629,000,000 of which $272,000,000 was in residential real estate loans. With the decline in interest rates during 2001 a large number of real estate loans were refinanced which combined with the Company strategy of selling long term real estate loans as they are originated has resulted in a net reduction in real estate loans outstanding. Commercial loans increased $279,742,000 or 82.2%. Consumer loans increased $129,097,000, or 76.0%. Investment securities increased $296,690,000, or 140.0%.

Total liabilities increased $950,166,000, or 99.1%, with non-interest bearing deposits up $93,111,000, or 65.9%, and interest bearing deposits up $632,383,000, or 109.2%. Without the effect of acquisitions deposits increased approximately $12,000,000. Federal Home Loan Bank advances increased $170,504,000, or 86.6% and securities sold under repurchase agreements and other borrowed funds were up $4,116,000, or 13.9%, primarily due to the acquisitions. The Company issued $35,000,000 in capital trust preferred securities during 2001 to fund the WesterFed and branch purchases.

Total stockholders’ equity increased $78,870,000, or 80.4%, the result of the WesterFed acquisition and earnings retention, and $1,489,000 net increase from the unrealized gain on securities available-for-sale.

Results of Operations

Interest Income — Interest income was $137,920,000 compared to $78,837,000 for the years ended December 31, 2001 and 2000, respectively, a $59,083,000, or 74.9% increase. The weighted average yield on the loan and investment portfolios decreased from 8.51% to 7.80%, the result of lower rate assets acquired, and the large decline in interest rates in 2001.

Interest Expense — Interest expense was $65,546,000 for the year ended December 31, 2001, up from $37,357,000 in 2000, a $28,189,000, or 75.46%, increase. Included in interest rate expense in 2001 is $3,313,000 from the $35,000,000 trust preferred securities issued in January of 2001. The proceeds were used to fund the acquisitions described above. The cost of interest bearing liabilities decreased from 4.9% in 2000 to 4.3% in 2001.

Net Interest Income — Net interest income was $72,374,000 compared to $41,480,000 in 2000, an increase of $30,894,000, or 74.5%, the net result of the items discussed in the above paragraphs.

Provision for Loan Losses — The provision for loan losses was $4,525,000 for 2001, up from $1,864,000 for 2000. Total loans charged off, net of recoveries, were $2,563,000 in 2001, up from the $787,000 experienced in 2000. The allowance for loan losses balance was $18,654,000 at year end 2001, up from $7,799,000 at year end 2000, an increase of $10,855,000. At December 31, 2001, the non-performing assets (non-accrual loans, accruing loans 90 days or more overdue, real estate acquired by foreclosure or deed-in-lieu thereof, and repossessed personal property) totaled $11,275,000 or .53% of total assets; compared to $2,097,000 or .20% of total assets at December 31, 2000. The peer group average, according to the Federal Reserve Bank Performance Report as of September 30, 2001, the most recent information available, for banking companies similar to our size was .61% of total assets. The allowance for loan losses was 165% of non-performing assets at December 31, 2001, down from 247% the prior year end. The allowance for loan losses as a percentage of loans increased to 1.39% from 1.06 % at the 2001 and 2000 year ends. The allowance for losses has increased primarily because of the WesterFed acquisition and the changing mix of loans from residential real estate to more commercial and consumer loans which historically have greater credit risk along with higher loan rates.

Non-interest income — Total non-interest income of $23,251,000 was up $9,957,000, or 74.9% from 2000. Loan fees and charges were $2,141,000 higher than the prior year, a result of increased real estate lending due to the decrease in interest rates in 2001. Increased volumes in deposit accounts resulted in an increase in fee income of $4,451,000 from service charges and other fees. Other income, which includes $511,000 from our gain on sale of the Glacier Bank Cutbank office, was up $1,269,000. The gain on sale of investments was $64,000 in 2001, up from $51,000 in 2000.

Non-interest expense — Total non-interest expense increased from $31,327,000 to $57,385,000 an increase of $26,058,000, or 83.2%. Compensation, employee benefits, and related expenses increased $11,727,000, or 72.3% from 2000 resulting from additional branch and data center staffing, increased activity volumes, and other normal increases. Occupancy and equipment expense increased $3,849,000, or 79.7% from 2000, the result of bringing more data processing functions in-house, the substantial investment in enhanced technology for transaction imaging and internet banking, and additional expenses from the acquisitions. Outsourced data processing and other expenses were up $1,283,000, or 97.7%, which includes increased charges at Mountain West Bank as that bank used an outside provider, and five months of service fees for Western Security Bank prior to conversion to our in-house data system. The minority interest in subsidiaries decreased $26,000, due to the purchase of the minority interest and subsequent merger of the Eureka Bank into Whitefish. Other expenses increased $4,785,000, or 57.3%, due to increased activity from the acquisitions. Included in non-interest expense is $1,975,000 of merger expense related to the WesterFed and branch acquisitions.

The efficiency ratio (non-interest expense)/(net interest income + non-interest income), was 60.0% in 2001, up from 57.2% in 2000, which compares favorably with similar sized bank holding companies nationally which average approximately 63%.

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 statement of financial condition. This sensitivity analysis is compared to ALCO policy limits which specify a maximum tolerance lever 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. Other non-parallel rate movement scenarios are also modeled to determine the potential impact on net interest income. The following reflects the Company’s NII sensitivity analysis as of December 31, 2002 and 2001 as compared to the 10% Board approved policy limit.

+200 bp	2002	2001
Estimated sensitivity	-1.37%	-3.20%
Estimated decrease in net interest income	$(1,185)	(2,316)
-100 bp and -200 bp (1)		
Estimated sensitivity	0.46%	0.77%
Estimated increase in net interest income	$ 398	557

(1) -100 bp and -200 bp for the years ended December 31, 2002 and 2001, respectively

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

Item 8. Financial Statements and Supplementary Data

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

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Consolidated Statements of Operations	34
Consolidated Statements of Stockholders’ Equity and Comprehensive Income	35
Consolidated Statements of Cash Flows	36
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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, 2002 and 2001 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, 2002. 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 auditing standards generally accepted in the United States of America. 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, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 6 to the consolidated financial statements, the Company changed its accounting for goodwill in accordance with Statements of Financial Accounting Standards No. 142, *Goodwill and Other Intangibles*, and No. 147, *Acquisitions of Certain Financial Institutions*, effective January 1, 2002.

/s/ KPMG

Billings, Montana
January 31, 2003

Glacier Bancorp, Inc
Consolidated Statements of Financial Condition

(dollars in thousands, except per share data)		December 31, 2002	December 31, 2001
Assets:			
Cash on hand and in banks	$	**74,624**	73,456
Interest bearing cash deposits		**4,753**	23,970
Cash and cash equivalents		**79,377**	97,426
Investment securities, available-for-sale		**739,961**	508,578
Federal Home Loan Bank of Seattle stock, at cost		**38,286**	32,822
Federal Reserve Bank stock, at cost		**4,578**	4,185
Loans receivable, net		**1,248,666**	1,294,924
Loans held for sale		**51,987**	27,403
Premises and equipment, net		**47,215**	50,566
Real estate and other assets owned, net		**1,542**	593
Accrued interest receivable		**13,421**	12,409
Core deposit intangible, net of accumulated amortization of $3,014 and $1,575 at December 31, 2002, and 2001, respectively		**6,822**	8,261
Goodwill		**33,189**	33,510
Other assets		**16,300**	15,070
	$	**2,281,344**	2,085,747
Liabilities:			
Non-interest bearing deposits	$	**295,016**	234,318
Interest bearing deposits		**1,164,907**	1,211,746
Advances from Federal Home Loan Bank of Seattle		**483,660**	367,295
Securities sold under agreements to repurchase		**46,206**	32,585
Other borrowed funds		**15,087**	1,060
Accrued interest payable		**6,090**	9,179
Deferred tax liability		**8,629**	1,780
Trust preferred securities		**35,000**	35,000
Other liabilities		**14,500**	15,801
Total liabilities		**2,069,095**	1,908,764
Stockholders' equity:			
Preferred shares, 1,000,000 shares authorized. None outstanding at December 31, 2002 and 2001		**—**	—
Common stock, $01 par value per share. 50,000,000 shares authorized, 17,285,818 and 16,874,422 issued and outstanding at December 31, 2002 and 2001, respectively		**173**	169
Paid-in capital		**173,408**	167,371
Retained earnings — substantially restricted		**28,557**	7,687
Accumulated other comprehensive income		**10,111**	1,756
Total stockholders' equity		**212,249**	176,983
	$	**2,281,344**	2,085,747

See accompanying notes to consolidated financial statements.

Glacier Bancorp, Inc
Consolidated Statements of Operations

(dollars in thousands, except per share data)	Years ended December 31, 2002	2001	2000
Interest Income:			
Real estate loans	$ **29,290**	34,012	19,557
Commercial loans	**47,013**	48,292	28,784
Consumer and other loans	**22,559**	25,528	14,856
Investment securities and other	**35,127**	30,088	15,640
Total Interest Income	**133,989**	137,920	78,837
Interest Expense:			
Deposits	**26,268**	42,692	22,674
Federal Home Loan Bank of Seattle advances	**16,959**	18,280	13,454
Securities sold under agreements to repurchase	**591**	1,014	949
Trust preferred securities	**3,616**	3,313	—
Other borrowed funds	**88**	247	280
Total Interest Expense	**47,522**	65,546	37,357
Net Interest Income	**86,467**	72,374	41,480
Provision for loan losses	**5,745**	4,525	1,864
Net interest income after provision for loan losses	**80,722**	67,849	39,616
Non-Interest Income:			
Service charges and other fees	**14,011**	12,290	7,839
Miscellaneous loan fees and charges	**4,196**	4,058	1,917
Gain on sale of loans	**5,456**	4,132	2,049
Gain on sale of investments, net	**238**	64	51
Other income	**2,016**	2,707	1,438
Total Non-Interest Income	**25,917**	23,251	13,294
Non-Interest Expense:			
Compensation, employee benefits and related expenses	**30,448**	27,941	16,214
Occupancy and equipment expense	**9,591**	8,679	4,830
Outsourced data processing expense	**2,048**	2,596	1,313
Core deposit intangibles amortization	**1,439**	1,325	199
Goodwill amortization	**—**	1,699	360
Merger expense	**—**	1,975	—
Other expense	**14,287**	13,135	8,350
Minority interest	**—**	35	61
Total Non-Interest Expense	**57,813**	57,385	31,327
Earnings before income taxes	**48,826**	33,715	21,583
Federal and state income tax expense	**16,424**	12,026	7,580
Net Earnings	$ **32,402**	21,689	14,003
Basic earnings per share	$ **1.89**	1.38	1.22
Diluted earnings per share	$ **1.86**	1.34	1.21

See accompanying notes to consolidated financial statements

Glacier Bancorp, Inc
Consolidated Statements of Stockholders' Equity
and Comprehensive Income
Years ended December 31, 2002, 2001, and 2000

(Dollars in thousands, except per share data)	Common Stock Shares	Common Stock Amount	Paid-in capital	Retained earnings (accumulated deficit) substantially restricted	Accumulated other comprehensive income (loss)	Total stockholders' equity
Balance at December 31, 1999	10,394,041	$104	87,387	2,996	(5,431)	85,056
Comprehensive income:						
Net earnings	—	—	—	14,003	—	14,003
Unrealized gain on securities, net of reclassification adjustment	—	—	—	—	5,689	5,689
Total comprehensive income	—	—	—	—	—	19,692
Cash dividends declared ($59 per share)	—	—	—	(6,752)	—	(6,752)
Stock options exercised	14,161	—	134	—	—	134
Tax benefit from stock related compensation	—	—	16	—	—	16
10% stock dividend	1,039,608	10	14,302	(14,334)	—	(22)
Dissenting Mountain West shareholders	(660)	—	(11)	—	—	(11)
Balance at December 31, 2000	11,447,150	$114	101,828	(4,087)	258	98,113
Comprehensive income:						
Net earnings	—	—	—	21,689	—	21,689
Unrealized gain on securities, net of reclassification adjustment	—	—	—	—	1,498	1,498
Total comprehensive income	—	—	—	—	—	23,187
Cash dividends declared ($60 per share)	—	—	—	(9,915)	—	(9,915)
Stock options exercised	864,571	9	6,755	—	—	6,764
Tax benefit from stock related compensation	—	—	2,778	—	—	2,778
Conversion of debentures	32,239	1	341	—		342
Stock issued in connection with merger of WesterFed Financial Corporation	4,530,462	45	55,669	—	—	55,714
Balance at December 31, 2001	16,874,422	$169	167,371	7,687	1,756	176,983
Comprehensive income:						
Net earnings	—	—	—	32,402	—	32,402
Unrealized gain on securities, net of reclassification adjustment	—	—	—	—	8,355	8,355
Total comprehensive income	—	—	—	—	—	40,757
Cash dividends declared ($67 per share)	—	—	—	(11,532)	—	(11,532)
Stock options exercised	411,396	4	4,957	—	—	4,961
Tax benefit from stock related compensation	—	—	1,080	—	—	1,080
Balance at December 31, 2002	17,285,818	$173	173,408	28,557	10,111	212,249

	Year ended December 31, 2002	2001	2000
Disclosure of reclassification amount:			
Unrealized and realized holding gains arising during the year	$13,980	2,528	9,449
Tax expense	(5,480)	(991)	(3,725)
Net after tax	8,500	1,537	5,724
Reclassification adjustment for net gains included in net income	(238)	(64)	(51)
Tax expense	93	25	16
Net after tax	(145)	(39)	(35)
Net change in unrealized gain on available-for-sale securities	$ 8,355	1,498	5,689

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows

(dollars in thousands)	Years ended December 31, 2002	2001	2000
OPERATING ACTIVITIES :			
Net earnings	$ **32,402**	21,689	14,003
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Mortgage loans held for sale originated or acquired	**(409,481)**	(293,354)	(103,284)
Proceeds from sales of mortgage loans held for sale	**390,353**	255,671	102,122
Provision for loan losses	**5,745**	4,525	1,864
Depreciation of premises and equipment	**4,178**	3,837	2,315
Amortization of goodwill and core deposit intangible	**1,439**	3,024	559
Gain on sale of investments, net	**(238)**	(64)	(51)
Gain on sale of loans	**(5,456)**	(4,132)	(2,049)
Amortization of investment securities premiums and discounts, net	**5,640**	3,268	162
Federal Home Loan Bank of Seattle stock dividends	**(2,170)**	(1,990)	(1,022)
Gain on sale of branches	**—**	(511)	(198)
Deferred tax expense (benefit)	**1,466**	593	(139)
Net (increase) decrease in accrued interest receivable	**(1,012)**	485	(1,026)
Net (decrease) increase in accrued interest payable	**(3,089)**	(3,462)	1,874
Net (decrease) increase in current income taxes	**(915)**	1,077	(75)
Net increase in other assets	**(1,041)**	(7,706)	(15)
Net decrease in other liabilities and minority interest	**(1,205)**	(10,934)	(107)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**16,616**	(27,984)	14,933
INVESTING ACTIVITIES:			
Proceeds from sales, maturities and prepayments of investment securities available-for-sale	**206,554**	183,752	34,042
Purchases of investment securities available-for-sale	**(429,596)**	(295,498)	(27,335)
Principal collected on installment and commercial loans	**576,109**	433,639	231,674
Installment and commercial loans originated or acquired	**(617,200)**	(471,819)	(311,590)
Principal collections on mortgage loans	**259,774**	308,530	128,714
Mortgage loans originated or acquired	**(178,171)**	(192,668)	(132,464)
Net purchase of FHLB and FRB stock	**(3,687)**	(3,857)	(475)
Acquisition of WesterFed Financial Corporation and several branches	**—**	109,042	—
Net payments for sale of branches	**—**	(53,131)	(901)
Net (addition) disposal of premises and equipment	**(828)**	984	(3,307)
Acquisition of minority interest	—	(251)	—
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	**(187,045)**	18,723	(81,642)
FINANCING ACTIVITIES:			
Net increase in deposits	**13,859**	18,549	81,878
Net increase (decrease) in FHLB advances and other borrowed funds	**130,391**	1,876	(14,055)
Net increase (decrease) in securities sold under repurchase agreements	**13,621**	(143)	5,111
Proceeds from issuance of trust preferred securities	**—**	35,000	—
Conversion of debentures	**—**	(8)	—
Cash dividends paid	**(11,532)**	(9,915)	(6,905)
Proceeds from exercise of stock options and other stock issued	**6,041**	9,542	101
NET CASH PROVIDED BY FINANCING ACTIVITIES	**152,380**	54,901	66,130
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(18,049)**	45,640	(579)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**97,426**	51,786	52,365
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ **79,377**	97,426	51,786
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for interest	$ **62,762**	68,545	35,483
Cash paid during the year for income taxes	$ **14,793**	8,243	7,794

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 that provides a full range of banking services to individual and corporate customers in Montana, Idaho and Utah through its subsidiary banks. The subsidiary banks are subject to competition from other financial service providers. The subsidiary banks are also subject to the regulations of certain government agencies and undergo periodic examinations by those regulatory authorities.

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

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses. Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the subsidiary banks' allowance for loan losses. Such agencies may require the subsidiary banks to recognize additions to the allowance based on their 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 nine wholly owned operating subsidiaries, Glacier Bank ("Glacier"), First Security Bank of Missoula ("First Security"), Western Security Bank ("Western"), Mountain West Bank in Idaho, ("Mountain West"), Big Sky Western Bank, ("Big Sky"), Valley Bank of Helena ("Valley"), Glacier Bank of Whitefish ("Whitefish"), Glacier Capital Trust I ("Glacier Trust"), and Community First, Inc. ("CFI"). All significant inter-company transactions have been eliminated in consolidation. The Company owns 100% of the outstanding stock of each of the subsidiaries.

Mountain West was acquired February 4, 2000 using the pooling of interests method of accounting. Under this method, financial information for each of the periods presented includes the combined companies as though the merger had occurred prior to the earliest date presented. Western was acquired on February 28, 2001 through the purchase of WesterFed Financial Corporation, its parent company. The WesterFed acquisition was accounted for using the purchase method of accounting. Accordingly, the financial information presented includes the operations of Western since the date of acquisition. See footnote 20 for additional information related to these transactions.

On July 31, 2001, Glacier Bank of Eureka was merged into Whitefish and the minority interest of both banks was redeemed.

(c) Cash and Cash Equivalents

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

(d) Investment Securities

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

1. Summary of Significant Accounting Policies . . . continued

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

(e) Loans Receivable

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

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

(f) Loans Held for Sale

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

(g) Allowance for Loan Losses

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

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

(h) Premises and Equipment

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

1. Summary of Significant Accounting Policies . . . continued

i) Real Estate Owned

Property acquired by foreclosure or deed in lieu of foreclosure is carried at the lower of cost or estimated fair value, less selling costs. Costs, excluding interest, relating to the improvement of property are capitalized, whereas those relating to holding the property are charged to expense. Fair value is determined as the amount that could be reasonably expected in a current sale (other than a forced or liquidation sale) between a willing buyer and a willing seller. If the fair value of the asset minus the estimated cost to sell is less than the cost of the property, a loss is recognized and the asset carrying value is reduced.

(j) Restricted Stock Investments

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

(k) Goodwill

The excess of purchase price over the fair value of net assets from acquisitions ("Goodwill"), prior to January 1, 2002, was being amortized using the straight-line method over periods of primarily 5 to 25 years. As of January 1, 2002, the Company ceased amortization of goodwill as a result of Financial Accounting Standards Board (FASB) Statement 142, *Goodwill and Other Intangible Assets* and Statement 147, *Acquisition of Certain Financial Institutions.* As of January 1, 2002, on an annual basis, the Company tests goodwill for impairment at the subsidiary level. In addition, goodwill is tested for impairment on an interim basis if an event or circumstance indicates that it is more likely than not that an impairment loss has occurred. See Management Discussion and Analysis for information related to the recently issued accounting standards. As of December 31, 2002 and 2001 the accumulated amortization of goodwill was $3,001,000.

(l) Core Deposit Intangibles

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

(m) Income Taxes

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

(n) Stock-based Compensation

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

The per share weighted-average fair value of stock options granted during 2002, 2001 and 2000 was $3.26, $2.81, and $2.47, respectively, on the date of grant using the Black Scholes option-pricing model with the following assumptions: 2002 – expected dividend yield of 3.02%, risk-free interest rate of 2.73%, volatility ratio of 23%, and expected life of 4.8 years: 2001 – expected dividend yield of 3.60%, risk-free interest rate of 4.44%, volatility ratio of 25%, and expected life of 4.8 years: 2000 – expected dividend yield of 4.60%, risk-free interest rate of 4.98%, volatility ratio of 25%, and expected life of 4.8 years.

1. Summary of Significant Accounting Policies . . . continued

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

		Years ended December 31,		
		2002	2001	2000
Net earnings (in thousands):	As reported	**$32,402**	21,689	14,003
	Compensation cost	**(577)**	(329)	(624)
	Pro forma	**31,825**	21,360	13,379
Basic earnings per share:	As reported	**1.89**	1.38	1.22
	Compensation cost	**(0.03)**	(0.02)	(0.05)
	Pro forma	**1.86**	1.36	1.17
Diluted earnings per share:	As reported	**1.86**	1.34	1.21
	Compensation cost	**(0.03)**	(0.02)	(0.05)
	Pro forma	**1.83**	1.32	1.16

(o) Long-lived Assets

Long-lived assets, including core deposit intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is deemed impaired if the sum of the expected future cash flows is less than the carrying amount of the asset. If impaired, an impairment loss is recognized to reduce the carrying value of the asset to fair value. At December 31, 2002 and 2001 there were no assets that were considered impaired.

(p) Mortgage Servicing Rights

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

As of December 31, 2002 and 2001 the carrying value of servicing rights was approximately $1,973,000 and $2,200,000, respectively. Amortization expense of $480,000, $314,000, and $89,000 was recognized in the years ended December 31, 2002, 2001, and 2000, respectively. The servicing rights are included in other assets on the balance sheet and are amortized over the period of estimated net servicing income. There was no impairment of carrying value at December 31, 2002 or 2001. At December 31, 2002, the fair value of mortgage servicing rights was approximately $2,172,000.

(q) Earnings Per Share

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

1. Summary of Significant Accounting Policies . . . continued

(r) Comprehensive Income

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

(s) Reclassifications

Certain reclassifications have been made to the 2001 and 2000 financial statements to conform to the 2002 presentation.

2. Cash on Hand and in Banks

The subsidiary banks are required to maintain an average reserve balance with either the Federal Reserve Bank or in the form of cash on hand. The amount of this required reserve balance at December 31, 2002 was $7,404,000.

3. Investment Securities, Available for Sale

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

INVESTMENTS AS OF DECEMBER 31, 2002

(Dollars in thousands)	Weighted Yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government and Federal Agencies					
maturing after ten years	3.45%	$ 1,086	10	(2)	1,094
	3.45%	1,086	10	(2)	1,094
State and Local Governments and other issues:					
maturing within one year	5.81%	3,144	53	—	3,197
maturing one year through five years	5.20%	10,037	227	(98)	10,166
maturing five years through ten years	5.44%	2,457	101	—	2,558
maturing after ten years	5.44%	236,620	8,046	(1,075)	243,591
	5.43%	252,258	8,427	(1,173)	259,512
Mortgage-Backed Securities	5.39%	81,043	2,440	(82)	83,401
Real Estate Mortgage Investment Conduits	4.63%	388,927	7,208	(181)	395,954
FHLB and FRB stock, at cost	6.17%	42,864	—	—	42,864
Total Investments	5.06%	$766,178	18,085	(1,438)	782,825

3. Investment Securities, Available for Sale...continued

INVESTMENTS AS OF DECEMBER 31, 2001

(Dollars in thousands)	Weighted Yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government and Federal Agencies					
maturing after ten years	2.77%	$ 1,330	12	(3)	1,339
	2.77%	1,330	12	(3)	1,339
State and Local Governments and other issues:					
maturing within one year	3.25%	4,639	28	—	4,667
maturing one year through five years	5.36%	13,774	291	(65)	14,000
maturing five years through ten years	5.50%	2,349	57	(6)	2,400
maturing after ten years	5.81%	135,789	1,563	(1,722)	135,630
	5.67%	156,551	1,939	(1,793)	156,697
Mortgage-Backed Securities	6.08%	129,322	1,868	(126)	131,064
Real Estate Mortgage Investment Conduits	6.11%	218,470	2,941	(1,933)	219,478
FHLB and FRB stock, at cost	6.82%	37,007	—	—	37,007
Total Investments	6.01%	$542,680	6,760	(3,855)	545,585

The book value of investment securities is as follows at:

(dollars in thousands)	December 31, 2000
U.S. Government and Federal Agencies	$ 9,573
State and Local Governments and Other Issues	61,842
Mortgage-Backed Securities	39,485
Real Estate Mortgage Investment Conduits	100,988
FHLB and FRB stock	18,098
	$229,986

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

Interest Income includes tax-exempt interest for the years ended December 31, 2002, 2001, and 2000 of $8,074,000, $4,624,000, and $2,659,000, respectively.

Gross proceeds from sales of investment securities for the years ended December 31, 2002, 2001, and 2000 were approximately $31,695,000, $86,311,000 and $19,253,000 respectively, resulting in gross gains of approximately $451,000, $71,000 and $127,000 and gross losses of approximately $213,000, $7,000 and $76,000, respectively. The cost of any investment sold is determined by specific identification.

At December 31, 2002, the Company had investment securities with carrying values of approximately $113,742,000 pledged as security for deposits of several local government units, securities sold under agreements to repurchase, and as collateral for treasury tax and loan borrowings.

4. Loans Receivable, Net and Loans Held for Sale

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

	December 31,	
(dollars in thousands)	2002	2001
Residential first mortgage	**$ 310,205**	395,417
Loans held for sale	**51,987**	27,403
Commercial real estate	**397,803**	379,346
Commercial	**276,675**	241,811
Consumer	**112,893**	142,875
Home equity	**174,033**	156,140
	1,323,596	1,342,992
Net deferred loan fees, premiums and discounts	**(1,999)**	(2,011)
Allowance for loan losses	**(20,944)**	(18,654)
	$1,300,653	1,322,327

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

	Years ended December 31,		
(dollars in thousands)	2002	2001	2000
Balance, beginning of period	**$18,654**	7,799	6,722
Acquisitions	—	8,893	—
Net charge offs	**(3,455)**	(2,563)	(787)
Provision	**5,745**	4,525	1,864
Balance, end of period	**$20,944**	18,654	7,799

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

	December 31, 2002		December 31, 2001	
(dollars in thousands)	Amount	Percent of of loans in category	Amount	Percent of of loans in category
Residential first mortgage and loans held for sale	**$ 2,334**	**27.4%**	$ 2,722	31.5%
Commercial real estate	**7,088**	**30.1%**	5,906	28.3%
Other commercial	**7,670**	**20.9%**	6,225	18.0%
Consumer loans	**1,830**	**8.5%**	2,132	10.6%
Home equity	**2,022**	**13.1%**	1,669	11.6%
	$20,944	**100.0%**	$18,654	100.0%

Substantially all of the Company's loan receivables are with customers within the Company's market area. Although the Company has a diversified loan portfolio, a substantial portion of its customers' ability to honor their contracts is dependent upon the economic performance in the Company's market areas. At December 31, 2002, no individual borrower had outstanding loans or commitments exceeding 10% of the Company's consolidated stockholders' equity.

Impaired loans, which consists of those reported as non-accrual, for the years ended December 31, 2002, 2001, and 2000 were approximately $8,042,000, $9,232,000, and $1,154,000, respectively, of which no impairment allowance was deemed necessary. The average recorded investment in impaired loans for

4. Loans Receivable, Net and Loans Held for Sale . . . continued

the years ended December 31, 2002, 2001, and 2000 was approximately $8,275,000, $7,842,000, and $1,309,000, respectively. Interest income that would have been recorded on impaired loans if such loans had been current for the entire period would have been approximately $596,000, $658,000, and $101,000 for the years ended December 31, 2002, 2001, and 2000, respectively. Interest income recognized on impaired loans for the years ended December 31, 2002, 2001, and 2000 was not significant. Loans ninety days overdue and still accruing for the years ended December 31, 2002, 2001, and 2000 were approximately $1,998,000, $1,437,000, and $750,000, respectively.

The weighted average interest rate on loans was 7.48% and 8.37% at December 31, 2002 and 2001, respectively.

At December 31, 2002, 2001 and 2000 loans sold and serviced for others were $253,063,000, $286,996,000, and $146,534,000, respectively.

At December 31, 2002 the Company had $674,811,000 in variable rate loans and $648,785,000 in fixed rate loans.

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit, and involve, to varying degrees, elements of credit risk. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. The Company did not have any outstanding commitments on impaired loans as of December 31, 2002.

The Company had outstanding commitments as follows:

	December 31,	
(dollars in thousands)	2002	2001
Loans and loans in process	$**208,345**	159,481
Unused consumer lines of credit	**78,138**	60,890
Letters of credit	**18,716**	23,750
	$**305,199**	244,121

Substantially all of the loans held for sale at December 31, 2002 and 2001 were committed to be sold.

The Company has entered into transactions with its executive officers, directors, significant shareholders, and their affiliates. The aggregate amount of loans to such related parties at December 31, 2002 was approximately $21,187,000. During 2002, new loans to such related parties were approximately $15,358,000 and repayments were approximately $7,157,000.

5. Premises and Equipment, Net

Premises and equipment, net consist of the following at:

	December 31,	
(dollars in thousands)	2002	2001
Land	$ **10,324**	10,956
Office buildings and construction in progress	**35,830**	37,241
Furniture, fixtures and equipment	**22,066**	23,317
Leasehold improvements	**2,613**	2,149
Accumulated depreciation	**(23,618)**	(23,097)
	$ **47,215**	50,566

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6. Goodwill and Other Intangible Assets

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

(Dollars in thousands)	Core Deposit Intangible	Mortgage Servicing Rights (1)	Total
As of December 31, 2002			
Gross carrying value	$ 9,836		
Accumulated Amortization	(3,014)		
Net carrying value	$ 6,822	1,973	8,795
As of December 31, 2001			
Gross carrying value	$ 9,836		
Accumulated Amortization	(1,575)		
Net carrying value	$ 8,261	2,200	10,461
Weighted-Average amortization period			
(Period in years)	10.0	8.9	9.8
Aggregate Amortization Expense			
For the year ended December 31, 2001	$ 1,325	314	1,639
For the year ended December 31, 2002	1,439	480	1,919
Estimated Amortization Expense			
For the year ended December 31, 2003	1,219	332	1,551
For the year ended December 31, 2004	1,011	317	1,328
For the year ended December 31, 2005	847	302	1,149
For the year ended December 31, 2006	779	286	1,065
For the year ended December 31, 2007	766	271	1,037

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

As of January 1, 2002, the Company no longer amortizes goodwill as a result of the FASB Statements 142 and 147. See Management Discussion and Analysis for further information regarding recently issued accounting standards. The following pro forma information presents the consolidated results of operations as if the adoption of Statements 142 and 147 had occurred on January 1, 2000.

	For the year ended December 31,		
(Dollars in thousands)	2002	2001	2000
Reported net income	$32,402	21,689	14,003
Add back goodwill amortization, net of tax	—	1,368	236
Adjusted net income	$32,402	23,057	14,239

	2002		2001		2000	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Reported net income	$1.89	1.86	1.38	1.34	1.22	1.21
Add back goodwill amortization, net of tax	—	—	0.09	0.09	0.02	0.02
Adjusted net income	$1.89	1.86	1.47	1.43	1.24	1.23

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7. Deposits

Deposits consist of the following at:

(dollars in thousands)	December 31, 2002 Weighted Average Rate	December 31, 2002 Amount	December 31, 2002 Percent	December 31, 2001 Amount	December 31, 2001 Percent
Demand accounts	**0.0%**	**$ 295,016**	**20.2%**	$ 234,318	16.2%
NOW accounts	**0.4%**	**214,177**	**14.7%**	218,048	15.1%
Savings accounts	**0.7%**	**124,787**	**8.5%**	122,042	8.4%
Money market demand accounts	**1.9%**	**353,998**	**24.2%**	313,934	21.7%
Certificate accounts:					
2.00% and lower		**106,556**	**7.3%**	6,868	0.5%
2.01% to 3.00%		**157,980**	**10.8%**	102,961	7.1%
3.01% to 4.00%		**103,393**	**7.1%**	140,610	9.7%
4.01% to 5.00%		**33,916**	**2.3%**	125,544	8.7%
5.01% to 6.00%		**37,822**	**2.7%**	107,462	7.5%
6.01% to 7.00%		**30,894**	**2.1%**	70,672	4.9%
7.01% and higher		**1,384**	**0.1%**	3,605	0.2%
Total certificate accounts	**3.6%**	**471,945**	**32.4%**	557,722	38.6%
Total interest bearing deposits	**2.2%**	**1,164,907**	**79.8%**	1,211,746	83.8%
Total deposits	**1.8%**	**$1,459,923**	**100.0%**	1,446,064	100.0%
Deposits with a balance in excess of $100,000		**$ 458,384**		$ 416,137	

At December 31, 2002, scheduled maturities of certificate accounts are as follows:

(dollars in thousands)	Total	Years ending December 31, 2003	2004	2005	2006	Thereafter
2.00% and lower	**$106,556**	105,228	1,200	128	—	—
2.01% to 3.00%	**157,980**	137,001	18,852	2,036	68	23
3.01% to 4.00%	**103,393**	72,620	20,560	8,350	1,014	849
4.01% to 5.00%	**33,916**	16,263	6,140	5,060	4,028	2,425
5.01% to 6.00%	**37,822**	13,801	7,792	2,348	2,576	11,305
6.01% to 7.00%	**30,894**	12,582	3,225	6,265	1,842	6,980
7.01% and higher	**$ 1,384**	881	17	486	—	—
	471,945	358,376	57,786	24,673	9,528	21,582

Interest expense on deposits is summarized as follows:

(dollars in thousands)	Years ended December 31, 2002	2001	2000
NOW accounts	**$ 723**	1,758	1,068
Savings accounts	**857**	1,855	806
Money market demand accounts	**6,771**	9,575	7,447
Certificate accounts	**17,917**	29,504	13,353
	$26,268	42,692	22,674

8. Advances from Federal Home Loan Bank of Seattle

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

	Maturing in years ending December 31,						Totals as of December 31,	
(dollars in thousands)	2003	2004	2005	2006	2007	2008-2013	2002	2001
1.00% to 2.00%	23,815	—	—	—	59,700	—	83,515	35,600
2.01% to 3.00%	8,000	26,000	13,000	4,000	36,000	—	87,000	325
3.01% to 4.00%	—	35,250	41,350	—	—	40,000	116,600	18,500
4.01% to 5.00%	83,075	5,500	—	—	—	42,000	130,575	216,977
5.01% to 6.00%	30,573	12,652	144	144	144	18,129	61,786	84,693
6.01% to 7.00%	233	184	169	969	69	870	2,494	9,470
7.01% to 8.00%	340	240	210	500	300	100	1,690	1,530
8.01% to 8.15%	—	—	—	—	—	—	—	200
	$146,036	79,826	54,873	5,613	96,213	101,099	483,660	367,295

These advances are collateralized by the FHLB stock held by the Company and a blanket assignment of the Bank’s unpledged qualifying real estate loans and investments. The total amount of advances available, subject to collateral availability, as of December 31, 2002 was approximately $292,377,000.

The weighted average interest rate on these advances was 4.15% and 5.24% at December 31, 2002 and 2001, respectively.

The Federal Home Loan Bank of Seattle holds callable options, which may be exercised after a predetermined time as shown below as of December 31, 2002:

(dollars in thousands)	Amount	Interest Rate	Maturity	Earliest Call
Call Terms				
Quarterly at FHLB option	$ 59,700	1.22% - 1.23%	2007	2003
Quarterly at FHLB option	13,000	2.33%	2007	2004
Quarterly at FHLB option	13,000	2.88%	2007	2005
Quarterly at FHLB option	10,000	2.97%	2007	2005
Quarterly at FHLB option	3,000	5.37%	2008	2003
Quarterly at FHLB option	15,000	5.52%	2008	2003
If three month LIBOR is greater than 8% on quarterly measurement date after initial term	82,000	3.49% - 4.83%	2012	2004
	$195,700			

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9. Securities Sold Under Agreements to Repurchase and Other Borrowed Funds

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

(dollars in thousands) December 31, 2002	Repurchase amount	Weighted average rate	Book value of underlying assets	Market value of underlying assets
Securities sold under agreements to repurchase within:				
1-30 days	**46,206**	**1.46%**	**67,846**	**70,722**
	$46,206	**1.46%**	**$67,846**	**70,722**
December 31, 2001:				
Securities sold under agreements to repurchase within:				
1-30 days	$29,452	2.09%	$46,721	49,088
Greater than 90 days	3,133	2.38%	2,538	2,657
	$32,585	2.11%	$49,259	51,745

The securities, consisting of agency issued or guaranteed mortgage backed securities, underlying agreements to repurchase entered into by the Company are for the same securities originally sold, and are held in a custody account by a third party. For the year ended December 31, 2002 and 2001 securities sold under agreements to repurchase averaged approximately $35,480,000 and $27,375,000, respectively, and the maximum outstanding at any month end during the year was approximately $46,206,000 and $37,814,000, respectively.

The Company also has a treasury tax and loan account note option program which provides short term funding with no fixed maturity date up to $19,500,000 at federal funds rates minus 25 basis points. At December 31, 2002 and 2001 the outstanding balance under this program was approximately $15,087,000 and $1,060,000. The borrowings are secured with investment securities with a par value of approximately $27,320,000 and a market value of approximately $28,680,000. For the year ended December 31, 2002, the maximum outstanding at any month end was approximately $16,799,000 and the average balance was approximately $5,541,000.

During 1999, the Company assumed Big Sky’s subordinated convertible debentures as part of the merger transaction. The outstanding balance at December 31, 2000 was $350,000. The interest rate was 7.5 percent, payable quarterly. On December 31, 2001, the debentures became due and were exchanged for 33,257 shares of Company stock and $8,508 in cash.

10. Trust Preferred Securities

On January 25, 2001, 1,400,000 shares of trust preferred shares were issued by Glacier Trust whose common equity is wholly owned by the Company. The Trust Preferred Securities bear a cumulative fixed interest rate of 9.40% and mature on February 1, 2031. Interest distributions are payable quarterly. The Trust Preferred Securities are subject to mandatory redemption upon repayment of the Subordinated Debentures of $35,000,000 at their stated maturity date or their earlier redemption in an amount equal to their liquidation amount plus accumulated and unpaid distributions to the date of redemption. The Company guaranteed the payment of distributions and payments for redemption or liquidation of the Trust Preferred Securities to the extent of funds held by the Trust. The obligations of the Company under the Subordinated Debentures together with the guarantee and other back-up obligations, in the aggregate, constitute a full and unconditional guarantee by the Company of the obligations of the Trust under the Trust Preferred Securities. The Trust Preferred Securities qualify as Tier 1 capital under regulatory definitions.

The Subordinated Debentures are unsecured, bear interest at a rate of 9.40% per annum and mature on February 1, 2031. Interest is payable quarterly. The Company may defer the payment of interest at any time from time to time for a period not exceeding 20 consecutive quarters provided that deferral period does not extend past the stated maturity. During any such deferral period, distributions on the Trust Preferred Securities will also be deferred and the Company's ability to pay dividends on its common shares will be restricted.

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

11. Regulatory Capital

The Federal Reserve Board has adopted capital adequacy guidelines pursuant to which it assesses the adequacy of capital in supervising a bank holding company. The following table illustrates the Federal Reserve Board's adequacy guidelines and the Company's compliance with those guidelines as of December 31, 2002:

	Actual		Minimum capital requirement		Well capitalized requirement	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier 1 (core) capital to risk weighted assets						
Consolidated	197,131	12.99%	60,712	4.00%	91,069	6.00%
Glacier	45,357	13.54%	13,404	4.00%	20,106	6.00%
First Security	36,963	11.06%	13,369	4.00%	20,053	6.00%
Western	38,755	15.33%	10,114	4.00%	15,171	6.00%
Mountain West	25,088	9.85%	10,184	4.00%	15,276	6.00%
Big Sky	13,922	10.77%	5,169	4.00%	7,754	6.00%
Valley	13,647	11.43%	4,776	4.00%	7,164	6.00%
Whitefish	9,957	11.64%	3,423	4.00%	5,134	6.00%
Tier 2 (total) capital to risk weighted assets						
Consolidated	216,179	14.24%	121,425	8.00%	151,781	10.00%
Glacier	49,546	14.79%	26,808	8.00%	33,510	10.00%
First Security	41,147	12.31%	26,738	8.00%	33,422	10.00%
Western	41,991	16.61%	20,228	8.00%	25,285	10.00%
Mountain West	27,618	10.85%	20,367	8.00%	25,459	10.00%
Big Sky	15,543	12.03%	10,338	8.00%	12,923	10.00%
Valley	14,860	12.45%	9,552	8.00%	11,940	10.00%
Whitefish	11,021	12.88%	6,845	8.00%	8,557	10.00%
Leverage capital to total average assets						
Consolidated	197,131	8.95%	88,110	4.00%	110,137	5.00%
Glacier	45,357	9.48%	19,132	4.00%	23,915	5.00%
First Security	36,963	7.82%	18,918	4.00%	23,647	5.00%
Western	38,755	9.83%	15,771	4.00%	19,714	5.00%
Mountain West	25,088	6.71%	14,959	4.00%	18,699	5.00%
Big Sky	13,922	8.04%	6,929	4.00%	8,662	5.00%
Valley	13,647	7.54%	7,239	4.00%	9,049	5.00%
Whitefish	9,957	8.09%	4,922	4.00%	6,153	5.00%

11. Regulatory Capital. . . continued

The following table illustrates the Federal Reserve Board's adequacy guidelines and the Company's compliance with those guidelines as of December 31, 2001:

	Actual		Minimum capital requirement		Well capitalized requirement	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier 1 (core) capital to risk weighted assets						
Consolidated	168,389	11.81%	57,010	4.00%	85,515	6.00%
Glacier	39,317	12.04%	13,065	4.00%	19,597	6.00%
First Security	32,054	9.80%	13,078	4.00%	19,618	6.00%
Western	34,128	13.04%	10,466	4.00%	15,699	6.00%
Mountain West	19,807	10.03%	7,902	4.00%	11,854	6.00%
Big Sky	11,778	9.53%	4,941	4.00%	7,412	6.00%
Valley	11,625	10.02%	4,641	4.00%	6,961	6.00%
Whitefish	8,440	11.65%	2,898	4.00%	4,347	6.00%
Tier 2 (total) capital to risk weighted assets						
Consolidated	186,215	13.07%	114,020	8.00%	142,524	10.00%
Glacier	43,016	13.17%	26,129	8.00%	32,661	10.00%
First Security	35,797	10.95%	26,157	8.00%	32,696	10.00%
Western	37,422	14.30%	20,932	8.00%	26,165	10.00%
Mountain West	21,850	11.06%	15,805	8.00%	19,756	10.00%
Big Sky	13,326	10.79%	9,882	8.00%	12,353	10.00%
Valley	12,817	11.05%	9,281	8.00%	11,601	10.00%
Whitefish	9,346	12.90%	5,796	8.00%	7,245	10.00%
Leverage capital to total average assets						
Consolidated	168,389	8.21%	82,049	4.00%	102,561	5.00%
Glacier	39,317	8.32%	18,911	4.00%	23,639	5.00%
First Security	32,054	7.56%	16,958	4.00%	21,198	5.00%
Western	34,128	8.62%	15,845	4.00%	19,807	5.00%
Mountain West	19,807	6.33%	12,511	4.00%	15,639	5.00%
Big Sky	11,778	7.10%	6,638	4.00%	8,297	5.00%
Valley	11,625	7.22%	6,442	4.00%	8,053	5.00%
Whitefish	8,440	7.06%	4,784	4.00%	5,980	5.00%

The Federal Deposit Insurance Corporation Improvement Act generally restricts a depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its holding Company if the institution would thereafter be capitalized at less than 8% of total risk-based capital, 4% of Tier I capital, or a 4% leverage ratio. At December 31, 2002 and 2001, 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, 2002 and 2001.

12. Federal and State Income Taxes

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

(dollars in thousands)	Years ended December 31, 2002	2001	2000
Current:			
Federal	**$11,925**	9,292	6,259
State	**3,033**	2,141	1,460
Total current tax expense	**14,958**	11,433	7,719
Deferred:			
Federal	**1,139**	454	(74)
State	**327**	139	(65)
Total deferred tax expense (benefit)	**1,466**	593	(139)
Total income tax expense	**$16,424**	12,026	7,580

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

	Years ended December 31, 2002	2001	2000
Federal statutory rate	**35.0%**	35.0%	35.0%
State taxes, net of federal income tax benefit	**4.4%**	4.4%	4.2%
Tax-exempt interest income	**-5.4%**	-4.5%	-4.1%
Other, net	**-0.4%**	0.8%	0.0%
	33.6%	35.7%	35.1%

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

(dollars in thousands)	December 31, 2002	2001
Deferred tax assets:		
Allowance for losses on loans	$ **8,270**	7,816
Deferred compensation	**1,211**	1,540
Other	**863**	1,017
Total gross deferred tax assets	**10,344**	10,373
Deferred tax liabilities:		
Federal Home Loan Bank stock dividends	**(8,301)**	(7,870)
Fixed assets, due to differences in depreciation	**(1,864)**	(1,969)
Available-for-sale securities fair value adjustment	**(6,536)**	(1,149)
Other	**(2,272)**	(1,165)
Total gross deferred tax liabilities	**(18,973)**	(12,153)
Net deferred tax liability	$ **(8,629)**	(1,780)

There is no valuation allowance at December 31, 2002 and 2001 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, 2002 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

12. Federal and State Income Taxes . . . continued

amount is treated as a permanent difference and deferred taxes are not recognized unless it appears that this reserve will be reduced and thereby result in taxable income in the foreseeable future. The Company is not currently contemplating any changes in its business or operations which would result in a recapture of this federal bad debt reserve into taxable income.

13. Employee Benefit Plans

Prior to 2002, the Company had a noncontributory defined contribution retirement plan covering substantially all employees. The Company followed the policy of funding retirement plan contributions as accrued. As of January 1, 2002, the retirement plan was merged with the employee savings plan as a profit sharing plan. The plan has a 3% “safe harbor” provision which is a non-elective contribution by the Company. In addition, elective contributions, depending on the Company’s profitability, are made to the plan. The total plan expense for the years ended December 31, 2002, 2001, and 2000 was approximately $2,691,000, $1,599,000 and $1,058,000 respectively.

The Company also has an employees’ savings plan. The plan allows eligible employees to contribute up to 25% 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, 2002, 2001 and 2000 was approximately $577,000, $511,000, and $331,000, 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, 2002, 2001 and 2000 was approximately $28,000, $9,000, and $18,000, 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 $67,000, $59,000, and $34,000, for the years ending December 31, 2002, 2001, and 2000, 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 (losses) for the years ended 2002, 2001, and 2000 were approximately $72,000, $164,000, and ($24,000), respectively. In connection with the WesterFed acquisition (See note 20), the Company assumed the obligations of a deferred compensation plan for certain key employees. The plan provides predetermined periodic payments over 10 to 15 years upon retirement or death. As of December 31, 2002, the liability related to the obligation was approximately $2,300,000 and was included in other liabilities of the Consolidated Statements of Financial Condition. The amount expensed related to the obligation during 2002 was insignificant.

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

14. Earnings Per Share

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

	For the Years Ended December 31,		
	2002	2001	2000
Net earnings available to common stockholders, basic	**$32,401,809**	21,689,058	14,003,000
After tax effect of interest on convertible subordinated debentures	**—**	16,000	16,000
Net earnings available to common stockholders, diluted	**$32,401,809**	21,705,058	14,019,000
Average outstanding shares — basic	**17,151,759**	15,701,935	11,440,391
Add: Dilutive stock options	**292,726**	406,089	70,730
Convertible subordinated debentures	**—**	33,025	33,025
Average outstanding shares — diluted	**17,444,485**	16,141,049	11,544,146
Basic earnings per share	$ **1.89**	1.38	1.22
Diluted earnings per share	$ **1.86**	1.34	1.21

There were no options excluded from the diluted share calculation in the current year due to market price exceeding the option exercise price as of December 31, 2002. Approximately 276,000 and 510,000 option shares in 2001 and 2000, respectively, were not included because the option exercise price exceeded the market value.

15. Stock Option Plans

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

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

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15. Stock Option Plans . . . continued

At December 31, 2002, total shares available for option grants to employees and directors are 1,880,848. Changes in shares granted for stock options for the years ended December 31, 2002, 2001, and 2000, are summarized as follows:

	Options outstanding		Options exercisable	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance, December 31, 1999	711,456	$15.85	402,342	$12.41
Canceled	(12,687)	15.42	(28,889)	16.77
Granted	145,818	15.27		
Became exercisable			161,852	17.81
Stock dividend	54,887		60,210	
Exercised	(14,161)	9.47	(14,161)	9.47
Balance, December 31, 2000	885,313	14.34	581,354	13.13
Canceled	(45,059)	15.20	(18,523)	17.84
Granted	222,006	14.98		
Became exercisable			179,992	18.72
WesterFed acquisition	947,979	7.45	947,979	7.45
Exercised	(864,571)	7.82	(864,571)	7.82
Balance, December 31, 2001	1,145,668	13.64	826,231	13.28
Canceled	(20,158)	18.88	(3,516)	16.62
Granted	198,997	21.89		
Became exercisable			123,884	14.26
Exercised	(415,099)	12.15	(415,099)	12.15
Balance, December 31, 2002	909,408	16.00	531,500	14.36

The range of exercise prices on options outstanding at December 31, 2002 is as follows:

				Options exercisable	
Price range	Shares	Weighted average exercise price	Weighted average life of options	Shares	Weighted average exercise price
$2.76 - $ 7.11	29,625	$ 5.87	1.3 years	29,625	$ 5.87
$8.79 - $ 9.36	107,817	9.05	4.9 years	107,817	9.05
$11.20 - $12.94	84,139	11.81	4.2 years	81,139	11.77
$13.53 - $15.52	220,025	13.75	2.8 years	87,174	13.92
$17.50 - $19.47	234,245	18.38	.9 years	180,245	18.60
$20.71 - $22.69	233,557	21.72	4.0 years	45,500	21.12
	909,408	16.00	3.0 years	531,500	14.36

The options exercised during the year ended December 31, 2002 were at prices from $5.59 to $19.09.

In connection with the acquisition of WesterFed Financial Corporation, outstanding options for employees and directors of WesterFed for 947,979 were exchanged for options outstanding of Company stock at a weighted exercise price of $7.45.

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16. Parent Company Information (Condensed)

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

Statements of Financial Condition	December 31,	
(dollars in thousands)	2002	2001
Assets:		
Cash	$ 4,807	6,548
Interest bearing cash deposits	6,010	441
Cash and cash equivalents	10,817	6,989
Investment securities, available-for-sale	1,393	321
Other assets	4,719	7,253
Investment in subsidiaries	233,866	200,438
	$250,795	215,001
Liabilities and Stockholders' Equity:		
Dividends payable	$ 3,115	2,538
Trust preferred securities	35,000	35,000
Other liabilities	431	480
Total liabilities	38,546	38,018
Common stock	173	169
Paid-in capital	173,408	167,371
Retained earnings	28,557	7,687
Accumulated other comprehensive income	10,111	1,756
Total stockholders' equity	212,249	176,983
	$250,795	215,001

Statements of Operations	Years ended December 31,		
(dollars in thousands)	2002	2001	2000
Revenues			
Dividends from subsidiaries	$13,232	37,268	8,650
Other income	178	371	163
Intercompany charges for services	5,381	3,826	2,469
Total revenues	18,791	41,465	11,282
Expenses			
Employee compensation and benefits	3,755	2,984	1,852
Goodwill amortization	—	236	243
Other operating expenses	6,778	6,743	1,635
Total expenses	10,533	9,963	3,730
Earnings before income tax benefit and equity in undistributed earnings of subsidiaries	8,258	31,502	7,552
Income tax benefit	(1,984)	(2,181)	(359)
Income before equity in undistributed earnings of subsidiaries	10,242	33,683	7,911
Earnings in excess of (less than) dividends distributed	22,160	(11,994)	6,092
Net earnings	$32,402	21,689	14,003

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

Statements of Cash Flows (dollars in thousands)	Years ended December 31, 2002	2001	2000
Operating Activities Net earnings	**$ 32,402**	21,689	14,003
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Goodwill amortization	—	236	243
Gain (loss) on sale of investments available-for-sale	**43**	—	(11)
Earnings (in excess of) less than dividends distributed	**(22,160)**	11,994	(6,092)
Net increase in other assets and other liabilities	**1,761**	(965)	322
Net cash provided by operating activities	**12,046**	32,954	8,465
Investing activities Purchases of investment securities available-for-sale	**(1,261)**	—	—
Proceeds from sales, maturities and prepayments of securities available-for-sale	**234**	254	702
Equity contribution to subsidiary	**(1,000)**	(61,934)	(2,200)
Net addition of premises and equipment	**(700)**	(921)	(480)
Acquisition of minority interest	—	(251)	—
Net cash used by investing activities	**(2,727)**	(62,852)	(1,978)
Financing activities Proceeds from exercise of stock options and other stock issued	**6,041**	9,542	101
Proceeds from issuance of trust preferred securities	—	35,000	—
Cash dividends paid	**(11,532)**	(9,915)	(6,905)
Net cash provided (used) by financing activities	**(5,491)**	34,627	(6,804)
Net increase (decrease) in cash and cash equivalents	**3,828**	4,729	(317)
Cash and cash equivalents at beginning of year	**6,989**	2,260	2,577
Cash and cash equivalents at end of year	**$ 10,817**	6,989	2,260

17. Unaudited Quarterly Financial Data

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

	Quarters Ended, 2002 March 31	June 30	September 30	December 31
Interest income	$ 33,078	33,507	33,829	33,575
Interest expense	12,711	11,906	11,698	11,207
Net interest income	20,367	21,601	22,131	22,368
Provision for loan losses	1,300	1,260	1,665	1,520
Income before income taxes	10,551	12,333	12,927	13,015
Net earnings	6,897	8,128	8,616	8,761
Basic earnings per share	0.41	0.47	0.50	0.51
Diluted earnings per share	0.40	0.47	0.49	0.50
Dividends per share	0.16	0.16	0.17	0.18
Market range high-low	$23.25-$19.10	$24.99-$20.85	$24.60-$19.73	$24.00-$19.90

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17. Unaudited Quarterly Financial Data...continued

	Quarters Ended, 2001 (1)			
	March 31	June 30	September 30	December 31
Interest income	$ 26,375	38,663	37,100	35,782
Interest expense	13,273	19,536	17,901	14,836
Net interest income	13,102	19,127	19,199	20,946
Provision for loan losses	585	1,838	1,006	1,096
Income before income taxes	6,129	8,683	8,879	10,024
Net earnings	3,914	5,608	5,707	6,460
Basic earnings per share	0.30	0.35	0.34	0.39
Diluted earnings per share	0.29	0.34	0.33	0.38
Dividends per share	0.15	0.15	0.15	0.15
Market range high-low	$16.13-$12.25	$19.75-$14.50	$19.20-$17.06	$21.19-$15.78

[1] Includes WesterFed results from February 28, 2001

18. Fair Value of Financial Instruments

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

	2002		2001	
(dollars in thousands)	Amount	Fair Value	Amount	Fair Value
Financial Assets:				
Cash	$ **74,624**	**74,624**	73,456	73,456
Interest bearing cash deposits	**4,753**	**4,753**	23,970	23,970
Investment securities	**260,606**	**260,606**	158,036	158,036
Mortgage-backed securities	**479,355**	**479,355**	350,542	350,542
Loans	**1,300,653**	**1,341,141**	1,322,327	1,359,925
FHLB and Federal Reserve Bank stock	**42,864**	**42,864**	37,007	37,007
Financial Liabilities:				
Deposits	**$1,459,923**	**1,465,029**	1,446,064	1,472,241
Advances from the FHLB of Seattle	**483,660**	**498,286**	367,295	375,253
Repurchase agreements and other borrowed funds	**61,293**	**61,293**	33,645	33,645
Trust preferred securities	**35,000**	**39,060**	35,000	38,780

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 and interest bearing cash deposits. For investment and mortgage-backed 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. Certificate accounts fair value is estimated by discounting the future cash flows using current rates for similar deposits. Advances from the FHLB of Seattle fair value is estimated by discounting future cash flows using current rates for advances with

18. Fair Value of Financial Instruments...continued

similar weighted average maturities. Repurchase agreements and other borrowed funds have variable interest rates, or are short term, so fair value approximates book value. The trust preferred securities' fair value is based on quoted market prices.

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

19. Contingencies and Commitments

The company leases certain land, premises and equipment from third parties under operating leases. Total rent expense for the year ended December 31, 2002, 2001, and 2000 was approximately $926,000 $865,000, and $462,000, respectively. The total future minimum rental commitments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2002 are as follows (Dollars in thousands):

Years ended December 31,	Amount
2003	$ 881
2004	762
2005	635
2006	492
2007	350
Thereafter	2,925
Total minimum future rental expense	$6,045

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

20. Acquisitions

On February 28, 2001 the Company completed the acquisition of WesterFed Financial Corporation (WesterFed). The Company issued 4,530,462 shares and $37,274,000 cash to shareholders as consideration for the merger. The acquisition was accounted for under the purchase method of accounting. Accordingly, the assets and liabilities of WesterFed were recorded by the Company at their respective fair values at the time of the completion of the merger and the results of WesterFed have been included with those of the Company since the date of the acquisition. The excess of the Company's purchase price over the net fair value of the assets acquired and liabilities assumed, including identifiable intangible assets, was recorded as goodwill.

On March 15, 2001, the Company acquired seven Wells Fargo & Company and First Security Corporation branches located in Idaho and Utah. The acquisition was accounted for under the purchase method of accounting. Accordingly, the assets and liabilities of the acquired branches were recorded by the Company at their respective fair values at the date of the acquisition and the results of operations have been included with those of the Company since the date of acquisition. The excess of the Company's purchase price over the net fair value of the assets acquired and liabilities assumed, including identifiable intangible assets, was recorded as goodwill.

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21. Sale of Branches

On June 23, 2001 the Company completed the sale of six branch locations in north central Montana with assets of $23,500,000 to Stockman Bank of Montana ("Stockman"). Stockman acquired five Western Security Bank offices and one Glacier Bank office. Included in the sale were loans of approximately $21,800,000, property and equipment with a book value of approximately $1,700,000, and deposits of $81,700,000. A gain of $511,000 was recognized on the sale.

22. Operating Segment Information

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

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

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

The following is a summary of selected operating segment information for the years ended and as of December 31, 2002, 2001, and 2000. During the third quarter of 2001, certain branches of Western were transferred to other Company owned banks located in the same geographic area which accounted for much of the change in activity for certain segments.

(Dollars in thousands) 2002	Glacier	First Security	Western	Mountain West	Big Sky	Valley	Whitefish	Other	Consolidated
Net interest income	$ 22,787	20,596	13,699	13,629	6,860	7,522	4,901	(3,527)	86,467
Provision for loan losses	1,080	1,800	325	695	330	1,335	180	—	5,745
Net interest income after provision for loan losses	21,707	18,796	13,374	12,934	6,530	6,187	4,721	(3,527)	80,722
Noninterest income	7,554	3,880	2,782	6,392	1,591	2,641	1,096	(19)	25,917
Core deposit amortization	332	325	419	224	49	90	—	—	1,439
Other noninterest expense	12,913	9,192	7,832	13,439	3,618	5,371	2,634	1,375	56,374
Income before income taxes	16,016	13,159	7,905	5,663	4,454	3,367	3,183	(4,921)	48,826
Income tax expense (benefit)	5,763	4,761	2,432	1,633	1,705	1,053	1,040	(1,963)	16,424
Net income	$ 10,253	8,398	5,473	4,030	2,749	2,314	2,143	(2,958)	32,402
Assets	$490,999	487,699	405,282	396,777	179,543	190,536	129,255	1,253	2,281,344
Net loans	319,906	300,481	188,793	214,453	111,378	97,937	68,066	(361)	1,300,653
Deposits	327,018	352,805	226,482	275,809	95,897	126,418	67,810	(12,316)	1,459,923
Stockholders' equity	53,492	44,678	46,647	44,429	16,439	17,038	11,078	(21,552)	212,249

23. Operating Segment Information . . . continued

(Dollars in thousands)

2001	Glacier	First Security	Western	Mountain West	Big Sky	Valley	Whitefish	Other	Consolidated
Net interest income	$ 19,032	14,239	17,094	10,141	4,678	5,998	4,290	(3,098)	72,374
Provision for loan losses	962	975	1,350	276	333	365	264	—	4,525
Net interest income after provision for loan losses	18,070	13,264	15,744	9,865	4,345	5,633	4,026	(3,098)	67,849
Noninterest income	7,216	3,070	4,517	3,855	1,294	1,990	1,157	152	23,251
Merger expense	248	65	136	761	36	103	5	621	1,975
Goodwill amortization	145	78	454	731	24	31	—	236	1,699
Core deposit amortization	254	136	650	208	21	56	—	—	1,325
Other noninterest expense	12,120	6,813	10,795	10,854	2,983	4,356	2,572	1,858	52,351
Income before income taxes and minority interest	12,519	9,242	8,226	1,166	2,575	3,077	2,606	(5,661)	33,750
Minority interest								35	35
Income tax expense (benefit)	4,505	3,556	3,026	150	995	1,114	819	(2,139)	12,026
Net income	$ 8,014	5,686	5,200	1,016	1,580	1,963	1,787	(3,557)	21,689
Assets	$474,421	427,976	406,359	342,841	168,865	165,372	121,409	(21,496)	2,085,747
Net loans	316,626	341,214	229,007	162,701	110,363	103,062	59,721	(367)	1,322,327
Deposits	340,186	345,423	237,477	254,133	97,488	124,072	64,885	(17,600)	1,446,064
Stockholders’ equity	46,473	37,479	42,825	37,668	13,394	13,134	8,775	(22,765)	176,983

(Dollars in thousands)

2000	Glacier	First Security	Western	Mountain West	Big Sky	Valley	Whitefish	Other	Consolidated
Net interest income	$ 16,361	9,324	—	5,037	2,721	4,171	3,741	125	41,480
Provision for loan losses	460	360	—	410	180	205	249	—	1,864
Net interest income after provision for loan losses	15,901	8,964	—	4,627	2,541	3,966	3,492	125	39,616
Noninterest income	5,913	2,000	—	2,206	750	1,411	1,036	(22)	13,294
Goodwill amortization	118	—	—	—	—	—	—	242	360
Core deposit amortization	199	—	—	—	—	—	—	—	199
Other noninterest expense	11,440	4,771	—	5,153	2,527	3,498	2,455	863	30,707
Income before income taxes and minority interest	10,057	6,193	—	1,680	764	1,879	2,073	(1,002)	21,644
Minority interest								61	61
Income tax expense (benefit)	3,456	2,251	—	657	258	657	622	(321)	7,580
Net income	$ 6,601	3,942	—	1,023	506	1,222	1,451	(742)	14,003
Assets	$469,351	214,231	—	126,518	77,111	87,791	87,125	(5,415)	1,056,712
Net loans	282,467	180,041	—	90,921	57,050	62,645	60,437	—	733,561
Deposits	288,556	164,168	—	86,632	49,616	76,508	60,760	(5,670)	720,570
Stockholders’ equity	42,049	18,027	—	9,780	6,090	7,649	8,462	6,056	98,113

PART III

Item 9. Changes in and disagreements with Accountants on Accounting and Financial Disclosure

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

Item 10. Directors and Executive Officers of the Registrant

Information regarding "Directors and Executive Officers of the Registrant" is set forth under the headings "Election of Directors – Information with Respect to Nominees and Other Directors" – "Background of Directors" and "Security Ownership of Certain Beneficial Owners and Management – Executive Officers who are not Directors" of the Company's 2003 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 11. Executive Compensation

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

Item 12. Security Ownership of Certain Beneficial Owners and Management

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

Information regarding "Equity Compensation Plan Information" is set forth under the heading "Equity Compensation Plan Information" of the Company's Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

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

Item 14. Disclosure of Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 240.13a-14(c) and 15d-14(c)) as of a date within 90 days before the filing date of this annual report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's current disclosure controls and procedures are effective and timely, providing them with material information relating to the Company required to be disclosed in the reports we file or submit under the Exchange act. There have not been any significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation. We are not aware of any significant deficiencies or material weaknesses, therefore no corrective actions were taken.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

List of Financial Statements and Financial Statement Schedules

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

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

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

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

Exhibit No.	Exhibit
3(a)	Amended and Restated Certificate of Incorporation (1)
3(b)	Amended and Restated Bylaws (2)
10(a)	1989 Incentive Stock Option Plan (3)
10(b)	Employment Agreement dated January 1, 2002 between the Company, Glacier Bancorp, Inc. and Michael J. Blodnick
10(c)	Employment Agreement dated January 1, 2002 between the Company, Glacier Bancorp, Inc. and James H. Strosahl
10(d)	Employment Agreement dated January 1, 2002 between First Security Bank and William L. Bouchee
10(e)	1994 Director Stock Option Plan (4)
10(f)	1995 Employee Stock Option Plan (5)
10(g)	Deferred Compensation Plan (4)
10(h)	Supplemental Executive Retirement Agreement (4)
10(i)	Employment agreement dated September 9, 2002, between Mountain West Bank and Jon W. Hippler
10(j)	Employment agreement dated September 20, 2000 between Western Security Bank and Ralph R. Holliday (6)
21	Subsidiaries of the Company (See item 1, “Subsidiaries”)
23	Consent of KPMG LLP
99	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002
(1)	Incorporated by reference to exhibit 3.2 included in the Company’s Quarterly Report on form 10-Q for the quarter ended September 30, 2000.
(2)	Incorporated by reference to Exhibit 3 (b) included in the Company’s Form 10-K for the fiscal year ended December 31, 1998
(3)	Incorporated by reference to exhibit 10 (a) included in the Company’s Registration Statement on Form S-4 (No. 33-37025), declared effective on October 4, 1990.
(4)	Incorporated by reference to Exhibits 10(I), 10(k) and 10(h), included in the Company’s Form 10-K for the fiscal year ended December 31, 1995.
(5)	Incorporated by reference to Exhibit 99.1 of the Company’s S-8 Registration Statement (No. 33-94648).
(6)	Incorporated by reference to exhibit 10.4 of the Company’s Registration Statement on S-4 (No. 333-52498), declared effective as of February 28, 2001.

(b) Reports on Form 8-K

NONE

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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 14, 2003.

GLACIER BANCORP, INC.

By: /s/ Michael J. Blodnick

Michael J. Blodnick
President/CEO/Director

PURSUANT to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 14, 2003, by the following persons in the capacities indicated.

/s/ Michael J. Blodnick Michael J. Blodnick	President, CEO, and Director (Principal Executive Officer)
/s/ James H. Strosahl James H. Strosahl	Executive Vice President and CFO (Principal Financial/Accounting Officer)
Majority of the Board of Directors	
/s/ John S. MacMillan John S. MacMillan	Chairman
/s/ L. Peter Larson L. Peter Larson	Director
/s/ Allen Fetscher Allen J. Fetscher	Director
/s/ Jon W. Hippler Jon W. Hippler	Director
/s/ Everit A. Sliter Everit A. Sliter	Director
/s/ William L. Bouchee William L. Bouchee	Director
/s/ Fred J. Flanders Fred J. Flanders	Director
/s/ F. Charles Mercord F. Charles Mercord	Director
/s/ Ralph K. Holliday Ralph K. Holliday	Director

I, Michael J. Blodnick, certify that:

1. I have reviewed this annual report on Form 10-K of Glacier Bancorp, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

March 14, 2003

/s/ Michael J. Blodnick

Michael J. Blodnick
President/CEO

I, James H. Strosahl, certify that:

1. I have reviewed this annual report on Form 10-K of Glacier Bancorp, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

March 14, 2003

/s/ James H. Strosahl

James H. Strosahl
Executive Vice President/CFO

EXHIBIT 10(b)

EMPLOYMENT AGREEMENT

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

RECITALS

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

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

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

AGREEMENT

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

2. TERM. The term of this Agreement ("Term") is one year, beginning on January 1, 2002.

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

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

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

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

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

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

6. SALARY. Executive will receive an annual salary of $240,000.00, to be paid in accordance with the Company's regular payroll schedule. Subsequent salary increases are subject to the Company's annual review of Executive's compensation and performance.

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

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

9. VACATION AND BENEFITS.

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

(b) Benefits. Executive will be entitled to participate in any group life insurance, disability, health and accident insurance plans, profit sharing and pension plans and in other employee fringe benefit programs the Company may have in effect from time to time for its similarly situated employees, in accordance with and subject to any policies adopted by the Company's board of directors with respect to the plans or programs, including without limitation, any incentive or employee stock option plan, deferred compensation plan, 401(k) plan, and Supplemental

Executive Retirement Plan (SERP). The Company through this Agreement does not obligate itself to make any particular benefits available to its employees.

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

10. TERMINATION OF EMPLOYMENT.

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

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

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

(d) Termination Related to a Change in Control.

(1) Termination by Company. If the Company, or its successor in interest by merger, or its transferee in the event of a purchase in an assumption transaction (for reasons other than Executive's death, disability, or Cause) (1) terminates Executive's employment within 3 years following a Change in Control (as defined below), or (2) terminates Executive's employment before the Change in Control but on or after the date that any party either announces or is required by law to announce any prospective Change in Control transaction and a Change in Control occurs within six months after the termination, the Bank will provide Executive with the greater of (1) the payment and benefits described in Section 10(d)(3) below, or (2) the compensation and other benefits he would have been entitled to for the remainder of the Term if his employment had not been terminated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. NONCOMPETITION. During the Term of this Agreement and for a period of three years after Executive's employment with the Company has terminated, Executive will not,

directly or indirectly, as a shareholder, director, officer, employee, partner, agent, consultant, lessor, creditor or otherwise:

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

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

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

13. ENFORCEMENT.

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

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

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

15. ARBITRATION.

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

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

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

16. MISCELLANEOUS PROVISIONS.

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

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

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

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

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

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

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

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

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

Signed this 28th day of January, 2002.

GLACIER BANCORP, INC.

By: /s/ John S. MacMillan

Its Chairman

Attest:

By: /s/ James H. Strosahl
- -------------------------
Secretary

EXECUTIVE

By: /s/ Michael J. Blodnick

EXHIBIT 10(c)

EMPLOYMENT AGREEMENT

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

RECITALS

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

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

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

AGREEMENT

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

2. TERM. The term of this Agreement ("Term") is one year, beginning on January 1, 2002.

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

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

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

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

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

5. SALARY. Executive will receive an annual salary of $175,000.00, to be paid in accordance with the Company's regular payroll schedule. Subsequent salary increases are subject to the Company's annual review of Executive's compensation and performance.

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

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

8. VACATION AND BENEFITS.

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

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

(c) Business Expenses. The Company will reimburse Executive for ordinary and necessary expenses which are consistent with past practice at the Company (including, without limitation, travel, entertainment, and similar expenses) and which are incurred in performing and promoting the Company's business.

Executive will present from time to time itemized accounts of these expenses, subject to any limits of the Company policy or the rules and regulations of the Internal Revenue Service.

9. TERMINATION OF EMPLOYMENT.

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

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

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

(d) Termination Related to a Change in Control.

(1) Termination by Company. If the Company, or its successor in interest by merger, or its transferee in the event of a purchase in an assumption transaction (for reasons other than Executive's death, disability, or Cause) (1) terminates Executive's employment within 3 years following a Change in Control (as defined below), or (2) terminates Executive's employment before the Change in Control but on or after the date that any party either announces or is required by law to announce any prospective Change in Control transaction and a Change in Control occurs within six months after the termination, the Bank will provide Executive with the greater of (1) the payment and benefits described in Section 9(d)(3) below, or (2) the compensation and other benefits he would have been entitled to for the remainder of the Term if his employment had not been terminated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. ENFORCEMENT.

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

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

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

14. ARBITRATION.

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

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

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

15. MISCELLANEOUS PROVISIONS.

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

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

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

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

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

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

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

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

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

GLACIER BANCORP, INC.

By: /s/ Michael J. Blodnick

President/CEO

Attest: By:

By: /s/ LeeAnn Wardinsky
- -------------------------
Assistant Secretary

EXECUTIVE

By: /s/ James H. Strosahl

EXHIBIT 10(d)

EMPLOYMENT AGREEMENT

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

RECITALS

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

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

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

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

AGREEMENT

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

2. TERM. The term of this Agreement is for one year beginning January 1, 2002.

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

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

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

   (c) Report to Board. Executive will report directly to the Bank's board of directors and to the Chief Executive Officer of Bancorp. The Bank's board of directors may, from time to time, modify Executive's title or add, delete, or modify

Executive's performance responsibilities to accommodate management succession, as well as any other management objectives of the Bank or of Bancorp. Executive will assume any additional positions, duties and responsibilities as may reasonably be requested of him with or without additional compensation, as appropriate and consistent with Sections 3(a) and 3(b) of this Agreement.

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

5. SALARY. Executive will receive an annual salary of $168,000.00 to be paid in accordance with the Bank's regular payroll schedule.

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

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

8. VACATION AND BENEFITS.

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

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

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

9. TERMINATION OF EMPLOYMENT.

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

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

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

(d) Termination Related to a Change in Control.

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

(2) Termination by Executive. If Executive terminates Executive's employment, with or without Good Reason, within one year following a

Change in Control, the Bank will provide Executive with the payment and benefits described in Section 9(d)(3).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. ENFORCEMENT.

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

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

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

14. ARBITRATION.

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

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

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

15. MISCELLANEOUS PROVISIONS.

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

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

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

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

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

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

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

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

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

Signed this 14 day of January, 2002.

FIRST SECURITY BANK OF MISSOULA

By: /s/ William L. Bouchee

Attest: By:

By: /s/ Harold J. Fraser
- ------------------------
Secretary

EXECUTIVE

By: /s/ William L. Bouchee

Ratified December 27, 2001

GLACIER BANCORP, INC.

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

EXHIBIT 10(i)

EMPLOYMENT AGREEMENT

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

RECITALS

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

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

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

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

AGREEMENT

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

2. TERM. The term of this Agreement is from September 9, 2002 to December 31, 2002.

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

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

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

   (c) Report to Board. Executive will report directly to the Bank's board of directors and to the Chief Executive Officer of Bancorp. The Bank's board of directors may, from time to time, modify Executive's title or add, delete, or modify

Executive's performance responsibilities to accommodate management succession, as well as any other management objectives of the Bank or of Bancorp. Executive will assume any additional positions, duties and responsibilities as may reasonably be requested of him with or without additional compensation, as appropriate and consistent with Sections 3(a) and 3(b) of this Agreement.

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

5. SALARY. Executive will receive an annual salary of $158,080.00 to be paid in accordance with the Bank's regular payroll schedule.

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

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

8. VACATION AND BENEFITS.

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

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

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

9. TERMINATION OF EMPLOYMENT.

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

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

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

(d) Termination Related to a Change in Control.

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

(2) Termination by Executive. If Executive terminates Executive's employment, with or without Good Reason, within one year following a

Change in Control, the Bank will provide Executive with the payment and benefits described in Section 9(d)(3).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) A relocation or transfer of Executive's principal place of employment that would require Executive to commute on a regular basis more than 20 miles each way from Coeur d'Alene, Idaho, with the exception of travel to and from Boise, Idaho.

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

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

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

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

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

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

12. ENFORCEMENT.

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

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

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

14. ARBITRATION.

(a) Arbitration. At either party's request, the parties must submit any dispute, controversy or claim arising out of or in connection with, or relating to, this

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

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

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

15. MISCELLANEOUS PROVISIONS.

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

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

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

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

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

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

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

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

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

Signed this 9th day of September, 2002.

MOUNTAIN WEST BANK

By: /s/ Charles Nipp

Attest: By:

By: /s/ Kim Jacklin

Secretary

EXECUTIVE

By: /s/ Jon W. Hippler

Ratified September 25, 2002

GLACIER BANCORP, INC.

By: /s/ Michael J. Blodnick

President/CEO

EXHIBIT 23

Independent Auditors' Consent

The Board of Directors
Glacier Bancorp, Inc.:

We consent to incorporation by reference in the registration statements on Form S-8 (No. 33-94648 and No. 333-36514) of our report dated January 31, 2003 relating to the consolidated statements of financial condition of Glacier Bancorp, Inc. and subsidiaries as of December 31, 2002 and 2001 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, 2002, which report appears in the December 31, 2002 annual report on Form 10-K of Glacier Bancorp, Inc. Our report indicates that Glacier Bancorp, Inc. changed its accounting for goodwill and other intangibles on January 1, 2002.

/s/KPMG

Billings, Montana
March 14, 2003

EXHIBIT 99

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Glacier Bancorp, Inc. (the "Company") on form 10-K for the period ended December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Michael J. Blodnick, President and Chief Executive Officer, and James H. Strosahl, Executive Vice President and Chief Financial Officer, of Glacier Bancorp, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 14, 2003

/s/ Michael J. Blodnick

Michael J. Blodnick
President/CEO

/s/ James H. Strosahl

James H. Strosahl
Executive Vice President/CFO