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, 2000 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 81-0519541

49 Commons Loop, Kalispell, MT 59901

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 16, 2001, there were issued and outstanding 16,061,104 shares of the Registrant's common stock. No preferred shares are issued or outstanding.

The aggregate market value of the voting stock held by non-affiliates of the Registrant, computed by reference to the closing price of such stock as of the close of trading on March 16, 2001, was $225,819,122.

DOCUMENT INCORPORATED BY REFERENCE

Portions of the 2001 Annual Meeting Proxy Statement dated March 27, 2001 are incorporated by reference into Part III of this form 10-K.

GLACIER BANCORP, INC.
FORM 10-K ANNUAL REPORT
For the year ended December 31, 2000
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PART I.

ITEM 1. BUSINESS

GENERAL

Glacier Bancorp, Inc. headquartered in Kalispell, Montana (the "Company"), a Delaware corporation incorporated in 1998, is the successor corporation in a merger with the original Glacier Bancorp, Inc., a Delaware corporation incorporated in 1990, pursuant to the reorganization of Glacier Bank, FSB into a bank holding company. The formation of the new corporation, and subsequent merger, was effected to resolve technical deficiencies in the May 9, 1997 stock split. On February 1, 1998, Glacier Bank FSB was converted from a savings bank to a State of Montana chartered commercial bank known as Glacier Bank ("Glacier").

SUBSIDIARIES

In addition to Glacier, at December 31, 2000, the Company was also the parent holding company of Glacier Bank of Eureka ("Eureka"), Glacier Bank of Whitefish ("Whitefish"), First Security Bank of Missoula ("First Security"), Valley Bank of Helena ("Valley"), Big Sky Western Bank ("Big Sky"), Mountain West Bank in Idaho ("Mountain West"), and Community First, Inc. ("CFI"). The Company owns approximately 98%, and 94% , respectively, of the outstanding stock of Eureka and Whitefish, and 100% of Glacier, First Security, Valley, Big Sky, Mountain West, and CFI. Whitefish and Eureka were converted from national bank charters to State of Montana charters in December 1997.

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

Big Sky was acquired on January 20, 1999 through an exchange of stock with Big Sky shareholders. The pooling of interest accounting method was also used for this merger transaction.

Mountain West was acquired on February 4, 2000 through an exchange of stock with Mountain West shareholders. The pooling of interest accounting method was also used for this merger transaction.

The Company formed Glacier Capital Trust I (Glacier Trust) as a financing subsidiary on December 18, 2000. On January 25, 2001, Glacier Trust offered 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 will own all of the outstanding common securities of the trust.

RECENT ACQUISITIONS

On September 14, 2000 the Company announced the acquisition of seven branches of Wells Fargo & Company and First Security Corporation subsidiary banks located in Idaho and Utah, the respective transactions were completed by March 15, 2001. In total, as of the closing, the branches had approximately $187,000,000 in deposits and $38,000,000 in loans. The purchase price of approximately $18,500,000 was based on the total deposits, cash-equivalent assets and loans at the branches immediately prior to the respective closing. The locations become branch offices of Mountain West Bank of Coeur d'Alene.

On September 20, 2000, the Company entered into a merger agreement to acquire WesterFed Financial Corporation (WesterFed). The merger was closed on February 28, 2001. Under the terms of the agreement, the Company issued 4,530,462 shares and paid $37,274,000 cash for total consideration of $96,669,000, based on a $13.11 per share price of the Company's common stock. The merger is being accounted for using the purchase method of accounting. Accordingly, the assets and liabilities of WesterFed are recorded by the Company at their respective fair values at the time of the completion of the merger. The excess of the Company's purchase price over the net fair value of the assets acquired and liabilities assumed, including identifiable intangible assets, were recorded as goodwill and will be amortized over a useful life of 20 years.

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, except Mountain West are members of the Federal Reserve Bank of Minneapolis. ("FRB")

BANK LOCATIONS

Glacier's main office is located at 49 Commons Loop, Kalispell, MT 59901 and its telephone number is (406) 756-4200. See "Item 2. Properties." Whitefish's address is 319 2nd Street, Whitefish, MT 59937 (406) 863-6300, Eureka's address is 222 Dewey Ave., Eureka, MT 59917 (406) 297-2521, First Security's address is 1704 Dearborn, Missoula, MT 599801 (406) 728-3115, Valley's address is 3030 North Montana Avenue, Helena, MT 59601 (406) 443-7440, Big Sky's address is 47995 Gallatin Road, Big Sky, MT, 59716 (406) 995-2321, and Mountain West's address is 125 Ironwood Drive, Coeur d' Alene, Idaho 83816 (208) 765-0284.

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.

Through its subsidiary CFI, the Company provides full service brokerage services through Raymond James Financial Services, an unrelated brokerage firm.

The following abbreviated organizational chart illustrates the various existing parent/subsidiary relationships at December 31, 2000:

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                                         __________________________
                                        |   Glacier Bancorp, Inc.  |
                                        | (Parent Holding Company) |
                                        |__________________________|
                                                      |
 _____________________________________________________|____________________________________________________
|   Glacier Bank     |   | First Security Bank |   |   |   Glacier Bank      |   |      Glacier Bank       |
| (Commercial Bank)  |   |     of Missoula     |   |   |   of Whitefish      |   |      of Eureka          |
|                    |   |  (Commercial bank)  |   |   | (Commercial bank)   |   |  (Commercial bank)      |
|____________________|   |_____________________|   |   |_____________________|   |_________________________|
                                                      |
 _____________________________________________________|____________________________________________________
|      Big Sky       |   |     Valley Bank     |   |   | Mountain West Bank  |   | Community First, Inc.   |
|   Western Bank     |   |     of Helena       |   |   |  of Coeur d'Alene   |   |  (Brokerage services)   |
| (Commercial bank)  |   |  (Commercial bank)  |   |   | (Commercial bank)   |   |                         |
|____________________|   |_____________________|   |   |_____________________|   |_________________________|
                                                      |
                                                      |
                                         __________________________
                                        |   Glacier Bancorp, Inc.  |
                                        |          Trust 1         |
                                        | (Parent Holding Company) |
                                        |__________________________|
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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, Community First Inc., and inter-company eliminations.

Operating Segments information
(Dollars in thousands)

	Glacier			Whitefish		
	2000	1999	1998	2000	1999	1998
Condensed Income Statements						
Net interest income	$ 16,361	15,266	14,572	2,406	2,044	1,820
Noninterest income	5,913	5,539	5,723	704	675	686
Total revenues	22,274	20,805	20,295	3,110	2,719	2,506
Provision for loan losses	460	470	670	225	66	78
Goodwill and merger expense	317	78	--	--	--	--
Other noninterest expense	11,440	10,750	10,523	1,522	1,502	1,347
Minority interest	--	--	--	--	--	--
Pretax earnings	10,057	9,507	9,102	1,363	1,151	1,081
Income tax expense (benefit)	3,456	3,303	3,238	423	348	343
Net income	6,601	6,204	5,864	940	803	738
Average Balance Sheet Data						
Total assets	$464,565	407,950	366,522	54,997	45,827	41,328
Total loans	285,398	270,650	275,765	39,106	29,443	23,281
Total deposits	279,973	214,552	188,565	38,813	32,980	32,587
Stockholders' equity	38,547	37,893	37,519	4,851	4,734	4,428
End of Year Balance Sheet Data						
Total assets	$469,351	460,257	370,686	56,563	52,203	42,643
Net loans	282,467	272,060	272,399	40,146	35,485	22,022
Total deposits	288,556	276,880	201,211	41,475	34,261	34,179
Performance Ratios						
Return on average assets	1.42%	1.52%	1.60%	1.71%	1.75%	1.79%
Return on average equity	17.12%	16.37%	15.63%	19.38%	16.96%	16.67%
Efficiency ratio	51.36%	51.67%	51.85%	48.94%	55.24%	53.75%
Regulatory Capital Ratios & Other						
Tier I risk-based capital ratio	13.45%	13.58%	18.05%	11.97%	13.49%	19.22%
Tier II risk-based capital ratio	14.38%	14.48%	18.98%	13.18%	14.53%	20.47%
Leverage capital ratio	8.08%	7.58%	10.56%	8.90%	9.86%	11.11%
Full time equivalent employees	152	167	161	16	15	14
Locations	13	15	13	1	1	1

	Eureka			First Security		
	2000	1999	1998	2000	1999	1998
Condensed Income Statements						
Net interest income	1,335	1,290	1,247	9,324	8,804	7,784
Noninterest income	332	313	372	2,000	2,260	2,801
Total revenues	1,667	1,603	1,619	11,324	11,064	10,585
Provision for loan losses	24	24	12	360	600	645
Goodwill and merger expense	--	--	--	--	--	--
Other noninterest expense	933	986	971	4,771	4,567	4,151
Minority interest	--	--	--	--	--	--
Pretax earnings	710	593	636	6,193	5,897	5,789
Income tax expense (benefit)	199	191	217	2,251	2,132	2,138
Net income	511	402	419	3,942	3,765	3,651
Average Balance Sheet Data						
Total assets	29,307	26,407	25,122	199,697	177,690	161,281
Total loans	19,485	17,589	16,806	171,462	146,958	130,595
Total deposits	19,223	17,998	17,527	146,439	136,968	131,273
Stockholders' equity	3,151	3,279	3,292	17,164	15,750	14,305
End of Year Balance Sheet Data						
Total assets	30,562	28,879	24,471	214,231	193,548	164,546
Net loans	20,291	18,178	16,322	180,041	161,781	134,646
Total deposits	19,285	18,514	17,797	164,168	143,645	139,348

Performance Ratios						
Return on average assets	1.74%	1.52%	1.67%	1.97%	2.12%	2.26%
Return on average equity	16.22%	12.26%	12.73%	22.97%	23.90%	25.52%
Efficiency ratio	55.97%	61.51%	59.98%	42.13%	41.28%	39.22%
Regulatory Capital Ratios & Other						
Tier I risk-based capital ratio	16.42%	19.45%	22.47%	9.98%	9.73%	10.26%
Tier II risk-based capital ratio	17.67%	20.70%	23.73%	11.15%	10.97%	11.46%
Leverage capital ratio	10.84%	12.03%	13.32%	8.64%	8.62%	8.53%
Full time equivalent employees	10	11	11	73	76	73
Locations	1	1	1	4	3	3

	Valley			Big Sky		
	2000	1999	1998	2000	1999	1998
Condensed Income Statements						
Net interest income	$ 4,171	3,614	3,312	2,721	2,077	1,251
Noninterest income	1,411	1,494	1,553	750	881	743
Total revenues	5,582	5,108	4,865	3,471	2,958	1,994
Provision for loan losses	205	155	85	180	191	42
Goodwill and merger expense	--	--	--	--	--	--
Other noninterest expense	3,498	2,977	3,010	2,527	2,096	1,680
Minority interest	--	--	--	--	--	--
Pretax earnings	1,879	1,976	1,770	764	671	272
Income tax expense (benefit)	657	731	659	258	231	103
Net income	1,222	1,245	1,111	506	440	169
Average Balance Sheet Data						
Total assets	$ 86,305	$ 77,370	69,335	70,806	53,392	36,110
Total loans	62,813	53,622	48,204	50,491	34,414	20,796
Total deposits	69,864	61,515	57,205	46,981	36,287	28,183
Stockholders' equity	5,254	6,940	6,323	5,584	5,197	2,692
End of Year Balance Sheet Data						
Total assets	$ 87,791	$ 82,587	69,924	77,111	66,255	39,376
Net loans	62,645	58,924	48,860	57,050	43,850	23,959
Total deposits	76,508	65,095	57,807	49,616	41,034	31,385
Performance Ratios						
Return on average assets	1.42%	1.61%	1.60%	0.71%	0.82%	0.47%
Return on average equity	23.26%	17.94%	17.57%	9.06%	8.47%	6.28%
Efficiency ratio	62.67%	58.28%	61.87%	72.80%	70.86%	84.25%
Regulatory Capital Ratios & Other						
Tier I risk-based capital ratio	12.41%	12.59%	13.49%	9.68%	11.35%	10.40%
Tier II risk-based capital ratio	13.55%	13.57%	14.55%	10.81%	12.58%	11.95%
Leverage capital ratio	8.66%	8.95%	9.34%	8.28%	9.15%	7.30%
Full time equivalent employees	34	42	43	30	24	24
Locations	3	3	3	3	3	2

	Mountain West			Other		
	2000	1999	1998	2000	1999	1998
Condensed Income Statements						
Net interest income	5,037	3,755	3,187	125	234	185
Noninterest income	2,206	1,745	1,637	(22)	(98)	81
Total revenues	7,243	5,500	4,824	103	136	266
Provision for loan losses	410	217	203	--	--	--
Goodwill and merger expense	--	78	--	242	361	931
Other noninterest expense	5,153	4,941	3,885	863	709	527
Minority interest	--	--	--	61	51	145
Pretax earnings	1,680	264	736	(1,063)	(985)	(1,337)
Income tax expense (benefit)	657	91	276	(321)	(305)	(300)
Net income	1,023	173	460	(742)	(680)	(1,037)
Average Balance Sheet Data						
Total assets	106,445	81,011	74,001	(4,327)	2,675	(1,845)
Total loans	78,602	56,865	48,231	--	--	--
Total deposits	77,334	71,060	63,409	(3,497)	(5,658)	1,972
Stockholders' equity	7,650	6,555	6,142	6,267	4,519	4,197
End of Year Balance Sheet Data						
Total assets	126,518	89,884	80,867	(5,415)	388	(5,711)
Net loans	90,922	61,930	52,980	--	--	--
Total deposits	86,632	67,824	70,659	(5,670)	(3,147)	(5,883)
Performance Ratios						
Return on average assets	0.96%	0.21%	0.62%			

Return on average equity	13.37%	2.65%	7.49%			
Efficiency ratio	71.14%	89.84%	80.53%			
Regulatory Capital Ratios & Other						
Tier I risk-based capital ratio	11.12%	10.40%	12.59%			
Tier II risk-based capital ratio	12.19%	11.44%	11.61%			
Leverage capital ratio	8.11%	7.60%	7.86%			
Full time equivalent employees	74	71	61	34	28	25
Locations	5	5	4			

	Consolidated		
	2000	1999	1998
Condensed Income Statements			
Net interest income	41,480	37,084	33,358
Noninterest income	13,294	12,809	13,596
Total revenues	54,774	49,893	46,954
Provision for loan losses	1,864	1,723	1,735
Goodwill and merger expense	559	517	931
Other noninterest expense	30,707	28,528	26,094
Minority interest	61	51	145
Pretax earnings	21,583	19,074	18,049
Income tax expense (benefit)	7,580	6,722	6,674
Net income	14,003	12,352	11,375
Average Balance Sheet Data			
Total assets	1,007,795	872,322	771,854
Total loans	707,357	609,541	563,678
Total deposits	675,130	565,702	520,721
Stockholders' equity	88,468	84,867	78,898
End of Year Balance Sheet Data			
Total assets	1,056,712	974,001	786,802
Net loans	733,561	652,208	571,188
Total deposits	720,570	644,106	546,503
Performance Ratios			
Return on average assets	1.39%	1.41%	1.47%
Return on average equity	15.83%	14.60%	14.43%
Efficiency ratio	57.20%	58.30%	57.90%
Regulatory Capital Ratios & Other			
Tier I risk-based capital ratio	12.31%	13.23%	15.50%
Tier II risk-based capital ratio	13.36%	14.30%	16.59%
Leverage capital ratio	8.72%	9.59%	10.41%
Full time equivalent employees	423	434	412
Locations	30	31	27

Glacier Bank

Total assets increased $9 million, or 2 percent, over the prior year-end. Total net loans ended the year at $282 million. Real estate loans declined $11 million and commercial and consumer loans increased $20 million and $1 million, respectively. Non-performing loans were .06 percent of total loans. Total investments increased by $632 thousand. Total deposits increased $12 million, or 4 percent. Net income increased $397 thousand, or 6 percent, over the prior year. Net interest income increased $1 million, or 7 percent over 1999. Non-interest income increased by $374 thousand, the majority of the increase is from the sale of two small branches in 2000. Other fee income increased over the prior year. The efficiency ratio of 51.36 percent is an improvement from the 1999 ratio of 51.67 and 1998 ratio of 51.85, each of which are below the peer group average. Glacier Bank operates from 13 locations.

Glacier Bank of Whitefish

Total assets increased $4 million, or 8 percent, over the prior year-end. Net loans increased $5 million, or 13 percent, from December 31, 1999. All loan classifications increased with real estate loans up $3 million, commercial loans up $1 million and consumer loans up $1 million. Non-performing loans as a percentage of loans was .29 percent and the allowance for loan losses was at 4.3 times non-performing loans. Total deposits increased $7 million, or 21 percent. Net income increased $137 thousand, or 17 percent, over 1999. Net interest income increased $362 thousand, or 18 percent, reflecting the significant loan growth. Non-interest income and other fee income increased over the prior year. Non-interest expense increased from prior year. The efficiency ratio of 48.94 percent is an improvement from the 1999 ratio of 55.24 and 1998 ratio of 53.75.

Glacier Bank of Eureka

Total assets increased $2 million, or 6 percent, over the prior year end. Investment securities increased $543 thousand, or 7 percent. Net loans increased $2 million, or 12 percent, from December 31, 1999. Real estate loans declined $272 thousand and commercial and consumer loans increased $826 thousand and $2 million, respectively. Non-performing loans as a percentage of loans were .45 percent, and the allowance for loan losses was at 3.3 times non-performing loans. Total deposits increased $771 thousand, or 4 percent. Net income increased $109 thousand, or 27 percent, from 1999. Net interest income increased $45 thousand, or 3 percent, reflecting the asset growth. Non-interest income increased $19 thousand, or 6 percent. Non-interest expense decreased from the prior year. The efficiency ratio of 55.97 percent is an improvement from the 1999 ratio of 61.51 and 1998 ratio of 59.98.

First Security Bank of Missoula

Total assets increased $21 million, or 11 percent, over the prior year-end. Net loans increased $18 million, or 11 percent, from December 31, 1999. Real estate loans declined $532 thousand, and commercial and consumer loans increased $12 million and $7 million, respectively. Non-performing loans as a percentage of loans was .50 percent and the allowance for loan losses was at 2.4 times non-performing loans. Total deposits increased $21 million, or 14 percent, with borrowed funds used to support the additional asset growth. Net income increased $177 thousand, or 5 percent from 1999. First Security is a high performing bank with return on average assets of 1.97 percent, and return on average equity of 22.97 percent in 2000. Net interest income increased $520 thousand, or 6 percent, reflecting the asset growth. Non-interest income decreased $260 thousand, primarily resulting from reduced mortgage loan originations and sales due to higher mortgage rates. Non-interest expense increased primarily from the increased volume of transaction activity. The efficiency ratio increased from 41.28 in 1999 to 42.13 in 2000 with both years higher than the 39.22 in 1998. The efficiency ratios are substantially better than peer group averages.

Valley Bank of Helena

Valley Bank was acquired by the Company in August 1998. Total assets at December 31, 2000 increased $5 million, or 6 percent, over the prior year end. Net loans increased $4 million, or 6 percent, from December 31, 1999. Real estate loans declined $1 million, and commercial and consumer loans increased $3 million and $2 million, respectively. Non-performing loans as a percentage of loans was .50 percent, and the allowance for loan losses was at 2.2 times non-performing loans. Total deposits increased $11 million, or 18 percent. Net income decreased $23 thousand, or 2 percent, from 1999. Net interest income increased $557 thousand, or 15 percent, reflecting the asset growth. Non-interest income decreased $83 thousand, primarily resulting from reduced mortgage loan originations and sales due to higher mortgage rates, and other loan origination and servicing fees. Non-interest expense increased $521 thousand, which includes $260 thousand from a one-time data processing contract cancellation fee. The efficiency ratio increased from 58.28 in 1999 to 62.67 in 2000 which was also higher than the 61.87 in 1998.

Big Sky Western Bank

Big Sky Western Bank was acquired by the Company in January 1999. Total assets at December 31, 2000 increased $11 million, or 16 percent, over the prior year-end. Net loans increased $13 million, or 30 percent, from December 31, 1999, with the remaining asset growth in investment securities. Real estate loans decreased $3 million, and commercial and consumer loans increased $14 and $2 million, respectively. Non-performing loans as a percentage of loans was .28 percent and the allowance for loan losses was at 4.1 times non-performing loans. Total deposits increased $9 million, or 21 percent, with borrowed funds used to support the additional asset growth. Net income increased $66 thousand, or 15 percent, from 1999. Net interest income increased $644 thousand, or 31 percent, reflecting the asset growth. Non-interest income decreased $131 thousand, and non-interest expense increased $431

thousand, resulting from increased activity levels. The efficiency ratio increased from 70.86 in 1999 to 72.80 in 2000 which was lower than the 84.25 in 1998. The efficiency ratios have improved significantly from 1998 with the increased net interest income.

Mountain West Bank

Total assets increased $37 million, or 41 percent, over the prior year-end. Total net loans increased $29 million, or 47 percent, over the prior year end. Real estate loans increased $18 million and commercial and consumer loans increased $10 million and $416 thousand, respectively. Non-performing loans were .05 percent of total loans and the allowance for loan losses was at 18.8 times non-performing loans. Total investments increased by $2 million, or 12 percent. Total deposits increased $19 million, or 28 percent. Net income increased $850 thousand, or 491 percent, over the prior year. Net interest income increased $1.3 million, or 34 percent over 1999. Non-interest income increased by $461 thousand. The efficiency ratio of 71.14 percent is an improvement from the 1999 ratio of 89.84 and 1998 ratio of 80.53.

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 and Lewis & Clark, Gallatin County, and the community of Billings in south central Montana. Kalispell, the location of its home office, is the county seat of Flathead County, and is the primary trade center of what is known as the Flathead Basin. Glacier has its main office and 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), Cut Bank (the county seat of Glacier County), Billings (the county seat of Yellowstone County), and Butte (the county seat of Silver Bow County). First Security's main office and three branch locations are in Missoula (the county seat of Missoula County). Valley's main office and two branch locations are in Helena (the state capital and the county seat of Lewis & Clark County), and Whitefish and Eureka are located in Whitefish, Montana and Eureka, Montana, respectively. Big Sky's main office is in Big Sky, with branches in Bozeman (the county seat of Gallatin County), and the four corners area west of Bozeman. Mountain West has five offices in Idaho: Coeur d'Alene, Post Falls, and Hayden Lake, an office in Boise, and a loan production office in the Sun Valley area.

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. 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, Whitefish and Eureka 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 two Butte, Montana offices have approximately 17% of the deposits in Silver Bow County. First Security has approximately 14% of the total deposits in Missoula County. Valley has approximately 13% of Lewis and Clark County's total deposits, and Big Sky has approximately 7% of Gallatin County's deposits. Mountain West has approximately 8% of the deposits in Kootenai County.

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

DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

AVERAGE BALANCE SHEET

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

AVERAGE BALANCE SHEET
(Dollars in Thousands)

	For the year ended 12-31-00			For the year ended 12-31-99		
ASSETS	Average Balance	Interest and Dividends	Average Yield/ Rate	Average Balance	Interest and Dividends	Average Yield/ Rate
Real Estate Loans	$ 230,661	19,557	8.48%	$ 226,246	17,875	7.90%
Commercial Loans	312,434	28,784	9.21%	246,810	21,499	8.71%
Consumer and Other Loans	164,262	14,856	9.04%	136,484	12,367	9.06%
Total Loans	707,357	63,197	8.93%	609,540	51,741	8.49%
Investment Securities	236,287	15,640	6.62%	202,016	12,978	6.42%
Total Earning Assets	943,644	78,837	8.35%	811,556	64,719	7.97%
Non-Earning Assets	64,151			60,766		
TOTAL ASSETS	$ 1,007,795			$ 872,322		
LIABILITIES AND STOCKHOLDERS' EQUITY						
NOW Accounts	$ 96,737	1,068	1.10%	$ 91,380	1,064	1.16%
Savings Accounts	44,996	806	1.79%	47,272	843	1.78%
Money Market Accounts	167,533	7,447	4.45%	134,364	5,304	3.95%
Certificates of Deposit	230,024	13,353	5.81%	174,368	9,283	5.32%
FHLB Advances	211,217	13,454	6.37%	173,289	9,460	5.46%
Repurchase Agreements and Other Borrowed Funds	31,799	1,229	3.86%	31,362	1,681	5.36%
Total Interest Bearing Liabilities	782,306	37,357	4.78%	652,035	27,635	4.24%
Non-interest Bearing Deposits	135,840			118,318		
Other Liabilities	1,181			17,102		
Total Liabilities	919,327			787,455		
Common Stock	110			99		
Paid-In Capital	95,554			76,696		
Retained Earnings	(2,250)			10,212		
Accumulated Other Comprehensive Earnings (Loss)	(4,946)			(2,140)		
Total Stockholders' Equity	88,468			84,867		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,007,795			$ 872,322		
NET INTEREST INCOME		$ 41,480			$ 37,084	
NET INTEREST SPREAD			3.57%			3.73%
NET INTEREST MARGIN ON AVERAGE EARNING ASSETS(1)			4.40%			4.57%
RETURN ON AVERAGE ASSETS(2)			1.39%			1.41%
RETURN ON AVERAGE EQUITY(3)			15.83%			14.60%

	For the year ended 12-31-98		
ASSETS	Average Balance	Interest and Dividends	Average Yield/ Rate
Real Estate Loans	$ 237,034	19,404	8.19%
Commercial Loans	202,119	18,250	9.03%
Consumer and Other Loans	124,525	11,907	9.56%
Total Loans	563,678	49,561	8.79%
Investment Securities	153,225	9,267	6.05%
Total Earning Assets	716,903	58,828	8.21%

Non-Earning Assets	54,945		
TOTAL ASSETS	$ 771,848		
LIABILITIES AND STOCKHOLDERS' EQUITY			
NOW Accounts	$ 85,965	1,428	1.66%
Savings Accounts	48,438	1,065	2.20%
Money Market Accounts	118,215	5,175	4.38%
Certificates of Deposit	155,760	8,899	5.71%
FHLB Advances	140,877	7,939	5.64%
Repurchase Agreements and Other Borrowed Funds	20,023	964	4.81%
Total Interest Bearing Liabilities	569,278	25,470	4.47%
Non-interest Bearing Deposits	112,343		
Other Liabilities	11,337		
Total Liabilities	692,958		
Common Stock	81		
Paid-In Capital	54,524		
Retained Earnings	23,102		
Accumulated Other Comprehensive Earnings (Loss)	1,183		
Total Stockholders' Equity	78,890		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 771,848		
NET INTEREST INCOME		$ 33,358	
NET INTEREST SPREAD			3.74%
NET INTEREST MARGIN ON AVERAGE EARNING ASSETS (1)			4.65%
RETURN ON AVERAGE ASSETS (2)			1.47%
RETURN ON AVERAGE EQUITY (3)			14.43%

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

(2) Net income divided by average total assets

(3) Net income divided by average equity

RATE/VOLUME ANALYSIS

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

(Dollars in Thousands)	Years Ended December 31, 2000 vs. 1999			Years Ended December 31, 1999 vs. 1998		
	Increase (Decrease) due to:			Increase (Decrease) due to:		
INTEREST INCOME	Volume	Rate	Net	Volume	Rate	Net
Real Estate Loans	$ 349	$ 1,333	$ 1,682	$ (883)	$ (646)	$ (1,529)
Commercial Loans	5,716	1,569	7,285	4,035	(786)	3,249
Consumer and Other Loans	2,517	(28)	2,489	1,143	(683)	460
Investment Securities	2,202	460	2,662	2,951	760	3,711
Total Interest Income	10,784	3,334	14,118	7,246	(1,355)	5,891
NOW Accounts	62	(58)	4	90	(454)	(364)
Savings Accounts	(41)	4	(37)	(26)	(196)	(222)
Money Market Accounts	1,309	834	2,143	707	(578)	129
Certificates of Deposit	2,963	1,107	4,070	1,064	(680)	384
FHLB Advances	2,071	1,923	3,994	1,826	(305)	1,521
Other Borrowings and Repurchase Agreements	23	(475)	(452)	546	171	717
Total Interest Expense	6,387	3,335	9,722	4,207	(2,042)	2,165
NET INTEREST INCOME	$ 4,397	$ (1)	$ 4,396	$ 3,039	$ 687	$ 3,726

Net interest income increased $4.4 million in 2000 over 1999. The increase was due to increases in volumes. 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 an insignificant amount of trading in the Company's investment portfolios during 2000. 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 2000, 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 34.69% in calculating the tax equivalent yield. Approximately $62 million of the investment portfolio is comprised of tax exempt investments.

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

For additional information, see Note 3 to the Consolidated Financial Statements for the year ended December 31, 2000.

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 12/31/00		At 12/31/99		At 12/31/98	
TYPE OF LOAN	Amount	Percent	Amount	Percent	Amount	Percent
REAL ESTATE LOANS:						
Residential first mortgage loans	$ 224,631	30.62%	$ 219,482	33.65%	$ 222,018	38.87%
Loans held for sale	$ 7,058	0.96%	$ 5,896	0.90%	$ 16,474	2.88%
Total	$ 231,689	31.58%	$ 225,378	34.55%	$ 238,492	41.75%
COMMERCIAL LOANS:						
Real estate	$ 198,414	27.05%	$ 154,155	23.64%	$ 118,434	20.73%
Other commercial loans	$ 142,519	19.43%	$ 125,462	19.24%	$ 97,463	17.06%
Total	$ 340,933	46.48%	$ 279,617	42.88%	$ 215,897	37.79%
INSTALLMENT AND OTHER LOANS:						
Consumer loans	$ 86,336	11.77%	$ 87,967	13.49%	$ 69,726	12.21%
Home equity loans(1)	$ 83,539	11.39%	$ 66,566	10.21%	$ 53,325	9.34%
Outstanding balances on credit cards	--	--	--	--	$ 18	--
Total	$ 169,875	23.16%	$ 154,533	23.70%	$ 123,069	21.55%
Net deferred loan fees, premiums and discounts(2)	$(1,137)	-0.16%	$(598)	-0.10%	$(602)	-0.10%
Allowance for Losses	$(7,799)	-1.06%	$(6,722)	-1.03%	$(5,668)	-0.99%
NET LOANS	$ 733,561	100.00%	$ 652,208	100.00%	$ 571,188	100.00%

(Dollars in Thousands)	At 12/31/97		At 12/31/96	
TYPE OF LOAN	Amount	Percent	Amount	Percent
REAL ESTATE LOANS:				
Residential first mortgage loans	$ 237,906	45.23%	$ 233,948	48.87%
Loans held for sale	$ 9,716	1.85%	$ 6,672	1.39%
Total	$ 247,622	47.08%	$ 240,620	50.26%
COMMERCIAL LOANS:				
Real estate	$ 73,212	13.92%	$ 62,479	13.05%
Other commercial loans	$ 85,693	16.29%	$ 67,795	14.16%
Total	$ 158,905	30.21%	$ 130,274	27.21%
INSTALLMENT AND OTHER LOANS:				
Consumer loans	$ 120,158	22.84%	$ 108,183	22.60%
Home equity loans(1)	--	--	--	--
Outstanding balances on credit cards	$ 3,951	0.75%	$ 3,725	0.78%
Total	$ 124,109	23.59%	$ 111,908	23.38%
Net deferred loan fees, premiums and discounts(2)	--	--	--	--
Allowance for Losses	$(4,654)	-0.88%	$(4,106)	-0.85%
NET LOANS	$ 525,982	100.00%	$ 478,696	100.00%

(1) For periods prior to 1998, included with consumer loans.

(2) For periods prior to 1998, included with other loans amounts.

LOAN PORTFOLIO MATURITIES OR REPRICING TERM

The stated maturities or first repricing term (if applicable) for the loan portfolio at December 31, 2000 was as follows:

(Dollars in Thousands)	Real Estate	Commercial	Consumer	Totals
Variable Rate Maturing or Repricing in:				
One year or less	$ 69,675	114,933	38,062	222,670
One to five years	36,719	78,208	2,122	117,049
Thereafter	--	2,334	2	2,336
Fixed Rate Maturing or Repricing in:				
One year or less	32,377	54,382	43,356	130,115
One to five years	59,166	54,474	73,545	187,185
Thereafter	33,752	36,602	12,788	83,142
Totals	$231,689	340,933	169,875	742,497

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 24% of the Banks' consumer portfolio consists of variable interest rate loans. 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 experience and technical skills of the individual. Limits for fully secured loans range from $15,000 to $250,000, and unsecured limits range from $2,000 to $100,000. An officers' loan committee, consisting of senior lenders and members of senior management, has approval authority up to $500,000. Loans between $500,000 and $2,000,000 go to the individual Bank's Board of Directors for approval. Loans over $2,000,000 go to the Company's Board of Directors for approval. Under Montana banking laws, banks generally may not make loans to one borrower and related entities in an amount, which exceeds 20% of its unimpaired capital and surplus. Those limits at December 31, 2000 are approximately $8.4 million for Glacier, $3.6 million for First Security, $1.5 million for Valley, $1.2 million for Big Sky, $2.0 million for Mountain West, $1 million for Whitefish, and $.7 million for Eureka.
Each of the Banks is in compliance with these limits.

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, 2000, loans serviced for others aggregated approximately $147 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 12/31/00	At 12/31/99	At 12/31/98	At 12/31/97	At 12/31/96
NON-ACCRUAL LOANS:					
Mortgage loans	$ 687	$ 613	$ 438	$ 176	$ 157
Commercial loans	442	776	1,068	288	262
Consumer loans	25	74	64	156	45
TOTAL	1,154	1,463	1,570	620	464
ACCRUING LOANS 90 DAYS OR MORE OVERDUE:					
Mortgage loans	576	62	632	416	290
Commercial loans	91	99	385	268	222
Consumer loans	83	104	124	251	431
TOTAL	750	265	1,141	935	943
Troubled debt restructuring:	--	--	205	249	--
Real estate and other assets owned, net	291	550	151	228	506
TOTAL NON-PERFORMING LOANS, TROUBLED DEBT RESTRUCTURINGS, AND REAL ESTATE AND OTHER ASSETS OWNED, NET	$2,195	$2,278	$3,067	$2,032	$1,913
AS A PERCENTAGE OF TOTAL ASSETS	0.21%	0.23%	0.39%	0.27%	0.28%
Interest Income(1)	$ 101	$ 132	$ 103	$ 84	$ 94

(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.

ALLOWANCE FOR LOAN LOSSES

The Company maintains an allowance for loan losses to absorb inherent losses in the loan portfolio. The Company is committed to the early recognition of possible problems and to a strong, conservative allowance. The allowance consists of three elements: (i) allowances established on specific loans, (ii) allowances based on historical loan loss experience, and (iii) allowances based on general economic conditions and other factors in the Company's individual markets. The specific allowance element is based on a regular analysis of all loans and commitments where credit ratings have fallen below standards. The historical loan loss element is determined by examining loss experience and the related internal gradings of loans charged off. The general economic conditions element is determined by management at the individual subsidiary banks and is based on knowledge of specific economic factors in their markets that might affect the collectibility of loans. It inherently involves a higher degree of uncertainty and considers factors unique to the markets in which the Company operates. Generally these other risk factors have not manifested themselves in the Company's historical losses/experience to the extent they might currently.

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

The Banks' charge-off policy is generally consistent with regulatory standards. The Banks typically place loans on 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.

The following table illustrates the loan loss experience:

(Dollars in Thousands)	2000	1999	1998	1997	1996
	Years ended December 31,				
BALANCE AT BEGINNING OF PERIOD	$ 6,722	5,668	4,654	4,106	3,803
CHARGE OFFS:					
Residential real estate	(98)	(44)	(50)	--	(122)
Commercial loans	(450)	(409)	(514)	(162)	(229)
Consumer loans	(424)	(433)	(517)	(617)	(540)
Total charge offs	$ (972)	(886)	(1,081)	(779)	(891)
RECOVERIES:					
Residential real estate	5	1	--	--	1
Commercial loans	43	110	250	155	69
Consumer loans	137	106	110	120	107
Total recoveries	$ 185	217	360	275	177
CHARGEOFFS, NET OF RECOVERIES	(787)	(669)	(721)	(504)	(714)
PROVISION	1,864	1,723	1,735	1,052	1,017
BALANCE AT END OF PERIOD	$ 7,799	6,722	5,668	4,654	4,106
RATIO OF NET CHARGE OFFS TO AVERAGE LOANS OUTSTANDING DURING THE PERIOD	0.11%	0.11%	0.13%	0.10%	0.16%

ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

(Dollars in thousands)	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	$1,227	31.2%	1,174	34.2%	1,221	41.3%
Commercial real estate	2,300	26.7%	1,526	23.4%	1,095	20.5%
Other commercial	2,586	19.2%	2,466	19.0%	1,992	16.9%
Consumer	1,686	22.9%	1,556	23.4%	1,360	21.3%
Totals	$7,799	100.0%	6,722	100.0%	5,668	100.0%

(Dollars in thousands)	1997 Allowance	1997 Percent of loans in category	1996 Allowance	1996 Percent of loans in category
Residential first mortgage and loans held for sale	1,263	46.7%	1,227	49.9%
Commercial real estate	549	13.8%	469	12.9%
Other commercial	1,345	16.1%	1,064	14.0%
Consumer	1,497	23.4%	1,346	23.2%
Totals	4,654	100.0%	4,106	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 certificates of deposit with balances of $100,000, or more, and have paid a limited amount of fees to brokers to obtain deposits. The following table illustrates the amounts outstanding for deposits greater than $100,000, according to the time remaining to maturity:

(Dollars in thousands)	Certificates of Deposit	Demand Deposits	Totals
Within three months	$40,130	160,805	200,935
Three months to six months	26,450	--	26,450
Seven months to twelve months	10,329	--	10,329
Over twelve months	3,556	--	3,556
Totals	$80,465	160,805	241,270

For additional information, see Note 6 to the Consolidated Financial Statements for the year ended December 31, 2000.

ADVANCES AND OTHER BORROWINGS

As a member of the Federal Home Loan Bank ("FHLB"), the Banks may borrow from the FHLB on the security of stock which it is required to own in that bank and certain of its home mortgages and other assets (principally, securities which are obligations of, or guaranteed by, the United States), provided certain standards related to credit-worthiness have been met. Advances are made pursuant to several different credit programs, each of which has its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based either on a fixed percentage of an institution's capital or on the FHLB's assessment of the institution's credit-worthiness. FHLB advances have been used from time to time to meet seasonal and other withdrawals of savings accounts and to expand lending by matching a portion of the estimated amortization and prepayments of retained 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,		
	2000	1999	1998
FHLB Advances			
Amount outstanding at end of period	$196,791	208,650	125,886
Average balance	$211,217	173,289	140,877
Maximum outstanding at any month-end	$234,688	232,238	152,165
Weighted average interest rate	6.35%	5.45%	5.63%
Repurchase Agreements:			
Amount outstanding at end of period	$ 24,877	19,766	17,239
Average balance	$ 19,052	28,605	16,652
Maximum outstanding at any month-end	$ 24,877	53,791	19,300
Weighted average interest rate	5.39%	4.51%	4.70%

For additional information concerning the Company's advances and repurchase agreements, see Notes 7 and 8 to the Consolidated Financial Statements for the year ended December 31, 2000.

SUBSIDIARIES

The Company has eight direct subsidiaries, Glacier Bank (wholly owned), First Security (wholly owned), Valley (wholly owned), Big Sky (wholly owned), Mountain West (wholly owned), Whitefish (majority owned), Eureka (majority owned) and CFI (wholly owned). For information regarding the holding company, as separate from the subsidiaries, see Note 15 to the Consolidated Financial Statements for the year ended December 31, 2000.

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

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

EMPLOYEES

As of December 31, 2000, the Company employed 423 persons, 358 of who were full time, none of whom were represented by a collective bargaining group. The Company provides its employees with a comprehensive benefit program, including medical insurance, dental plan, life and accident insurance, long-term disability coverage, sick leave, and both a defined contribution pension plan and a 401(k) savings plan. The Company considers its employee relations to be excellent. See Note 12 in the Consolidated Financial Statements for the year ended December 31, 2000 for detailed information regarding pension/savings 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.

BANK HOLDING COMPANY REGULATION

We are a bank holding company because of our ownership of Glacier Bank, Glacier Bank of Whitefish, Glacier Bank of Eureka, Valley Bank of Helena, First Security Bank of Missoula, Big Sky Western Bank and Mountain West Bank, all of which are Montana-state chartered commercial banks (with the exception of Mountain West Bank, an Idaho state-chartered bank), and all of which are members of the Federal Reserve (with the exception of Mountain West Bank, a non-Fed member FDIC-insured bank). As a bank holding company, we are 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. We are required to file annual reports and additional information with the Federal Reserve, and we are 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 our outstanding shares or otherwise obtaining control over us.

TRANSACTIONS WITH AFFILIATES

We and our 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

We and our 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 we nor our 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, our 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, the two Utah branches Mountain West Bank will acquire from Wells Fargo West, N.A. will be 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.

Community Reinvestment. The Community Reinvestment Act requires that, in connection with examinations of financial institutions within their jurisdiction, the FDIC and the Director 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.

INTERSTATE BANKING AND BRANCHING

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

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

With regard to interstate bank mergers, Montana has "opted-out" of the Interstate Act and prohibits in-state banks from merging with out-of-state banks if the merger would be effective on or before September 30, 2001. Montana law generally authorizes the acquisition of an in-state bank by an out-of-state bank holding company through the acquisition of a financial institution if the in-state bank being acquired has been in existence for at least 5 years prior to the acquisition. Banks, bank holding companies, and their respective subsidiaries cannot acquire control of a bank located in Montana if, after the acquisition, the acquiring institution, together with its affiliates, would directly or indirectly control more than 22% of the total deposits of insured depository institutions and credit unions located in Montana. Montana law does not authorize the establishment of a branch bank in Montana by an out-of-state bank.

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 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 our cash revenues is dividends received from our 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

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

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

Tier I capital for bank holding companies includes common shareholders' equity, qualifying perpetual preferred stock (up to 25% of total Tier I capital, if cumulative, although under a Federal Reserve Rule, redeemable perpetual preferred stock may not be counted as Tier I capital unless the redemption is subject to the prior approval of the Federal Reserve), and minority interests in equity accounts of consolidated subsidiaries, less intangibles, except as described above.

The Federal Reserve also employs a leverage ratio, which is Tier I capital as a percentage of total assets less intangibles, to be used as a supplement to risk-based guidelines. Except for the most highly rated banks, the minimum leverage ratio is 4%.

Banks are assigned to one of five capital categories depending on their total risk-based capital ratio, Tier I risk-based capital ratio, and leverage ratio, together with certain subjective factors. Banks which are deemed to be "undercapitalized" 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.

We do not believe that the act will negatively affect our 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 we currently offer and that can aggressively compete in the markets we currently serve.

EFFECTS OF GOVERNMENT MONETARY POLICY

Our 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. We cannot predict with certainty the nature and impact of future changes in monetary policies and their impact on us or our subsidiary Banks.

TAXATION

FEDERAL TAXATION

The Company files consolidated federal, Montana, and Idaho income tax returns, using the accrual method of account. 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 11 in the Consolidated Financial Statements for additional information.

STATE TAXATION

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

ITEM 2. PROPERTIES

At December 31, 2000, Glacier Bank owned 10 of its 13 offices, including its headquarters and other property having an aggregate book value of approximately $7.4 million, and lease the remaining branches.

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

The following table sets forth certain information regarding Glacier Bank's offices at December 31, 2000:

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

First Security conducts banking activities from four locations in Missoula, Montana. The main office has undergone extensive remodeling, and the Great Northern Way office was new in 1996. The East Broadway facility was completed in 1992. Management believes that each facility is in excellent condition. The net book value of the below listed facilities is $2.4 million:

Office	Services Offered	Ownership
Main	Full Services	Owned
Branch	Full Services	Owned
Branch	Full Services	Owned
Branch	Full Services	Leased

Valley conducts banking activities from three locations in Helena, MT. The main office has undergone extensive remodeling in 1998. Management believes that each facility is in excellent condition. The net book value of the below listed facilities is $1.9 million:

Office	Services Offered	Ownership
Main	Full Services	Owned
Branch	Full Services	Owned
Branch	Full Services Supermarket Branch	Leased

Whitefish and Eureka each conduct their banking activities out of one office as listed below. Both institutions have undergone a major remodeling and have net book values of $639,000 and $532,000 respectively. Management believes that both facilities are currently in excellent condition:

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

Big Sky conducts banking activities from three locations. Net book value of facilities and leasehold improvements is $3.4 million.

Office	City	Services Offered	Ownership
Main	Big Sky, MT	Full Services Administration	Leased
Branch	Four Corners area		

	of Bozeman, MT	Full Services	Leased
Branch	Bozeman, MT	Full Services	Owned

Mountain Bank conducts banking activities from five locations. Net book value of facilities and leasehold improvements is $2.2 million.

Office	City	Services Offered	Ownership
Main	Coeur d'Alene, ID	Full Services	Owned
Branch	Hayden, ID	Full Services	Lease Land Own Bldg.
Branch	Post Falls, ID	Full Services	Owned
Branch	Boise, ID	Full Services	Leased
Branch	Ketchum, ID	Lending Services	Leased

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 consolidate 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 2000.

PART II

ITEM 5. MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY & RELATED STOCKHOLDER MATTERS

The Company's stock trades on the NASDAQ Stock Market, Inc., under the symbol: GBCI. The primary market makers are: D.A. Davidson & Company, Inc.; Piper Jaffray Companies, Inc.; Herzog, Heine, Geduld, Inc.; Sherwood Securities Corporation, Dain Rauscher, Inc.; McDonald and Company; and Freedman, Billings, Ramsay & Company.

The market range of high and low bid prices for the Company's common stock for the periods indicated are shown below. The sale price information has been adjusted retroactively for all stock dividends and splits previously issued. As of December 31, 2000, there were approximately 4,900 shareholders of Company common stock. Following is a schedule of quarterly common stock price ranges:

	2000		1999	
Quarter	High	Low	High	Low
First	$14.82	$11.25	$19.84	$15.50
Second	$14.44	$11.00	$22.17	$15.70
Third	$13.38	$11.00	$21.71	$13.87
Fourth	$13.31	$11.00	$17.05	$13.53

The Company paid cash dividends on its common stock of $.59 and $.58 per share for the years ended December 31, 2000 and 1999, respectively.

ITEM 6. SELECTED FINANCIAL DATA

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

SUMMARY OF OPERATIONS AND SELECTED FINANCIAL DATA

(dollars in thousands, except per share data)	At December 31, 2000	1999	1998	1997	1996
SUMMARY OF FINANCIAL CONDITION:					
Total assets	$ 1,056,712	974,001	786,802	748,526	675,580
Investment securities	211,888	209,312	119,087	128,638	126,689
Loans receivable, net	733,561	652,208	571,188	526,234	478,868
Allowance for loan losses	(7,799)	(6,722)	(5,668)	(4,654)	(4,106)
Deposits	720,570	644,106	546,503	487,539	433,434
Advances	196,791	208,650	125,886	147,660	152,116
Other borrowed funds and repurchase agreements	29,529	26,614	18,707	29,960	17,871
Stockholders' equity	98,113	85,056	84,146	73,537	61,620
Equity per common share*	8.57	7.44	7.85	5.75	5.20
Equity as a percentage of total assets	9.28%	8.73%	10.69%	9.82%	9.12%

(dollars in thousands, except per share data)	Years ended December 31, 2000	1999	1998	1997	1996
SUMMARY OF OPERATIONS:					
Interest income	$ 78,837	64,719	58,828	55,612	50,481
Interest expense	37,357	27,635	25,470	24,925	22,639
Net interest income	41,480	37,084	33,358	30,687	27,842
Provision for loan losses	1,864	1,723	1,735	1,052	1,017
Non-interest income	13,294	12,809	13,596	11,057	10,421
Non-interest expense	31,327	29,096	27,170	23,709	23,027
Earnings before income taxes	21,583	19,074	18,049	16,983	14,219
Income taxes	7,580	6,722	6,674	6,246	5,740
Net earnings	14,003	12,352	11,375	10,737	8,479
Basic earnings per common share*	1.22	1.08	1.02	1.00	0.81
Diluted earnings per common share*	1.21	1.07	1.00	0.98	0.80
Dividends declared per share*	0.59	0.58	0.47	0.39	0.32

	At or for the years ended December 31, 2000	1999	1998	1997	1996
RATIOS:					
Net earnings as a percent of					
average assets	1.39%	1.41%	1.47%	1.50%	1.32%
average stockholders' equity	15.83%	14.60%	14.43%	15.89%	14.45%
Dividend payout ratio	48.36%	53.70%	46.08%	39.00%	39.51%
Average equity to average asset ratio	8.78%	9.73%	10.22%	9.37%	9.13%
Net interest margin on average earning assets (tax equivalent)	4.48%	4.67%	4.80%	4.74%	4.75%
Allowance for loan losses as a percent of loans	1.05%	1.02%	0.98%	0.88%	0.85%
Allowance for loan losses as a percent of nonperforming assets	372%	295%	185%	230%	215%

(dollars in thousands)	At or for the years ended December 31, 2000	1999	1998	1997	1996
OTHER DATA:					
Loans originated and purchased	$ 570,652	528,325	516,497	341,766	363,891
Loans serviced for others	$ 203,836	159,451	169,378	156,288	142,878
Number of full time equivalent employees	423	434	412	368	361
Number of offices	30	31	27	26	24
Number of shareholders of record	1,228	1,212	929	772	758

* 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company is a Delaware corporation and at December 31, 2000 had six commercial banks located in Montana as subsidiaries: Glacier Bank, Glacier Bank of Whitefish, Glacier Bank of Eureka, First Security Bank of Missoula, Valley Bank of Helena, and Big Sky Western Bank. Mountain West Bank of Coeur d'Alene, Idaho is its seventh banking subsidiary. The following discussion and analysis includes the effect of the pooling-of-interests merger with Big Sky Western Bank and Mountain West Bank. Prior period information has been restated to include amounts from the Mountain West and Big Sky mergers. The Company reported earnings of $14,003,000 for the year ended December 31, 2000, or $1.22 basic earnings per share, and $1.21 diluted earnings per share, compared to $12,352,000, or $1.08 basic earnings per share and $1.07 diluted earnings per share, for the year ended December 31, 1999, and $11,375,000, or $1.02 basic and $1.00 diluted earnings per share for the year ended December 31, 1998. The continued improvement in net income can be attributed to an increase in earning assets, management of net interest margin, and strong non-interest income. The following narrative and tables focus on the significant financial changes which have taken place over the past years and include a discussion of the Company's financial condition, results of operations, and capital resources.

The objective of liquidity management is to maintain cash flows adequate to meet current and future needs for credit demand, deposit withdrawals, maturing liabilities and corporate operating expenses. This source of funds is generated by deposits, principal and interest payments on loans, sale of loans and securities, short and long term borrowings, and net income. In addition, all seven subsidiaries are members of the Federal Home Loan Bank of Seattle. 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. During 2000, all seven financial institutions maintained liquidity levels in excess of regulatory requirements and deemed sufficient to meet operating cash needs.

Retention of a portion of Glacier Bancorp, Inc.'s earnings resulted in stockholders' equity at December 31, 2000 of $98,113,000, or 9.3% of assets, which compares with $85,056,000, or 8.7% of assets at December 31, 1999. Earnings retention and an increase in accumulated other comprehensive income of 15.4%, has exceeded the 8.5% growth in total assets. The stockholders' equity ratio remains well above required regulatory levels, and above the average of the Company's peers, providing flexibility in the management of assets.

FINANCIAL CONDITION

The following table summarizes the Company's major asset and liability components as a percentage of total assets at December 31, 2000, 1999, and 1998.

	December 31, 2000	1999	1998
ASSETS:			
Cash, and Cash Equivalents, Investment Securities, FHLB and Federal Reserve Stock	26.7%	28.6%	23.5%
Real Estate Loans and Loans Held for Sale	21.8%	23.1%	30.3%
Commercial Loans	31.8%	28.7%	27.4%
Consumer Loans	15.9%	15.9%	15.6%
Other Assets	3.8%	3.7%	3.2%
	100.0%	100.0%	100.0%
LIABILITIES AND STOCKHOLDER'S EQUITY:			
Deposit Accounts	68.2%	66.1%	69.5%
FHLB Advances	18.6%	21.4%	16.0%
Other Borrowings and Repurchase Agreements	2.8%	2.7%	2.4%
Other Liabilities	1.1%	1.1%	1.4%
Stockholders' Equity	9.3%	8.7%	10.7%
	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.

GAP ANALYSIS

The following table gives a description of our GAP position for various time periods. As of December 31, 2000, we had a negative GAP position at six and twelve months. The cumulative GAP as a percentage of total assets for six months is a negative 19.01% which compares to a negative 24.22% at December 31, 1999 and a positive 2.51% at December 31, 1998. 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	$ 10,330	-	-	-	10,330
Investment securities	740	339	6,630	63,706	71,415
Mortgage-backed securities	8,626	10,194	51,204	70,449	140,473
Floating rate loans	191,600	27,155	113,303	2,365	334,423
Fixed rate loans	75,182	55,849	187,698	80,409	399,138
Other earning assets	16,435	-	-	1,663	18,098
TOTAL INTEREST BEARING ASSETS	$ 302,913	93,537	358,835	218,592	973,877
LIABILITIES:					
Interest-bearing deposits	354,617	49,209	25,824	149,713	579,363
FHLB advances	104,001	69,570	16,490	6,730	196,791
Other borrowed funds and repurchase agreements	29,382	147	-	-	29,529
TOTAL INTEREST BEARING LIABILITIES	$ 488,000	118,926	42,314	156,443	805,683
Repricing gap	$(185,087)	(25,389)	316,521	62,149	168,194
Cumulative repricing gap	(185,087)	(210,476)	106,045	168,194	
Cumulative gap as a % of total assets	-19.01%	-21.61%	10.89%	17.27%	
Gap Earnings Sensitivity (1)		$ (1,284)			
Gap Earnings Sensitivity Ratio (2)		$ -9.17%			

(1) Gap Earnings Sensitivity is the estimated effect on income, after taxes of 39%, of a 1% increase or decrease in interest rates (1% of (-$210,476 + $82,086))

(2) Gap Earnings Sensitivity Ratio is Gap Earnings Sensitivity divided by the estimated yearly earnings of $14,003. 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 2000 was slightly lower than the prior year. The net interest margin decreased slightly in 2000 from 4.67% to 4.48%, primarily the result of an increase in rates on deposits and borrowings. Increased asset levels, and increased interest-free funding resulted in significantly higher net interest income.

	December 31,(1)		
	2000	1999	1998
Combined weighted average yield on loans and investments(2)	8.51%	7.97%	8.21%
Combined weighted average rate paid on savings deposits and borrowings	4.89%	4.24%	4.47%
Net interest spread	3.62%	3.73%	3.74%
Net interest margin(3)	4.48%	4.67%	4.80%

(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.

YEAR ENDED DECEMBER 31, 2000 COMPARED TO DECEMBER 31, 1999

FINANCIAL CONDITION

Total assets increased $82,711,000, or 8.5% over the December 31, 1999 asset level. Total loans outstanding increased 12.6%, or $82,969,000 with the largest increase occurring in the commercial classification which increased $61,316,000, or 21.9%. Consumer loans increased $15,342,000, or 9.9%. Residential real estate loans and loans held for sale increased $6,311,000 or 2.8%. Investment securities increased $2,576,000, or 1.2%.

Total liabilities increased $69,654,000, or 7.8%, with non-interest bearing deposits up $14,280,000, or 11.3%, and interest bearing deposits up $62,184,000, or 12.0%. Federal Home Loan Bank advances decreased $11,859,000, or 5.7%. Securities sold under repurchase agreements and other borrowed funds were up $2,915,000, or 11.0%.

Total stockholders' equity increased $13,057,000, or 15.4%, the result of earnings retention, and $5,689,000 net increase from the unrealized gain (loss) on the securities available-for-sale.

RESULTS OF OPERATIONS

INTEREST INCOME - Interest income was $78,837,000 compared to $64,719,000 for the years ended December 31, 2000 and 1999, respectively, a $14,118,000, or 21.8% increase. The weighted average yield on the loan and investment portfolios increased from 7.97% to 8.51%, the results of higher interest rates, increased volumes in loans, and the continued change in loan mix from real estate loans to higher yielding commercial and consumer loans.

INTEREST EXPENSE - Interest expense was $37,357,000 for the year ended December 31, 2000, up from $27,635,000 in 1999, a $9,722,000, or 35.2%, increase. The increase is due to higher interest rates and larger balances during the year in interest bearing deposits and FHLB advances. Repurchase agreements and other borrowed funds and related interest expense increased during 2000. The increased interest expense resulting from the higher balances, and rates, in interest bearing liabilities was partially offset by the increase in non-interest bearing deposits. The cost of interest bearing liabilities increased from 4.2% in 1999 to 4.9% in 2000.

NET INTEREST INCOME - Net interest income was $41,480,000 compared to $37,084,000 in 1999, an increase of $4,396,000, or 11.9%, the net result of the items discussed in the above paragraphs.

PROVISION FOR LOAN LOSSES - The provision for loan losses was $1,864,000 for 2000, up slightly from $1,723,000 for 1999. Total loans charged off, net of recoveries, were $787,000 in 2000, up from the $669,000 experienced in 1999. The allowance for loan losses balance was $7,799,000 at year end 2000, up from $6,722,000 at year end 1999, an increase of $1,077,000. At December 31, 2000, 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 $2,097,000 or .20% of total assets; compared to $2,278,000 or .23% of total assets at December 31, 1999. The allowance for loan losses was 372% of non-performing assets at December 31, 2000, up from 295% the prior year end. The allowance for loan losses as a percentage of loans increased to 1.06% from 1.02 % at the 2000 and 1999 year ends. The allowance for losses has increased primarily because of 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 $13,294,000 was up $485,000, or 3.8% from 1999. Loan fees and charges were $164,000 below the prior year, due mostly to a slowdown in real estate loan origination and sale activity resulting from higher mortgage rates in 2000. Increased volumes in deposit accounts resulted in an increase in fee income of $1,423,000 from service charges and other fees. Other income was up $257,000, most of which was from the sale of two small branches in 2000. The gain on sale of investments was $51,000 in 2000, up from $23,000 in 1999.

NON-INTEREST EXPENSE - Total non-interest expense increased from $29,096,000 to $31,327,000 an increase of $2,231,000, or 7.7%. Compensation, employee benefits, and related expenses increased $1,657,000, or 11.4% from 1999 resulting from additional branch and data center staffing, increased activity volumes, and other normal increases. Occupancy and equipment expense increased $658,000, or 15.8% from 1999, 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 new branch offices. Data processing and other expenses were up $98,000, or 8.1%,. The other category of expense is the minority interest in subsidiaries which increased $10,000.

The efficiency ratio (non-interest expense)/(net interest income + non-interest income), was 57.2% in 2000, down from 58.3% in 1999, which compares favorably with similar sized bank holding companies nationally which average approximately 63.5%.

YEAR ENDED DECEMBER 31, 1999 COMPARED TO DECEMBER 31, 1998

FINANCIAL CONDITION

The Company acquired two Butte, Montana offices of Washington Mutual, with approximately $73,000,000 in deposits, on October 8, 1999. Those branches have been fully integrated into Glacier Bank, the largest subsidiary of the Company. The following information includes the impact of that acquisition which was accounted for as a purchase.

Total assets increased $187,199,000 or 23.8% over the December 31, 1998 asset level. Total loans outstanding increased 14.2%, or $81,020,000 with the largest increase occurring in the commercial classification which increased $63,720,000, or 29.5%. Consumer loans increased $31,464,000 or 25.6%. Residential real estate loans and loans held for sale declined $13,114,000 or 5.5%, in accordance with management's plan to reduce the balances on real estate loans which generally have lower interest rates than other loan types. Investment securities increased $90,225,000, or 75.8%. Higher investment yields, a steeper yield curve, and the Butte branch acquisition from Washington Mutual provided an opportunity to increase the investment portfolio.

Total liabilities increased $186,289,000, or 26.5%, with non-interest bearing deposits up $10,973,000, or 9.5%, and interest bearing deposits up $86,630,000 or 20.1%. Federal Home Loan Bank advances increased $82,764,000, or 65.7%. Securities sold under repurchase agreements and other borrowed funds were up $7,907,000, or 42.3%.

Total stockholders' equity increased $910,000 or 1.1%, the result of earnings retention, offset by a $6,604,000 net change in accumulated other comprehensive income (loss), the result of unrealized losses on securities available-for-sale.

RESULTS OF OPERATIONS

INTEREST INCOME - Interest income was $64,719,000 compared to $58,828,000 for the years ended December 31, 1999 and 1998, respectively, a $5,891,000 or 10% increase. The weighted average yield on the loan and investment portfolios decreased from 8.2% to 8.0%. This decrease in yield was offset by increased volumes in loans, and the change in loan mix from real estate loans to higher yielding commercial and consumer loans, increasing interest income.

INTEREST EXPENSE - Interest expense was $27,635,000 for the year ended December 31, 1999, up from $25,470,000 in 1998, a $2,165,000, or 8.5%, increase. The increase is due to higher balances in interest bearing deposits, Federal Home Loan Bank advances, repurchase agreements and other borrowed funds during 1999. The increased interest expense resulting from the higher balances in interest bearing liabilities was partially offset by reduced rates and by the increase in non-interest bearing deposits. The yield on interest bearing liabilities declined from 4.5% in 1998 to 4.2% in 1999.

NET INTEREST INCOME - Net interest income was $37,084,000 compared to $33,358,000 in 1998, an increase of $3,726,000, or 11.2%, the net result of the items discussed in the above paragraphs.

PROVISION FOR LOAN LOSSES - The provision for loan losses was $1,723,000 for 1999, down slightly from $1,735,000 for 1998. Total loans charged off, net of recoveries, were $669,000 in 1999, down from the $721,000 experienced in 1998. The allowance for loan losses balance was $6,722,000 at year end 1999, up from $5,668,000 at year end 1998, an increase of $1,054,000. At December 31, 1999, 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 $2,278,000 or .23% of total assets; compared to $3,067,000 or .39% of total assets at December 31, 1998. The allowance for loan losses was 295% of non-performing assets at December 31, 1999, up from 185% the prior year end. The allowance for loan losses as a percentage of loans increased to 1.02% from .98% at the 1999 and 1998 year ends. The allowance for losses has increased primarily because of 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 $12,809,000 was down $787,000, or 5.8% from 1998 which included one time gains on the sale of the credit card portfolio of $457,000, and $102,000 from the sale of the trust business. Loan fees and charges were approximately the same as the prior year. Increased volumes in deposit accounts resulted in an increase in fee income of $499,000 from service charges and other fees. Other income was down $485,000 most of which was the gain on sale of credit card and trust business in 1998. The gain on sale of investments was $23,000 in 1999, down from $62,000 in 1998. Real estate loans sold totaled $158,204,000 in 1999 down from $205,783,000 in 1998. Commercial loan sales totaled $10,796,000 and $8,756,000 for 1999 and 1998, respectively.

NON-INTEREST EXPENSE - Total non-interest expense increased from $27,170,000 to $29,096,000 an increase of $1,926,000, or 7.1%. Compensation, employee benefits, and related expenses increased $1,166,000, or 8.7% from 1998, with the new branches and expanded data processing staff included. Occupancy and equipment expense increased $585,000, or 16.3% from 1998, 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 new branch offices. Data processing and other expenses were up $269,000, or 2.7%, primarily the result of increased volumes and $78,000 in amortization of the premium paid for the Butte acquisition. The other category of expense is the minority interest in subsidiaries which decreased $94,000, resulting from the acquisition of minority shares in 1998.

The efficiency ratio (non-interest expense)/(net interest income + non-interest income), was 58.3% in 1999, up from 57.9% in 1998, as compared with similar sized bank holding companies nationally which average approximately 61.28%.

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 loner-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. The following reflects the Company's NII sensitivity analysis as of December 31, 2000 and 1999 as compared to the 10% Board approved policy limit.

+200 bp	2000	1999
Estimated sensitivity	-2.75%	-3.66%
Estimated decrease in net interest income ...	$(1,141)	(1,357)
- -200 bp		
Estimated sensitivity	1.73%	2.68%
Estimated increase in net interest income ...	$ 718	994

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.

FORWARD-LOOKING INFORMATION

In addition to historical information, this report contains certain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (PSLRA). This statement is included for the express purpose of availing the Company, of the protections of the safe harbor provisions of the PSLRA. The forward-looking statements contained in this report are subject to factors, risks, and uncertainties that might cause actual results to differ materially form those projected. Important factors that might cause such a material difference include, but are not limited to, those discussed in this section of the report. In addition, the following items are among the factors that could cause actual results to differ materially from the forward looking statements in this report: general economic conditions, including their impact on capital expenditures; business conditions in the banking industry; the regulatory environment; new legislation; vendor quality and efficiency; employee retention factors; rapidly changing technology and evolving banking industry standards; competitive standards; competitive factors, including increased competition with community, regional and national financial institutions; fluctuating interest rate environments; and similar matters. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date of the statement. The Company undertakes no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date of this report. Readers should carefully review the risk factors described in this and other documents we file from time to time with the Securities and Exchange Commission.

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.

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, 2000 and 1999 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, 2000. 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 did not audit the 1998 financial statements of Mountain West Bank, acquired by Glacier Bancorp, Inc. on February 4, 2000 in a pooling of interests, which financial statements reflect net interest income and net income constituting 9.6% and 4.0%, respectively, of the related 1998 consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Mountain West Bank, is based solely on the report of the other auditors.

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, based on our audits and the report of the other auditors, 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, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Billings, Montana
February 2, 2001

Report of Independent Accountants

The Board of Directors and Stockholders
Mountain West Bank

In our opinion, the statements of income, comprehensive income, changes in stockholders' equity and of cash flows for the year ended March 31, 1999 of Mountain West Bank (not presented separately herein) present fairly, in all material respects, the results of operations and cash flows of Mountain West Bank for the year ended March 31, 1999, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We have not audited the financial statements of Mountain West Bank for any period subsequent to March 31, 1999.

/s/ PricewaterhouseCoopers LLP

Spokane, Washington
May 19, 1999

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(dollars in thousands except per share data)	December 31, 2000	December 31, 1999
ASSETS:		
Cash on hand and in banks	$ 41,456	50,590
Federal funds sold	--	64
Interest bearing cash deposits	10,330	1,711
Cash and cash equivalents	51,786	52,365
Investment securities, available-for-sale	211,888	209,312
Loans receivable, net	726,503	646,312
Loans held for sale	7,058	5,896
Premises and equipment, net	25,016	24,670
Real estate and other assets owned, net	291	550
Federal Home Loan Bank of Seattle stock, at cost	16,436	15,134
Federal Reserve Bank stock, at cost	1,662	1,467
Accrued interest receivable	6,637	5,611
Goodwill and other intangibles, net of accumulated amortization of $1,556 and $1,012 at December 31, 2000, and 1999, respectively	6,493	7,035
Deferred tax asset	--	2,959
Other assets	2,942	2,690
	$ 1,056,712	974,001
LIABILITIES:		
Deposits - non-interest bearing	$ 141,207	126,927
Deposits - interest bearing	579,363	517,179
Advances from Federal Home Loan Bank of Seattle	196,791	208,650
Securities sold under agreements to repurchase	24,877	19,766
Other borrowed funds	4,652	6,848
Accrued interest payable	4,591	2,717
Current income taxes	17	108
Deferred income taxes	578	--
Minority interest	338	308
Other liabilities	6,185	6,442
Total liabilities	958,599	888,945
STOCKHOLDERS' EQUITY:		
Preferred shares, 1,000,000 shares authorized. None outstanding at December 31, 2000 and 1999	--	--
Common stock, $.01 par value per share. 50,000,000 shares authorized, 11,447,150 and 10,394,041 outstanding at December 31, 2000 and 1999, respectively	114	104
Paid-in capital	101,828	87,387
Retained earnings (accumulated deficit) - substantially restricted	(4,087)	2,996
Accumulated other comprehensive income (loss)	258	(5,431)
Total stockholders' equity	98,113	85,056
	$ 1,056,712	974,001

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, 2000	1999	1998
INTEREST INCOME:			
Real estate loans	$19,557	17,875	19,404
Commercial loans	28,784	21,499	18,250
Consumer and other loans	14,856	12,367	11,907
Investment securities and other	15,640	12,978	9,267
TOTAL INTEREST INCOME	78,837	64,719	58,828
INTEREST EXPENSE:			
Deposits	22,674	16,494	16,567
Advances	13,454	9,460	7,939
Securities sold under agreements to repurchase	949	1,318	772
Other borrowed funds	280	363	192
TOTAL INTEREST EXPENSE	37,357	27,635	25,470
NET INTEREST INCOME	41,480	37,084	33,358
Provision for loan losses	1,864	1,723	1,735
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	39,616	35,361	31,623
NON-INTEREST INCOME:			
Service charges and other fees	7,839	6,416	5,917
Miscellaneous loan fees and charges	1,917	2,081	2,089
Gain on sale loans	2,049	3,108	3,862
Gain on sale of investments, net	51	23	62
Other income	1,438	1,181	1,666
TOTAL NON-INTEREST INCOME	13,294	12,809	13,596
NON-INTEREST EXPENSE:			
Compensation, employee benefits and related expenses	16,214	14,557	13,391
Occupancy expense	4,830	4,172	3,587
Data processing expense	1,313	1,215	1,347
Other expense	8,909	9,101	8,700
Minority interest	61	51	145
TOTAL NON-INTEREST EXPENSE	31,327	29,096	27,170
Earnings before income taxes	21,583	19,074	18,049
Federal and state income tax expense	7,580	6,722	6,674
NET EARNINGS	$14,003	12,352	11,375
BASIC EARNINGS PER SHARE	$ 1.22	1.08	1.02
DILUTED EARNINGS PER SHARE	$ 1.21	1.07	1.00

See accompanying notes to consolidated financial statements.

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME
Years ended December 31, 2000, 1999, and 1998

(Dollars in thousands except per share data)	Common Stock Shares	Common Stock Amount	Paid-in capital
Balance at December 31, 1997	8,259,742	$ 83	42,760
Comprehensive income:			
Net earnings	--	--	--
Unrealized loss on securities, net of reclassification adjustment	--	--	--
Total comprehensive income	--	--	--
Transfer from retained earnings to additional paid in capital	--	--	100
Cash dividends declared ($.57 per share)	--	--	--
Stock options exercised	153,459	1	1,572
Tax benefit from stock related compensation	--	--	386
Increase in stock grant earned	--	--	15
10% stock dividend	847,131	8	19,149
Additional shares issued	83,761	1	2,198
Balance at December 31, 1998	9,344,093	$ 93	66,180
Comprehensive income:			
Net earnings	--	--	--
Unrealized loss on securities, net of reclassification adjustment	--	--	--
Total comprehensive income	--	--	--
Cash dividends declared ($.64 per share)	--	--	--
Stock options exercised	113,049	1	1,091
Tax benefit from stock related compensation	--	--	240
10% stock dividend	936,899	10	19,876
Fiscal year conforming adjustment	--	--	--
Balance at December 31, 1999	10,394,041	$ 104	87,387
Comprehensive income:			
Net earnings	--	--	--
Unrealized gain on securities, net of reclassification adjustment	--	--	--
Total comprehensive income	--	--	--
Cash dividends declared ($.59 per share)	--	--	--
Stock options exercised	14,161	--	134
Tax benefit from stock related compensation	--	--	16
10% stock dividend	1,039,608	10	14,302
Dissenting Mountain West shareholders	(660)	--	(11)
Balance at December 31, 2000	11,447,150	$ 114	101,828

(Dollars in thousands except per share data)	Retained earnings (accumulated deficit) substantially restricted	Accumulated other comprehensive income (loss)	Total stockholders' equity
Balance at December 31, 1997	29,504	1,191	73,538
Comprehensive income:			
Net earnings	11,375	--	11,375
Unrealized loss on securities, net of reclassification adjustment	--	(18)	(18)
Total comprehensive income	--	--	11,357
Transfer from retained earnings to additional paid in capital	(100)	--	--
Cash dividends declared ($.57 per share)	(4,922)	--	(4,922)
Stock options exercised	--	--	1,573
Tax benefit from stock related compensation	--	--	386
Increase in stock grant earned	--	--	15
10% stock dividend	(19,157)	--	--
Additional shares issued	--	--	2,199
Balance at December 31, 1998	16,700	1,173	84,146
Comprehensive income:			
Net earnings	12,352	--	12,352
Unrealized loss on securities, net of reclassification adjustment	--	(6,604)	(6,604)
Total comprehensive income	--	--	5,748

Cash dividends declared ($.64 per share)	(6,076)	--	(6,076)
Stock options exercised	--	--	1,092
Tax benefit from stock related compensation	--	--	240
10% stock dividend	(19,905)	--	(19)
Fiscal year conforming adjustment	(75)	--	(75)
Balance at December 31, 1999	2,996	(5,431)	85,056
Comprehensive income:			
Net earnings	14,003	--	14,003
Unrealized gain on securities, net of reclassification adjustment	--	5,689	5,689
Total comprehensive income	--	--	19,692
Cash dividends declared ($.59 per share)	(6,752)	--	(6,752)
Stock options exercised	--	--	134
Tax benefit from stock related compensation	--	--	16
10% stock dividend	(14,334)		(22)
Dissenting Mountain West shareholders	--	--	(11)
Balance at December 31, 2000	(4,087)	258	98,113

	Year ended December 31,		
Disclosure of reclassification amount:	2000	1999	1998
Unrealized and realized holding gains (losses) arising during the year	$ 9,347	(10,929)	(98)
Transfer from held to maturity	--	288	--
Tax (expense) benefit	(3,693)	4,021	39
Net after tax	5,654	(6,620)	(59)
Reclassification adjustment for gains included in net income	51	23	62
Tax expense	(16)	(7)	(21)
Net after tax	35	16	41
Net change in unrealized gain (loss) on available-for-sale securities	$ 5,689	(6,604)	(18)

See accompanying notes to consolidated financial statements.

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)	2000	1999	1998
	Years ended December 31,		
OPERATING ACTIVITIES :			
Net earnings	$ 14,003	12,352	11,375
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Mortgage loans held for sale originated or acquired	(103,284)	(143,313)	(207,622)
Proceeds from sales of mortgage loans held for sale	102,122	158,204	205,783
Proceeds from sales of commercial loans	23,314	10,796	8,756
Provision for loan losses	1,864	1,723	1,735
Depreciation of premises and equipment	2,315	1,883	1,596
Amortization of goodwill and deposit premium	542	305	165
Gain on sale of investments	(51)	(23)	(62)
Gain on sale of loans	(2,049)	(3,108)	(3,862)
Amortization of investment securities premiums and discounts, net	162	196	(196)
FHLB stock dividends	(1,022)	(1,038)	(973)
Gain on sale of branches	(198)	--	--
Deferred tax benefit	(139)	(207)	(99)
Net (increase) decrease in accrued interest receivable	(1,026)	(867)	15
Net increase in accrued interest payable	1,874	394	1,155
Net increase (decrease) in current income taxes	(75)	475	(632)
Net (increase) decrease in other assets	2	(320)	(77)
Net increase (decrease) in other liabilities and minority interest	(108)	(683)	1,439
NET CASH PROVIDED BY OPERATING ACTIVITIES	38,246	36,769	18,496
INVESTING ACTIVITIES:			
Proceeds from sales, maturities and prepayments of investment securities available-for-sale	34,042	38,279	38,142
Purchases of investment securities available-for-sale	(27,335)	(142,852)	(36,916)
Proceeds from maturities and prepayments of investment securities held-to-maturity	--	841	9,775
Purchases of investment securities held-to-maturity	--	12,057	(1,130)
Principal collected on installment and commercial loans	231,674	169,429	162,626
Installment and commercial loans originated or acquired	(334,904)	(290,174)	(236,378)
Principal collections on mortgage loans	128,714	98,397	95,945
Mortgage loans originated or acquired	(132,464)	(94,838)	(72,497)
Net purchase of FHLB and FRB stock	(475)	(1,788)	(879)
Net payments for sale of branches	(901)	--	--
Net addition of premises and equipment	(3,307)	(5,799)	(4,791)
Acquisition of minority interest	--	--	(236)
Acquisition of branch deposits	--	(4,739)	--
NET CASH USED IN INVESTING ACTIVITIES	(104,956)	(221,187)	(46,339)
FINANCING ACTIVITIES:			
Net increase in deposits	81,878	99,263	59,586
Net increase (decrease) in FHLB advances and other borrowed funds	(14,055)	87,971	(28,593)
Net increase (decrease) in securities sold under repurchase agreements	5,111	2,527	(4,434)
Cash dividends paid to stockholders	(6,904)	(5,923)	(4,237)
Proceeds from exercise of stock options and other stock issued	101	1,073	1,573
NET CASH PROVIDED BY FINANCING ACTIVITIES	66,131	184,911	23,895
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(579)	493	(3,948)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	52,365	51,872	55,252
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 51,786	52,365	51,304
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for interest	$ 35,483	27,241	24,315
Cash paid during the year for income taxes	$ 7,794	6,247	7,348

NON-CASH INVESTING AND FINANCING ACTIVITY

During the year ended December 31, 2000, the Company sold branches with net loans of $3,660 and deposits of $5,414. At December 31, 2000 and 1999, the Company had dividends payable of $1,758 and $1,910, respectively. Dividends payable are included in other liabilities.

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) GENERAL

Glacier Bancorp, Inc. (the "Company"), a Delaware corporation organized in 1990, is a multi-bank holding company which provides a full range of banking services to individual and corporate customers in Montana and Idaho 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 and prevailing practices within the banking industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities as of the date of the statement of financial condition and income and expenses for the period. Actual results could differ significantly from those estimates.

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

(b) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its seven subsidiaries, Glacier Bank ("Glacier"), First Security Bank of Missoula ("First Security"), Glacier Bank of Whitefish ("Whitefish"), Glacier Bank of Eureka ("Eureka"), Valley Bank of Helena ("Valley), Big Sky Western Bank, ("Big Sky"), Mountain West Bank in Idaho, ("Mountain West"), and Community First, Inc. ("CFI"). All significant inter-company transactions have been eliminated in consolidation. The Company owns 94% of the outstanding stock of Whitefish, 98% of Eureka, and 100% of Glacier, First Security, Valley, Big Sky, Mountain West and CFI.

Valley was acquired on August 31, 1998 through an exchange of stock with HUB Financial Corp. (HUB), formerly the parent company of Valley and the minority shareholders of Valley. The transaction with the minority shareholders was accounted for as a purchase. Financial information from August 31, 1998 forward includes the results of operations previously attributable to the minority interest. Big Sky was acquired on January 20, 1999 and Mountain West was acquired February 4, 2000. The pooling of interests method of accounting was used for the merger transaction with HUB, Big Sky, and Mountain West. 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.

(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.

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.

Effective January 1, 1999, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). SFAS 133 establishes accounting and reporting standards that derivative instruments (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS 133 requires that changes in the derivatives' fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The adoption of SFAS 133 had no impact on the financial statements of the Company except that it allowed for a one-time reclassification of the investment portfolio from held-to-maturity to either trading or available-for-sale. The net effect on the January 1, 1999 consolidated statement of financial condition of this reclassification of all the Company's held-to-maturity securities, with an amortized cost of approximately $8,272,000, was an increase in total assets of $288,000, deferred tax liabilities of $98,000 and unrealized gains on securities available-for-sale of $190,000.

(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.

(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 (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 AND OTHER INTANGIBLES

The excess of purchase price over the fair value of net assets from acquisitions ("Goodwill") is being amortized using the straight-line method over periods of primarily 5 to 25 years. The Company assesses the recoverability of Goodwill by determining whether the unamortized balance related to an acquisition can be recovered through undiscounted future cash flows over the remaining amortization period. As of December 31, 2000 and 1999, the carrying value of goodwill was $4,946,000 and $5,289,000, respectively.

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. As of December 31, 2000 and 1999, the carrying value of core deposit intangibles was $1,547,000 and $1,746,000, respectively

(l) INCOME TAXES

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

(m) STOCK-BASED COMPENSATION

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES . . . CONTINUED

(n) LONG-LIVED ASSETS

Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is deemed impaired if the sum of the expected future cash flows is less than the carrying amount of the asset. If impaired, an impairment loss is recognized to reduce the carrying value of the asset to fair value. At December 31, 2000 and 1999 there were no assets that were considered impaired.

(o) MORTGAGE SERVICING RIGHTS

The Company recognizes mortgage servicing rights when rights are acquired through purchase or through sale of financial assets. The mortgage servicing rights are assessed for impairment based on the fair value of the mortgage servicing rights. Fair value is determined using prices for similar assets with similar characteristics when available, based upon discounted cash flows using market-based assumptions. Impairment is determined by stratifying rights by predominant characteristics, such as interest rates and terms.

As of December 31, 2000 and 1999 the carrying value of servicing rights was approximately $984,000 and $1,007,000, respectively. Amortization expense of $85,000, $175,000, and $145,000 was recognized in the years ended December 31, 2000, 1999, and 1998, respectively. The servicing rights are included in other assets on the balance sheet and are amortized over the life of the loan. There was no impairment of carrying value at December 31, 2000 or 1999. At December 31, 2000, the fair value of mortgage servicing rights was approximately $1,358,000.

(p) EARNINGS PER SHARE

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

(q) 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.

(r) RECLASSIFICATIONS

Certain reclassifications have been made to the 1999 and 1998 financial statements to conform to the 2000 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, 2000 was $4,560,000

3. INVESTMENT SECURITIES, AVAILABLE FOR SALE

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

DECEMBER 31, 2000

Dollars in thousands	Weighted Yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
AVAILABLE-FOR-SALE					
U.S. GOVERNMENT AND FEDERAL AGENCIES					
maturing within one year	5.05%	500	--	(3)	497
maturing one year through five years	6.33%	4,975	5	(25)	4,955
maturing five years through ten years	6.92%	3,050	24	(11)	3,063
maturing after ten years	7.20%	1,070	--	(12)	1,058
	6.55%	9,595	29	(51)	9,573
STATE AND LOCAL GOVERNMENTS AND OTHER ISSUES:					
maturing within one year	5.47%	600	1	(19)	582
maturing one year through five years	5.17%	1,635	41	(1)	1,675
maturing five years through ten years	7.53%	4,047	34	(99)	3,982
maturing after ten years	5.50%	54,561	1,612	(570)	55,603
	5.63%	60,843	1,688	(689)	61,842
MORTGAGE-BACKED SECURITIES	6.79%	39,374	268	(157)	39,485
REAL ESTATE MORTGAGE INVESTMENT CONDUITS	6.94%	101,635	396	(1,043)	100,988
TOTAL AVAILABLE FOR SALE SECURITIES	6.52%	211,447	2,381	(1,940)	211,888

DECEMBER 31, 1999

Dollars in thousands	Weighted Yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
AVAILABLE FOR SALE					
U.S. GOVERNMENT AND FEDERAL AGENCIES					
maturing within one year	5.98%	1,998	3	(4)	1,997
maturing one year through five years	6.37%	4,980	15	(105)	4,891
maturing five years though ten years	6.76%	4,546	--	(221)	4,325
maturing after ten years	5.20%	1,322	2	(13)	1,310
	6.33%	12,846	20	(343)	12,523
STATE AND LOCAL GOVERNMENTS AND OTHER ISSUES:					
maturing within one year	6.50%	397	1	(49)	349
maturing one year through five years	4.92%	1,302	14	(5)	1,311
maturing five years through ten years	6.88%	4,120	25	(20)	4,125
maturing after ten years	5.21%	46,698	39	(2,985)	43,752
	5.34%	52,517	79	(3,059)	49,537
MORTGAGE-BACKED SECURITIES	6.96%	44,528	164	(1,310)	43,382
REAL ESTATE MORTGAGE INVESTMENT CONDUITS	6.94%	108,374	126	(4,630)	103,870
TOTAL AVAILABLE FOR SALE SECURITIES	6.52%	218,265	389	(9,342)	209,312

3. INVESTMENT SECURITIES . . . CONTINUED

The book value of investment securities is as follows at:

(dollars in thousands)	December 31, 1998 Held-to-Maturity	Available-for-Sale	Totals
U.S. Government and Federal Agencies	$ 4,876	16,447	21,323
State and Local Governments and Other Issues .	4,184	40,037	44,221
Mortgage-Backed Securities	280	25,738	26,018
Real Estate Mortgage Investment Conduits	-	27,813	27,813
	$ 9,340	110,035	119,375

Maturities of securities do not reflect repricing opportunities present in adjustable rate securities, nor do they reflect expected shorter maturities based upon early prepayment of principal.

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

Gross proceeds from sales of investment securities for the years ended December 31, 2000, 1999, and 1998 were approximately $19,253,000, $10,770,000 and $10,476,000 respectively, resulting in gross gains of approximately $127,000, $72,000 and $65,000 and gross losses of approximately $76,000, $49,000 and $3,000, respectively.

At December 31, 2000, the Company had investment securities with carrying values of approximately $73,616,000 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.

The Real Estate Mortgage Investment Conduits are backed by the FNMA, GNMA, or FHLMC. At December 31, 2000 and 1999, the minority interest share of the unrealized gain (loss) was approximately $6,000 and ($22,000), respectively.

4. LOANS RECEIVABLE

The following is a summary of loans receivable at:

(dollars in thousands)	December 31, 2000	1999
Residential first mortgage	$ 224,631	219,482
Loans held for sale	7,058	5,896
Commercial real estate	198,414	154,155
Commercial	142,519	125,462
Consumer	86,336	87,967
Home equity	83,539	66,566
	742,497	659,528
Net deferred loan fees, premiums and discounts ...	(1,137)	(598)
Allowance for loan losses	(7,799)	(6,722)
	$ 733,561	652,208

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

(dollars in thousands)	Years ended December 31, 2000	1999	1998
Balance, beginning of period	$ 6,722	5,668	4,654
Net charge offs	(787)	(669)	(721)
Provision	1,864	1,723	1,735
Balance, end of period	$ 7,799	6,722	5,668

4. LOANS RECEIVABLE . . . CONTINUED

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

(dollars in thousands)	DECEMBER 31, 2000 AMOUNT	DECEMBER 31, 2000 PERCENT OF OF LOANS IN CATEGORY	December 31, 1999 Amount	December 31, 1999 Percent of of loans in category
Residential first mortgage and loans held for sale .	$1,227	31.2%	$1,174	34.2%
Commercial real estate	2,300	26.7%	1,526	23.4%
Other commercial	2,586	19.2%	2,466	19.0%
Consumer loans	983	11.6%	1,087	13.3%
Home equity	703	11.3%	469	10.1%
	$7,799	100.0%	$6,722	100.0%

Substantially all of the Company's loans receivable 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.

Impaired loans for the years ended December 31, 2000, 1999, and 1998 were approximately $1,154,000, $1,463,000, and $1,570,000, respectively, of which no impairment allowance was deemed necessary. The average recorded investment in impaired loans for the years ended December 31, 2000, 1999, and 1998 was approximately $1,309,000, $1,517,000, and $1,095,000, 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 $101,000, $132,000, and $103,000 for the years ended December 31, 2000, 1999, and 1998, respectively. Interest income recognized on impaired loans for the years ended December 31, 2000, 1999, and 1998 was not significant.

The weighted average interest rate on loans was 8.91% and 8.53% at December 31, 2000 and 1999, respectively.

At December 31, 2000, 1999 and 1998 loans sold and serviced for others were $146,534,000, $159,451,000, and $169,378,000, respectively

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and 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 had outstanding commitments as follows (in thousands):

	December 31, 2000	December 31, 1999
Loans and loans in process	$111,141	74,315
Unused consumer lines of credit ...	27,270	26,464
Letters of credit	6,342	6,918
	$144,753	107,697

4. LOANS RECEIVABLE . . . CONTINUED

The following is a summary of accrued interest receivable (in thousands):

	December 31, 2000	December 31, 1999
Investment securities ...	$1,953	1,896
Loans receivable	4,684	3,715
	$6,637	5,611

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, 2000 was approximately $13,372,000. During 2000, new loans to such related parties were approximately $7,292,000 and repayments were approximately $4,665,000.

5. PREMISES AND EQUIPMENT

Premises and equipment consist of the following at:

(dollars in thousands)	December 31, 2000	December 31, 1999
Land	$ 3,968	4,118
Office buildings and construction in progress...........	18,401	17,435
Furniture, fixtures and equipment	13,590	12,291
Leasehold improvements	1,498	1,341
Accumulated depreciation	(12,441)	(10,515)
	$ 25,016	24,670

6. DEPOSITS

Deposits consist of the following at:

(dollars in thousands)	DECEMBER 31, 2000 Weighted Average Rate	DECEMBER 31, 2000 AMOUNT	DECEMBER 31, 2000 PERCENT	December 31, 1999 Amount	December 31, 1999 Percent
Demand accounts	0.0%	$141,207	19.6%	$126,927	19.7%
NOW accounts	1.1%	105,616	14.7%	102,917	16.0%
Savings accounts	1.8%	44,171	6.1%	47,312	7.3%
Money market demand accounts	4.5%	164,917	22.9%	156,692	24.3%
Certificate accounts:					
4.00% and lower		584	0.1%	1,715	0.3%
4.01% to 5.00%		14,742	2.0%	70,153	10.9%
5.01% to 6.00%		57,997	8.0%	110,490	17.2%
6.01% to 7.00%		183,896	25.6%	27,328	4.2%
7.01% to 8.00%		7,416	1.0%	412	0.1%
8.01% and higher		24	0.0%	160	0.0%
Total certificate accounts	5.8%	264,659	36.7%	210,258	32.7%
Total interest bearing deposits	4.2%	579,363	80.4%	517,179	80.3%
Total deposits	3.3%	$720,570	100.0%	644,106	100.0%
Deposits with a balance in excess of $100,000 ..		$241,270		$188,813	

6. DEPOSITS...CONTINUED

At December 31, 2000, scheduled maturities of certificates of deposit are as follows:

	Years ending December 31,					
(dollars in thousands)	TOTAL	2001	2002	2003	2004	Thereafter
4.00% and lower	$ 584	583	1	--	--	--
4.01% to 5.00%	14,742	11,548	1,572	415	918	289
5.01% to 6.00%	57,997	47,272	7,766	1,838	564	557
6.01% to 7.00%	183,896	173,416	6,115	2,833	749	783
7.01% to 8.00%	7,416	6,285	120	613	--	398
8.01% and higher ...	$ 24	17	7	--	--	--
	264,659	239,121	15,581	5,699	2,231	2,027

Interest expense on deposits is summarized as follows:

	Years ended December 31,		
(dollars in thousands)	2000	1999	1998
NOW accounts	$ 1,068	1,064	1,428
Money market demand accounts	7,447	5,304	4,458
Certificate accounts	13,353	9,283	8,723
Savings accounts	806	843	1,958
	$22,674	16,494	16,567

7. ADVANCES FROM FEDERAL HOME LOAN BANK OF SEATTLE

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

	Maturing in years ending December 31,						Totals as of December 31,	Totals as of December 31,
(dollars in thousands)	2001	2002	2003	2004	2005	2006-2011	2000	1999
4.00% to 5.00%	25	--	--	--	--	--	25	84,018
5.01% to 6.00%	4,430	3,204	3,014	2,612	2604	6,116	21,980	112,726
6.01% to 7.00%	168,602	2,570	508	401	366	470	172,917	9,996
7.01% to 8.00%	451	351	302	248	173	144	1,669	1,710
8.01% to 8.15%	63	63	54	20	--	--	200	200
	$173,571	6,188	3,878	3,281	3,143	6,730	196,791	208,650

These advances were collateralized by the Federal Home Loan Bank of Seattle stock held by the Company totaling approximately $16,436,000 and $15,134,000 at December 31, 2000 and 1999, respectively, and a blanket assignment of the Bank's unpledged qualifying real estate loans and investments. The total amount of advances available as of December 31, 2000 was approximately $135,751,000.

The weighted average interest rate on these advances was 6.35% and 5.25% at December 31, 2000 and 1999, respectively.

The Federal Home Loan Bank of Seattle holds callable options which may be exercised after a predetermined time, and quarterly thereafter. At December 31, 2000 advances totaling $18,000,000 with contractual maturity of 2008 and initial call dates of 2001 on $3,000,000 and 2003 on $15,000,000 were outstanding.

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

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

(dollars in thousands) December 31, 2000	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	$12,650	4.32%	$17,995	18,139
31-90 days	9,100	6.48%	12,945	13,049
Greater than 90 days	3,127	6.57%	4,448	4,484
	$24,877	5.39%	$35,388	35,672
December 31, 1999: Securities sold under agreements to repurchase within:				
1-30 days	$13,765	4.38%	$19,601	20,295
31-90 days	6,001	4.81%	6,757	6,866
	$19,766	4.51%	$26,358	27,161

The securities underlying agreements to repurchase entered into by the Company are for the same securities originally sold, and are held in a custody account by a third party. For the year ended December 31, 2000 and 1999 securities sold under agreements to repurchase averaged approximately $19,052,000 and $28,605,000, respectively, and the maximum outstanding at any month end during the year was approximately $24,877,000 and $53,791,000, respectively

In 1996 the Company entered into the treasury tax and loan account note option program, which provides short term funding with no fixed maturity date up to $12,850,000 at federal funds rates minus 25 basis points. At December 31, 2000 and 1999 the outstanding balance under this program was approximately $4,302,000 and $5,778,000. The borrowings are secured with investment securities with a par value of approximately $20,363,000 and a market value of approximately $20,487,000. For the year ended December 31, 2000, the maximum outstanding at any month end was approximately $9,426,000 and the average balance was approximately $3,236,000.

Other borrowed funds also includes federal funds purchased of $0 and $720,000 at December 31, 2000 and 1999, respectively.

9. SUBORDINATED DEBENTURES

During 1999, the Company assumed Big Sky's subordinated convertible debentures as part of the merger transaction. The outstanding balance at December 31, 2000 and 1999 was $350,000. The debentures are due December 31, 2001. The interest rate is 7.5 percent, payable quarterly. The debentures may be prepaid at any time by the Company, subject to approval by the FDIC and the Company's primary regulator, and are convertible at the rate of one share of Company stock for each $10.60 of principal value, or an equivalent of 33,025 shares.

10. 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, 2000:

	Actual		Minimum capital requirement		Well capitalized requirement	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier 1 (core) capital to risk weighted assets						
Consolidated	91,263	12.31%	29,659	4.00%	44,489	6.00%
Glacier	37,328	13.45%	11,099	4.00%	16,648	6.00%
Whitefish	4,974	11.97%	1,663	4.00%	2,494	6.00%
Eureka	3,350	16.42%	816	4.00%	1,224	6.00%
First Security	18,099	9.98%	7,254	4.00%	10,881	6.00%
Big Sky	6,223	9.68%	2,572	4.00%	3,858	6.00%
Valley	7,598	12.41%	2,448	4.00%	3,673	6.00%
Mountain West	9,797	11.12%	3,523	4.00%	5,285	6.00%
Tier 2 (total) capital to risk weighted assets						
Consolidated	99,062	13.36%	59,319	8.00%	74,149	10.00%
Glacier	39,897	14.38%	22,198	8.00%	27,747	10.00%
Whitefish	5,477	13.18%	3,325	8.00%	4,157	10.00%
Eureka	3,606	17.67%	1,632	8.00%	2,041	10.00%
First Security	20,229	11.15%	14,508	8.00%	18,135	10.00%
Big Sky	6,951	10.81%	5,144	8.00%	6,430	10.00%
Valley	8,293	13.55%	4,897	8.00%	6,121	10.00%
Mountain West	10,737	12.19%	7,046	8.00%	8,808	10.00%
Leverage capital to total average assets						
Consolidated	91,263	8.72%	41,853	4.00%	52,317	5.00%
Glacier	37,328	8.08%	18,471	4.00%	23,088	5.00%
Whitefish	4,974	8.90%	2,235	4.00%	2,794	5.00%
Eureka	3,350	10.84%	1,236	4.00%	1,545	5.00%
First Security	18,099	8.64%	8,376	4.00%	10,470	5.00%
Big Sky	6,223	8.28%	3,005	4.00%	3,756	5.00%
Valley	7,598	8.66%	3,509	4.00%	4,387	5.00%
Mountain West	9,797	8.11%	4,832	4.00%	6,040	5.00%

10. 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, 1999:

	Actual		Minimum capital requirement		Well capitalized requirement	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier 1 (core) capital to risk weighted assets						
Consolidated	83,678	13.23%	25,290	4.00%	37,935	6.00%
Glacier	33,645	13.58%	9,913	4.00%	14,870	6.00%
Whitefish	4,934	13.49%	1,462	4.00%	2,194	6.00%
Eureka	3,339	19.45%	687	4.00%	1,030	6.00%
First Security	16,456	9.73%	6,764	4.00%	10,146	6.00%
Big Sky	5,716	11.35%	2,015	4.00%	3,023	6.00%
Valley	7,376	12.59%	2,344	4.00%	3,516	6.00%
Mountain West	6,542	10.40%	2,515	4.00%	3,773	6.00%
Tier 2 (total) capital to risk weighted assets						
Consolidated	90,400	14.30%	50,581	8.00%	63,226	10.00%
Glacier	35,898	14.48%	19,827	8.00%	24,784	10.00%
Whitefish	5,313	14.53%	2,925	8.00%	3,656	10.00%
Eureka	3,555	20.70%	1,374	8.00%	1,717	10.00%
First Security	18,549	10.97%	13,527	8.00%	16,909	10.00%
Big Sky	6,335	12.58%	4,030	8.00%	5,038	10.00%
Valley	7,953	13.57%	4,688	8.00%	5,860	10.00%
Mountain West	7,196	11.44%	5,031	8.00%	6,289	10.00%
Leverage capital to total average assets						
Consolidated	83,678	9.59%	34,893	4.00%	43,616	5.00%
Glacier	33,645	7.58%	17,758	4.00%	22,198	5.00%
Whitefish	4,934	9.86%	2,001	4.00%	2,501	5.00%
Eureka	3,339	12.03%	1,110	4.00%	1,388	5.00%
First Security	16,456	8.62%	7,640	4.00%	9,550	5.00%
Big Sky	5,716	9.15%	2,498	4.00%	3,123	5.00%
Valley	7,376	8.95%	3,295	4.00%	4,119	5.00%
Mountain West	6,542	7.60%	3,443	4.00%	4,304	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, 2000, 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, 2000.

11. FEDERAL AND STATE INCOME TAXES

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

(dollars in thousands)	Years ended December 31, 2000	1999	1998
Current:			
Federal	$ 6,259	5,675	5,546
State	1,460	1,254	1,227
Total current tax expense	7,719	6,929	6,773
Deferred:			
Federal	(74)	(164)	(127)
State	(65)	(43)	28
Total deferred tax benefit	(139)	(207)	(99)
Total income tax expense	$ 7,580	6,722	6,674

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

	Years ended December 31, 2000	1999	1998
Federal statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal income tax benefit	4.2%	4.1%	4.5%
Other, net	-4.1%	-3.9%	-2.5%
	35.1%	35.2%	37.0%

Tax exempt interest for the years ended December 31, 2000, 1999 and 1998 was approximately $2,816,000, $2,301,000, and $1,604,000, respectively.

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, 2000	1999
Deferred tax assets:		
Allowance for losses on loans	$ 3,270	2,826
Available-for-sale securities fair value adjustment	--	3,501
Other	440	540
Total gross deferred tax assets	3,710	6,867
Deferred tax liabilities:		
Federal Home Loan Bank stock dividends	(2,678)	(2,247)
Fixed assets, due to differences in depreciation	(823)	(665)
Tax bad debt reserve in excess of base-year reserve	(200)	(418)
Available-for-sale securities fair value adjustment	(175)	--
Basis difference from acquisitions	(181)	(186)
Other	(231)	(392)
Total gross deferred tax liabilities	(4,288)	(3,908)
Net deferred tax asset (liability)	$ (578)	2,959

11. FEDERAL AND STATE INCOME TAXES . . . CONTINUED

There is no valuation allowance at December 31, 2000 and 1999 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, 2000 includes approximately $3,600,000 for which no provision for Federal income tax has been made. This amount represents the base year bad debt reserve which is essentially an allocation of earnings to pre-1988 bad debt deductions for income tax purposes only. This amount is treated as a permanent difference and deferred taxes are not recognized unless it appears that this reserve will be reduced and thereby result in taxable income in the foreseeable future. The Company is not currently contemplating any changes in its business or operations which would result in a recapture of this federal bad debt reserve into taxable income.

12. EMPLOYEE BENEFIT PLANS

The Company has a noncontributory defined contribution retirement plan covering substantially all employees. The Company follows the policy of funding retirement plan contributions as accrued. The total retirement plan expense for the years ended December 31, 2000, 1999, and 1998 was approximately $1,058,000, $791,000 and $552,000 respectively.

The Company also has an employees' savings plan. The plan allows eligible employees to contribute up to 10% of their monthly salaries. The Company matches an amount equal to 50% of the employee's contribution, up to 6% of the employee's total pay. Participants are at all times fully vested in all contributions. The Company's contribution to the savings plan for the years ended December 31, 2000, 1999 and 1998 was approximately $331,000, $288,000, and $256,000, 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, 2000, 1999 and 1998 was approximately $18,000, $10,000, and $26,000, 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 $34,000, $43,000, $52,000, for the years ending December 31, 2000, 1999, and 1998, 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 2000, 1999, and 1998 were approximately ($24,000), ($33,000), and $12,000, respectively.

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

13. EARNINGS PER SHARE

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

	For the Years Ended December 31,		
	2000	1999	1998
Net earnings available to common stockholders, basic	$14,003,000	12,352,000	11,375,000
After tax effect of interest on convertible subordinated debentures	16,000	16,000	16,000
Net earnings available to common stockholders, diluted	$14,019,000	12,368,000	11,391,000
Average outstanding shares - basic	11,440,391	11,392,861	11,146,948
Add: Dilutive stock options	70,730	174,183	219,551
Convertible subordinated debentures	33,025	33,025	33,025
Average outstanding shares - diluted	11,544,146	11,600,069	11,399,524
Basic earnings per share	$ 1.22	1.08	1.02
Diluted earnings per share	$ 1.21	1.07	1.00

There were approximately 510,000 and 351,000 option shares in 2000 and 1999, respectively, that were not included because the option exercise price exceeded the market value. All option shares were included as dilutive stock options in 1998.

14. STOCK OPTION PLANS

During fiscal 1984, an Incentive Stock Option Plan was approved which provided for the grant of options limited to 168,750 shares to certain full time employees of the Company. In the year ended June 30, 1990, additional Stock Option Plans were approved which provided for the grant of options limited to 29,445 shares to outside Directors and 166,860 shares to certain full time employees of the Company. In the year ended December 31, 1994 a Stock Option Plan was approved which 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. 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 1984 plan also contains provisions permitting the optionee, with the approval of the Company, to surrender his or her options for cancellation and receive cash or common stock equal to the difference between the exercise price and the then fair market value of the shares on the date of surrender (cash-less exercise).

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

14. STOCK OPTION PLANS . . . CONTINUED

granted. The employee options vest over a period of two years and the director options vest over a period of six months.

At December 31, 2000, total shares available for option grants to employees and directors are 736,634. Changes in shares granted for stock options for the years ended December 31, 2000, 1999, and 1998, are summarized as follows:

	Options outstanding		Options exercisable	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance, December 31, 1997	534,759	$ 12.33	234,338	$ 10.32
Canceled	(16,738)	(13.51)	(8,388)	(10.97)
Granted	170,957	22.10	31,860	13.75
Became exercisable			132,885	11.31
Three for two stock split	58,939		40,985	
Exercised	(153,459)	(10.26)	(153,459)	(10.26)
Balance, December 31, 1998	594,458	$ 14.40	278,221	10.36
Canceled	(43,439)	(18.57)	(2,631)	(11.74)
Granted	217,573	22.27	10,620	16.95
Became exercisable			197,139	16.01
Stock dividend	55,913		32,042	
Exercised	(113,049)	(11.58)	(113,049)	(11.58)
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

The range of exercise prices on options outstanding at December 31, 2000 is as follows:

				Options exercisable	
Price range	Shares	Weighted average exercise price	Weighted average life of options	Shares	Weighted average exercise price
$5.65 - $8.12	44,017	$ 6.22	3.8 years	44,017	$ 6.22
$8.75 - $9.57	131,295	9.11	3.1 years	131,295	9.11
$11.21 - $13.09	203,302	11.92	2.1 years	202,302	11.92
$13.63 - $16.95	150,551	13.86	5.8 years	23,584	14.74
$18.28 - $21.82	356,148	18.86	3.2 years	180,156	18.89
	885,313	14.34	3.8 years	581,354	13.13

14. STOCK OPTION PLANS . . . CONTINUED

The options exercised during the year ended December 31, 2000 were at prices from $7.00 to $13.24.

The per share weighted-average fair value of stock options granted during 2000, 1999 and 1998 was $2.47, $5.04, and $4.76, respectively, on the date of grant using the Black Scholes option-pricing model with the following assumptions: 2000 - expected dividend yield of 4.6%, risk-free interest rate of 4.98%, volatility ratio of 25%, and expected life of 4.8 years: 1999 - expected dividend yield of 3.3%, risk-free interest rate of 6.2%, volatility ratio of 23%, and expected life of 4.8 years: 1998 - expected dividend yield of 2.5%, risk-free interest rate 4.6%, volatility ratio 22%, and expected life of 4.8 years.

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

		2000	1999	1998
Net earnings (in thousands):	As reported	$ 14,003	12,352	11,375
	Pro forma	13,379	11,463	10,724
Basic earnings per share:	As reported	1.22	1.08	1.02
	Pro forma	1.17	1.00	0.96
Diluted earnings per share:	As reported	1.21	1.07	1.00
	Pro forma	1.16	0.99	0.94

15. PARENT COMPANY INFORMATION (CONDENSED)

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

STATEMENTS OF FINANCIAL CONDITION
(dollars in thousands)

	December 31, 2000	December 31, 1999
Assets:		
Cash	$ 1,674	2,561
Interest bearing cash deposits	586	16
Cash and cash equivalents	2,260	2,577
Investment securities, available-for-sale	1,075	1,755
Other assets	3,022	2,640
Goodwill, net	2,150	2,376
Investment in subsidiaries	92,235	78,220
	$ 100,742	87,568
Liabilities and Stockholders' Equity:		
Dividends payable	$ 1,758	1,910
Other liabilities	871	602
Total liabilities	2,629	2,512
Common stock	114	104
Paid-in capital	101,828	87,387
Retained earnings (accumulated deficit)	(4,087)	2,996
Accumulated other comprehensive income (loss)	258	(5,431)
Total stockholders' equity	98,113	85,056
	$ 100,742	87,568

STATEMENTS OF OPERATIONS
(dollars in thousands)

	Years ended December 31, 2000	1999	1998
Revenues			
Dividends from subsidiaries	$ 8,650	8,518	5,761
Other income	163	161	168
Intercompany charges for services	2,469	1,617	1,971
Total revenues	11,282	10,296	7,900
Expenses			
Employee compensation and benefits	1,852	1,519	1,880
Goodwill amortization	243	243	165
Other operating expenses	1,635	1,027	1,239
Total expenses	3,730	2,789	3,284
Earnings before income tax benefit and equity in undistributed earnings of subsidiaries	7,552	7,507	4,616
Income tax benefit	(359)	(328)	(198)
Income before equity in undistributed earnings of subsidiaries	7,911	7,835	4,814
Equity in undistributed earnings of subsidiaries	6,092	4,517	6,561
Net earnings	$ 14,003	12,352	11,375

STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Years ended December 31,		
	2000	1999	1998
Operating Activities			
Net earnings	$ 14,003	12,352	11,375
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Goodwill amortization	243	242	165
Gain on sale of investments available-for-sale	(11)	--	(8)
Equity in undistributed earnings of subsidiaries	(6,092)	(4,517)	(6,561)
Net increase in other assets and other liabilities	321	375	1,179
Net cash provided by operating activities	8,464	8,452	6,150
Investing activities			
Purchases of investment securities available-for-sale	--	(103)	(198)
Proceeds from sales, maturities and prepayments of securities available-for-sale	702	3	59
Proceeds from maturities of securities held-to-maturity	--	--	3
Equity contribution to subsidiary	(2,200)	(2,500)	--
Net addition of premises and equipment	(480)	(1,510)	(1,399)
Acquisition of minority interest	--	--	(236)
Net cash used by investing activities	(1,978)	(4,110)	(1,771)
Financing activities			
Proceeds from exercise of stock options and other stock issued	101	1,073	1,573
Principal reductions on notes payable	--	--	(216)
Cash dividends paid to stockholders	(6,904)	(5,923)	(4,327)
Net cash used by financing activities	(6,803)	(4,850)	(2,970)
Net increase (decrease) in cash and cash equivalents	(317)	(508)	1,409
Cash and cash equivalents at beginning of year	2,577	3,085	1,676
Cash and cash equivalents at end of year	$ 2,260	2,577	3,085

16. UNAUDITED QUARTERLY FINANCIAL DATA

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

	QUARTERS ENDED			
	MARCH 31, 2000	JUNE 30, 2000	SEPT. 30, 2000	DEC. 31, 2000
Interest income	$ 18,246	19,293	20,400	20,898
Interest expense	8,345	9,134	9,881	9,997
Net interest income	9,901	10,159	10,519	10,901
Provision for loan loss	487	505	491	381
Net income before income taxes	4,979	4,983	6,137	5,485
Net earnings	3,228	3,192	3,853	3,730
Basic earnings per share [1]	0.28	0.28	0.34	0.32
Diluted earnings per share [1]	0.28	0.28	0.33	0.32
Dividends per share [1]	0.14	0.15	0.15	0.15
Market range high-low [1]	$14.82-$11.25	$14.44-$11.00	$13.38-$11.00	$13.31-$11.00

16. UNAUDITED QUARTERLY FINANCIAL DATA . . . CONTINUED

	Quarters Ended			
	March 31, 1999	June 30, 1999	Sept. 30, 1999	Dec. 31, 1999
Interest income	$ 14,398	15,476	16,849	17,996
Interest expense	5,973	6,470	7,260	7,932
Net interest income	8,425	9,006	9,589	10,064
Provision for loan loss	359	410	478	476
Net income before income taxes	4,540	4,742	5,099	4,693
Net earnings	2,969	3,088	3,266	3,029
Basic earnings per share[1]	0.26	0.27	0.28	0.26
Diluted earnings per share[1]	0.25	0.26	0.28	0.26
Dividends per share[1]	0.13	0.14	0.14	0.18[2]
Market range high-low[1]	$19.84-$15.50	$22.17-$15.70	$21.71-$13.87	$17.05-$13.53

[1] Per share amounts adjusted to reflect effect of 10% stock dividend.
[2] Special dividend was paid at $0.5 per share.

17. 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:

	2000		1999	
(dollars in thousands)	AMOUNT	FAIR VALUE	Amount	Fair Value
Financial Assets:				
Cash	$ 41,456	41,456	50,590	50,590
Federal funds sold	--	--	64	64
Interest bearing cash deposits	10,330	10,330	1,711	1,711
Investment securities	71,415	71,415	62,060	62,060
Mortgage-backed securities	140,473	140,473	147,252	147,252
Loans	733,561	728,511	652,208	641,499
FHLB and Federal Reserve Bank stock	18,098	18,098	16,601	16,601
Financial Liabilities:				
Deposits	$720,570	721,217	644,106	646,778
Advances from the FHLB of Seattle	196,791	198,195	208,650	204,681
Repurchase agreements and other borrowed funds	29,529	29,529	26,614	26,614

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

Financial Assets - The estimated fair value approximates the book value of cash, federal funds sold and interest bearing cash 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.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS...CONTINUED

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

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.

18. 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, 2000, 1999, and 1998 was approximately $462,000, $352,000, and $306,000, 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, 2000 are as follows:

Years ended December 31,	Amount
2001	$ 529
2002	427
2003	257
2004	188
2005	124
Thereafter	445
Total minimum future rental expense	$1,970

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.

19. BUSINESS COMBINATIONS

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

Also on August 31, 1998, the Company issued 83,761 shares of common stock valued at $2,199 in exchange for the minority interest of 13.5% of Valley. This business combination has been accounted for as a purchase and, accordingly, the consolidated statement of operations for the year ended December 31, 1998 includes the results of operations related to this minority interest commencing August 31, 1998 and the proportional interest of the net assets acquired have been restated to estimated fair value.

On January 18, 1999, the Company issued 227,707 shares of common stock in exchange for all of the outstanding stock of Big Sky Western Bank. This business combination has been accounted for as a pooling-of-interests combination and, accordingly, the consolidated financial statements for periods prior

19. BUSINESS COMBINATIONS...CONTINUED

to the combination have been restated to include the accounts and results of operations of Big Sky Western Bank.

On February 4, 2000, the Company issued 844,257 shares of common stock in exchange for all of the outstanding stock of Mountain West Bank. This business combination has been accounted for as a pooling-of-interests combination, and accordingly, the consolidated financial statements for the periods prior to the combination have been restated to include the accounts and results of operations of Mountain West Bank.

Prior to the combination Mountain West Bank's fiscal year ended on March 31. In recording the pooling-of-interests combination, Mountain West Bank's financial statements for the twelve months ended

December 31, 1999, were combined with the Company's financial statements for the same period. For the December 31, 1998 financial statements Mountain West Bank's March 31, 1999 financial statements were combined with the Company's December 31, 1998 financial statements. An adjustment of $75,000 has been made to stockholders' equity as of December 31, 1999, to eliminate the effect of including Mountain West Bank's results of operation for the three months ended March 31, 1999, in both the years ended December 31, 1999 and 1998. The results of operations previously reported by the separate companies and the combined amounts presented in the accompanying consolidated financial statements are summarized below (in thousands):

	Years ended December 31 1999	1998
Revenue of:		
Glacier Bancorp, Inc. ..	$69,985	65,680
Mountain West Bank	7,543	6,744
Combined	$77,528	72,424
Net earnings of:		
Glacier Bancorp, Inc. ..	$12,179	10,915
Mountain West Bank	173	460
Combined	$12,352	11,375

20. BRANCH ACQUISITIONS

On October 8, 1999, the Company, through its largest subsidiary Glacier Bank, acquired the two Butte, Montana offices of Washington Mutual Bank with approximately $73,000,000 in deposits. This acquisition was accounted for as a purchase and accordingly, the consolidated statement of operations for the year ended December 31, 1999 includes the results of these branch operations from the date of purchase. The premium paid of $4,767,000 included a core deposit intangible of approximately $1,797,000 and goodwill of approximately $2,970,000.

21. OPERATING SEGMENT INFORMATION

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

The Company evaluates segment performance internally based on individual bank charter, and thus the operating segments are so defined. All segments, except for the segment defined as "other," are based

21. OPERATING SEGMENT INFORMATION . . . CONTINUED

on commercial banking operations. The operating segment defined as "other" includes the Parent company, smaller 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, 2000, 1999, and 1998 (in thousands):

Operating Segments information
(Dollars in thousands)

2000	Glacier	Whitefish	Eureka	First Security	Valley
Net interest income	$ 16,361	2,406	1,335	9,324	4,171
Provision for loan losses	460	225	24	360	205
Net interest income after provision for loan losses	15,901	2,181	1,311	8,964	3,966
Noninterest income	5,913	704	332	2,000	1,411
Merger expense and amortization of goodwill and core deposit intangibles	317	0	0	0	0
Other noninterest expense	11,440	1,522	933	4,771	3,498
Income before income taxes and minority interest	10,057	1,363	710	6,193	1,879
Minority interest					
Income tax expense (benefit)	3,456	423	199	2,251	657
Net income	$ 6,601	940	511	3,942	1,222
Assets	$ 469,351	56,563	30,562	214,231	87,791
Net loans	282,467	40,146	20,291	180,041	62,645
Deposits	288,556	41,475	19,285	164,168	76,508
Stockholders' equity	42,049	5,060	3,402	18,027	7,649
1999					
Net interest income	$ 15,266	2,044	1,290	8,804	3,614
Provision for loan losses	470	66	24	600	155
Net interest income after provision for loan losses	14,796	1,978	1,266	8,204	3,459
Noninterest income	5,539	675	313	2,260	1,494
Merger expense and amortization of goodwill and core deposit intangibles	78	0	0	0	0
Other noninterest expense	10,750	1,502	986	4,567	2,977
Income before income taxes and minority interest	9,507	1,151	593	5,897	1,976
Minority interest					
Income tax expense (benefit)	3,303	348	191	2,132	731
Net income	$ 6,204	803	402	3,765	1,245
Assets	$ 460,257	52,203	28,879	193,548	82,587
Net loans	272,060	35,485	18,178	161,781	58,924
Deposits	276,880	34,261	18,514	143,645	65,095
Stockholders' equity	36,040	4,605	3,137	15,640	7,073

2000	Big Sky	Mountain West	Other	Consolidated
Net interest income	2,721	5,037	125	41,480
Provision for loan losses	180	410	0	1,864
Net interest income after provision for loan losses	2,541	4,627	125	39,616
Noninterest income	750	2,206	(22)	13,294
Merger expense and amortization of goodwill and core deposit				

intangibles	0	0	242	559
Other noninterest expense	2,527	5,153	863	30,707
Income before income taxes and minority interest	764	1,680	(1,002)	21,644
Minority interest			61	61
Income tax expense (benefit)	258	657	(321)	7,580
Net income	506	1,023	(742)	14,003
Assets	77,111	126,518	(5,415)	1,056,712
Net loans	57,050	90,921	0	733,561
Deposits	49,616	86,632	(5,670)	720,570
Stockholders' equity	6,090	9,780	6,056	98,113
1999				
Net interest income	2,077	3,755	234	37,084
Provision for loan losses	191	217	--	1,723
Net interest income after provision for loan losses	1,886	3,538	234	35,361
Noninterest income	881	1,745	(98)	12,809
Merger expense and amortization of goodwill and core deposit intangibles	0	78	361	517
Other noninterest expense	2,096	4,941	709	28,528
Income before income taxes and minority interest	671	264	(934)	19,125
Minority interest			51	51
Income tax expense (benefit)	231	91	(305)	6,722
Net income	440	173	(680)	12,352
Assets	66,255	89,884	388	974,001
Net loans	43,850	61,930	--	652,208
Deposits	41,034	67,824	(3,147)	644,106
Stockholders' equity	5,281	6,243	7,037	85,056

21. OPERATING SEGMENT INFORMATION . . . CONTINUED

Operating Segments information
(Dollars in thousands)

1998	Glacier	Whitefish	Eureka	First Security	Valley
Net interest income	$ 14,572	1,820	1,247	7,784	3,312
Provision for loan losses	670	78	12	645	85
Net interest income after provision for loan losses	13,902	1,742	1,235	7,139	3,227
Noninterest income	5,723	686	372	2,801	1,553
Merger expense and amortization of goodwill and core deposit intangibles	--	--	--	--	--
Other noninterest expense	10,523	1,347	971	4,151	3,010
Income before income taxes and minority interest	9,102	1,081	636	5,789	1,770
Minority interest					
Income tax expense (benefit)	3,238	343	217	2,138	659
Net income	$ 5,864	738	419	3,651	1,111
Assets	$370,686	42,643	24,471	164,546	69,924
Net loans	272,399	22,022	16,322	134,646	48,860
Deposits	201,211	34,179	17,797	139,348	57,807
Stockholders' equity	39,058	4,642	3,309	14,668	6,628

1998	Big Sky	Mountain West	Other	Consolidated
Net interest income	1,251	3,187	185	33,358
Provision for loan losses	42	203	--	1,735
Net interest income after provision for loan losses	1,209	2,984	185	31,623
Noninterest income	743	1,637	81	13,596
Merger expense and amortization of goodwill and core deposit intangibles	--	--	931	931
Other noninterest expense	1,680	3,885	527	26,094
Income before income taxes and minority interest	272	736	(1,192)	18,194
Minority interest			145	145
Income tax expense (benefit)	103	276	(300)	6,674
Net income	169	460	(1,037)	11,375
Assets	39,376	80,867	(5,711)	786,802
Net loans	23,959	52,980	--	571,188
Deposits	31,385	70,659	(5,883)	546,503
Stockholders' equity	2,873	6,336	6,632	84,146

22. ACQUISITIONS

On September 20, 2000, the Company entered into a merger agreement to acquire WesterFed Financial Corporation (WesterFed). The merger was closed on February 28, 2001. Under the terms of the agreement, the Company issued 4,530,462 shares and $37,274,000 cash for total consideration of $96,669,000, based on a $13.11 per share price. The merger is being accounted for using the purchase method of accounting. Accordingly, the assets and liabilities of WesterFed are recorded by the Company at their respective fair values at the time of the completion of the merger. The excess of the Company's purchase price over the net fair value of the assets acquired and liabilities assumed, including identifiable intangible assets, is recorded as goodwill and will be amortized over a useful life of 20 years.

On September 14, 2000 the Company announced the acquisition of seven branches of Wells Fargo & Company and First Security Corporation subsidiary banks located in Idaho and Utah. The transaction was completed on March 15, 2001. In total, as of the closing, the branches had approximately $187,000,000 in deposits and $38,000,000 in loans. The purchase price of approximately $18,500,000 was based on the total deposits, cash-equivalent assets and loans at the branches immediately prior to closing. The locations became branch offices of Mountain West Bank of Coeur d'Alene.

23. SUBSEQUENT EVENTS

The Company formed Glacier Capital Trust I (Glacier Trust) as a financing subsidiary on December 18, 2000. On January 25, 2001, Glacier Trust offered 1,400,000 preferred securities at $25 per preferred securities. 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 will own all of the outstanding common securities of the trust.

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 for Director and Continuing Directors" - "Background of Directors" and "Security Ownership of Certain Beneficial Owners and Management - Executive Officers who are not Directors" of the Company's 2000 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 "Election 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 "Election of Directors - Information with Respect to Nominees for Director and Continuing Directors", "Security Ownership of Certain Beneficial Owners and Management - Executive Officers who are not Directors" and "Beneficial Owners" of the Company's Proxy Statement and is incorporated herein by reference.

ITEM 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.

PART IV

ITEM 14. 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.

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 August 31, 1996 between the Company, Glacier Bank and Michael J. Blodnick (4)
10(c)	Employment Agreement dated August 31, 1996 between the Company, Glacier Bank and Stephen J. Van Helden (4)
10(d)	Employment Agreement dated August 31, 1996 between the Company, Glacier Bank and James H. Strosahl (4)
10(f)	Employment Agreement dated August 9, 1996 between First Security Bank and William L. Bouchee (5)
10(g)	Employment Agreement dated December 30, 1997 between Valley Bank of Helena and Fred J. Flanders (1)
10(h)	1994 Director Stock Option Plan (6)
10(i)	1995 Employee Stock Option Plan (7)
10(j)	Deferred Compensation Plan (6)
10(k)	Supplemental Executive Retirement Agreement (6)
10(l)	Employment agreement dated September 14, 1999, between Mountain West Bank and Jon W. Hippler (8)
10(m)	Employment agreement dated September 20, 2000 between Western Security Bank and Ralph R. Holliday (9)
21	Subsidiaries of the Company (See item 1, "Subsidiaries")
23	Consent of KPMG LLP

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

(2) Incorporated by reference to Exhibit 3 (b) included in the Company's Form 10-K for the fiscal year ended December 31, 1999

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

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

(6) 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.

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

(8) Incorporated by reference to exhibit 10.3 of the Company's Registration Statement on S-4 (No. 333-90701), declared effective on December 17, 1999.

(9) 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.

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 February 26, 2001.

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 February 26, 2001, 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 / Harold A. Tutvedt ------------------------------- Harold A. Tutvedt	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

EXHIBIT 23

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 February 2, 2001 relating to the consolidated statements of financial condition of Glacier Bancorp, Inc. and subsidiaries as of December 31, 2000 and 1999 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, 2000, which report appears in the December 31, 2000 annual report on Form 10-K of Glacier Bancorp, Inc. Our report, dated February 2, 2001, contains explanatory paragraphs indicating that we did not audit the 1998 financial statements of Mountain West Bank acquired by Glacier Bancorp, Inc. on February 4, 2000 in a pooling of interests; those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Mountain West Bank in the 1998 consolidated financial statements of Glacier Bancorp, Inc., is based solely on the report of the other auditors.

/s/ KPMG LLP

Billings, Montana
March 28, 2001