SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

IN ACCORDANCE WITH RULE 201 OF REGULATIONS S-T, THIS FORM 10K IS BEING FILED IN PAPER PURSUANT TO A TEMPORARY HARDSHIP EXEMPTION

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

For the fiscal year ended December 31, 1999 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: NONE

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 15, 2000, there were issued and outstanding 10,397,541 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 15, 2000, was $144,265,881.

DOCUMENT INCORPORATED BY REFERENCE

Portions of the 2000 Annual Meeting Proxy Statement dated March 31, 2000 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, 1999

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PART I.

ITEM 1. BUSINESS

GENERAL

Glacier Bancorp, Inc. Kalispell, Montana (the "Company") a Delaware corporation incorporated in 1998, is the successor corporation in a merger with the original Glacier Bancorp, Inc., a Delaware corporation incorporated in 1990, pursuant to the reorganization of Glacier Bank, FSB into a bank holding company. The formation of the new corporation, and subsequent merger, was effected to resolve technical deficiencies in the May 9, 1997 stock split. 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, 1999, 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"), and Big Sky Western Bank ("Big Sky"). The Company owns approximately 98%, and 94% , respectively, of the outstanding stock of Eureka and Whitefish, and 100% of Glacier, First Security, Valley and Big Sky. 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. Financial information from August 31, 1998 forward includes the results of operation previously attributable to the minority interest.

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.

RECENT ACQUISITIONS

On February 4, 2000, the Company completed the acquisition of Mountain West Bank ("Mountain West"). Under the terms of the acquisition agreement, Mountain West became a wholly owned subsidiary of the Company, whereby shareholders of Mountain West received shares of the Company in exchange for their shares of Mountain West. Mountain West operates in Coeur d' Alene, Hayden, Post Falls, and Boise, Idaho. At December 31, 1999, Mountain West had assets of approximately $90 million. The financial information presented does not include Mountain West.

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

BANK LOCATIONS

Glacier's main office is located at 202 Main Street, Kalispell, MT 59901 and its telephone number is (406) 756-4299. See "Item 2. Properties." Whitefish's address is 319 2nd Street, Whitefish, MT 59937 (406) 863-6300, Eureka's address is 222 Dewey Ave., Eureka, MT 59917 (406) 296-2521, First Security's address is 1704 Dearborn, Missoula, MT 599801 (406) 728-3115, Valley Bank's address is 3030 North Montana Avenue, Helena, MT 59601 (406) 443-7440, Big Sky's address is 135 Big Sky Road, Big Sky, MT, 59716 (406) 995-2321, and Mountain West's address is 125 Ironwood Drive, Coeur d' Alene, Idaho 83814 (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.

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

The following abbreviated organizational chart illustrates the various existing parent/subsidiary relationships at December 31, 1999:

Glacier Bancorp, Inc.
(Parent Holding Company)

Glacier Bank
(Commercial bank)

First Security Bank
of Missoula
(Commercial bank)

Glacier Bank
of Whitefish
(Commercial bank)

Glacier Bank
of Eureka
(Commercial bank)

Big Sky
Western Bank
(Commercial bank)

Valley Bank
of Helena
(Commercial bank)

Community First, Inc.
(Brokerage services)

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 1999	Glacier 1998	Glacier 1997	Whitefish 1999	Whitefish 1998	Whitefish 1997	Eureka 1999	Eureka 1998	Eureka 1997	First Security 1999	First Security 1998	First Security 1997
Condensed Income Statements												
Net interest income	$ 15,266	14,572	14,121	2,044	1,820	1,786	1,290	1,247	1,232	8,804	7,784	6,654
Noninterest income	5,539	5,723	4,540	675	686	570	313	372	350	2,260	2,801	2,818
Total revenues	20,805	20,295	18,661	2,719	2,506	2,356	1,603	1,619	1,582	11,064	10,585	9,472
Provision for loan losses	470	670	345	66	78	0	24	12	42	600	645	360
Goodwill and merger expense	78	0	0	0	0	0	0	0	0	0	0	0
Other noninterest expense	10,750	10,523	10,145	1,502	1,347	1,399	986	971	947	4,567	4,151	4,050
Minority interest	0	0	0	0	0	0	0	0	0	0	0	0
Pretax earnings	9,507	9,102	8,171	1,151	1,081	957	593	636	593	5,897	5,789	5,062
Income tax expense (benefit)	3,303	3,238	2,958	348	343	312	191	217	202	2,132	2,138	1,896
Net income	$ 6,204	5,864	5,213	803	738	645	402	419	391	3,765	3,651	3,166
Average Balance Sheet Data												
Total assets	$407,950	366,522	354,418	45,827	41,328	40,141	26,407	25,122	25,177	177,690	161,281	141,134
Total loans	270,650	275,765	266,616	29,443	23,281	22,188	17,589	16,806	16,170	146,958	130,595	102,539
Total deposits	214,552	188,565	171,295	32,980	32,587	30,313	17,998	17,527	17,562	136,968	131,273	112,745
Shareholders' equity	37,893	37,519	37,315	4,734	4,428	4,445	3,279	3,292	3,249	15,750	14,305	11,432
End of Year Balance Sheet Data												
Total assets	$460,257	370,686	365,921	52,203	42,643	41,276	28,879	24,471	25,565	193,548	164,546	144,382
Net loans	272,060	272,399	266,670	35,485	22,022	22,746	18,178	16,322	16,290	161,781	134,646	111,867
Total deposits	276,880	201,211	173,371	34,261	34,179	30,918	18,514	17,797	16,385	143,645	139,348	127,801
Performance Ratios												
Return on average assets	1.52%	1.60%	1.47%	1.75%	1.79%	1.61%	1.52%	1.67%	1.55%	2.12%	2.26%	2.24%
Return on average equity	16.37%	15.63%	13.97%	16.96%	16.67%	14.51%	12.26%	12.73%	12.03%	23.90%	25.52%	27.69%
Efficiency ratio	51.67%	51.85%	54.36%	55.24%	53.75%	59.38%	61.51%	59.98%	59.86%	41.28%	39.22%	42.76%
Regulatory Capital Ratios												
Tier I risk-based capital ratio	13.58%	18.05%	17.97%	13.49%	19.22%	15.53%	19.45%	22.47%	18.79%	9.73%	10.26%	10.61%
Tier II risk-based capital ratio	14.48%	18.98%	18.75%	14.53%	20.47%	16.78%	20.70%	23.73%	20.05%	10.97%	11.46%	11.76%
Leverage capital ratio	7.58%	10.56%	9.80%	9.86%	11.11%	9.92%	12.03%	13.32%	12.10%	8.62%	8.53%	8.77%
Full time equivalent employees	167	161	143	15	14	13	11	11	11	76	73	51
Locations	15	13	13	1	1	1	1	1	1	3	3	3

	Valley Helena 1999	Valley Helena 1998	Valley Helena 1997	Big Sky 1999	Big Sky 1998	Big Sky 1997	Other 1999	Other 1998	Other 1997	Consolidated 1999	Consolidated 1998	Consolidated 1997
Condensed Income Statements												
Net interest income	$ 3,614	3,312	3,142	2,077	1,251	1,143	234	185	312	33,329	30,171	28,390
Noninterest income	1,494	1,553	1,275	881	743	520	(98)	81	62	11,064	11,959	10,135
Total revenues	5,108	4,865	4,417	2,958	1,994	1,663	136	266	374	44,393	42,130	38,525
Provision for loan losses	155	85	60	191	42	82	0	0	0	1,506	1,532	889
Goodwill and merger expense	0	0	0	0	0	0	361	931	155	439	931	155
Other noninterest expense	2,977	3,010	2,709	2,096	1,680	1,334	658	382	272	23,587	22,209	21,064
Minority interest	0	0	0	0	0	0	51	145	208	51	145	208
Pretax earnings	1,976	1,770	1,648	671	272	247	(934)	(1,192)	(261)	18,810	17,313	16,209
Income tax expense (benefit)	731	659	614	231	103	65	(305)	(300)	(74)	6,631	6,398	5,973
Net income	$ 1,245	1,111	1,034	440	169	182	(629)	(892)	(187)	12,179	10,915	10,236
Average Balance Sheet Data												
Total assets	$77,370	69,335	65,699	53,392	36,110	30,152	613,621	536,572	518,783	791,311	697,853	659,917
Total loans	53,622	48,204	45,361	34,414	20,796	18,433	--	--	368,768	552,676	515,447	471,307
Total deposits	61,515	57,205	53,587	36,287	28,183	24,214	357,684	326,039	298,820	494,652	457,312	411,565
Shareholders' equity	6,940	6,323	5,620	5,197	2,692	1,909	62,562	58,451	51,532	78,312	72,756	62,964
End of Year Balance Sheet Data												
Total assets	$82,587	69,924	69,875	66,255	39,376	32,724	388	(5,680)	1,648	884,117	705,966	681,391
Total net loans	58,924	48,860	49,344	43,850	23,959	19,303	0	0	0	590,278	518,208	486,220
Total deposits	65,095	57,807	57,687	41,034	31,385	25,449	(3,147)	(5,883)	(1,813)	576,282	475,844	429,798
Performance Ratios												
Return on average assets	1.61%	1.60%	1.57%	0.82%	0.47%	0.60%				1.54%	1.56%	1.55%
Return on average equity	17.94%	17.57%	18.40%	8.47%	6.28%	9.53%				15.55%	15.00%	16.26%
Efficiency ratio	58.28%	61.87%	61.33%	70.86%	84.25%	80.22%				53.13%	52.72%	54.68%

Regulatory Capital Ratios												
Tier I risk-based capital ratio	12.59%	13.49%	#VALUE!	13.58%	18.05%	17.97%				13.54%	15.96%	15.76%
Tier II risk-based capital ratio	13.57%	14.55%	#VALUE!	14.48%	18.98%	18.75%				14.61%	17.07%	16.80%
Leverage capital ratio	8.95%	9.34%	#VALUE!	7.58%	10.56%	9.80%				9.74%	10.61%	10.02%
Full time equivalent employees	42	43	43	24	24	24	28	25	22	363	351	307
Locations	3	3	3	3	2	2				26	23	23

Glacier Bank

On October 10, 1999, Glacier Bank acquired the two Butte, Montana offices of Washington Mutual with approximately $73 million in deposits. Total assets increased $90 million, or 24 percent, over the prior year-end. Total net loans ended the year at $272 million which was also the ending balance at December 31, 1998; however, a substantial change in the mix of loans, in accordance with management's plans, occurred during the year. Real estate loans declined $21 million and commercial and consumer loans increased $12 million and $9 million, respectively. Non-performing loans were .06 percent of total loans. With the Butte deposit acquisition additional investment securities were acquired, with total investments increasing by $84 million. Total deposits increased $76 million, including the acquired deposits. Net income increased $340 thousand, or 6 percent, over the prior year. Net interest income increased $694 thousand, or 5 percent over 1998. Non-interest income declined by $184 thousand mostly from a reduction in mortgage loan originations and sales as a result of higher mortgage loan rates. Other fee income increased over the prior year. 1998 non-interest income also included $559 thousand from one-time gains on the sale of credit card loans, and the Trust business. Non-interest expenses increased with the addition of the two additional offices. The efficiency ratio of 51.67 percent is an improvement from the 1998 ratio of 51.85 and 1997 ratio of 54.36, each of which are below the peer group average. Glacier Bank operates from 14 locations with the 2 additions during 1999.

Glacier Bank of Whitefish

Total assets increased $9 million, or 22 percent, over the prior year-end. Net loans increased $13 million, or 61 percent, from December 31, 1998. All loan classifications increased with real estate loans up $2 million, commercial loans up $5 million and consumer loans up $6 million. The addition of a senior lender from a competing bank, and an attractive home equity loan promotion, were the primary reasons for the loan growth. Non-performing loans as a percentage of loans was .74 percent and the allowance for loan losses was at 1.4 times non-performing loans. Total deposits only increased slightly which resulted in an increase in borrowed funds to support the loan growth. Net income increased $65 thousand, or 9 percent, over 1998. Net interest income increased $224 thousand, or 12 percent, reflecting the significant loan growth. Non-interest income decreased slightly, the result of reduced mortgage loan originations and sales due to higher mortgage rates. Other fee income increased over the prior year. Non-interest expense increased primarily from the increased volume of activity. The efficiency ratio increased slightly from 53.75 in 1998 to 55.24 in 1999 with both years an improvement over 59.38 in 1997.

Glacier Bank of Eureka

Total assets increased $4 million, or 18 percent, over the prior year end with $2 million of the increase occurring in investment securities. Net loans increased $2 million, or 11 percent, from December 31, 1998. All loan classifications increased with consumer loans increasing by $1 million. Non-performing loans as a percentage of loans were .45 percent, and the allowance for loan losses was at 3.5 times non-performing loans. Total deposits increased $717 thousand, or 4 percent, with borrowed funds used to support the additional asset growth. Net income decreased $17 thousand, or 4 percent, from 1998. Net interest income increased $43 thousand, or 3 percent, reflecting the asset growth. Non-interest income decreased $59 thousand, the result of reduced mortgage loan originations and sales due to higher mortgage rates, and a one-time gain in 1998 from the sale of credit card loans. Non-interest expense increased primarily from the increased volume of activity. The efficiency ratio increased from 59.98 in 1998 to 61.51 in 1999 with both years higher than the 59.86 in 1997. The small asset base of this bank makes it difficult to achieve operating efficiencies.

First Security Bank of Missoula

Total assets increased $29 million, or 18 percent, over the prior year-end. Net loans increased $27 million, or 20 percent, from December 31, 1998. Real estate loans declined $3 million, and commercial and consumer loans increased $22 million and $8 million, respectively. Non- performing loans as a percentage of loans was .61 percent and the allowance for loan losses was at 2.1 times non-performing loans. Total deposits increased $4 million, or 3 percent, with borrowed funds used to support the additional asset growth. Net income increased $114 thousand, or 3 percent from 1998. First Security is a high performing bank with return on average assets of 2.12 percent, and return on average equity of 23.90 percent in 1999. Net interest income increased $1 million, or 13 percent, reflecting the asset growth. Non-interest income decreased $541 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 activity. The efficiency ratio increased from 39.22 in 1998 to 41.28 in 1999 with both years lower than the 42.76 in 1997. 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, 1999 increased $13 million, or 18 percent, over the prior year end. Net loans increased $10 million, or 20 percent, from December 31, 1998. Real estate loans declined $.5 million, and commercial and consumer loans increased $8 million and $2 million, respectively. Non-performing loans as a percentage of loans was .89 percent, and the allowance for loan losses was at 1.1 times non-performing loans. Total deposits increased $7 million, or 13 percent, with borrowed funds used to support the additional asset growth. Net income increased $134 thousand, or 12 percent, from 1998. Net interest income increased $302 thousand, or 9 percent, reflecting the asset growth. Non-interest income decreased $59 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 $33 thousand. The efficiency ratio decreased from 61.87 in 1998

to 58.28 in 1999 which was also lower than the 61.33 in 1997. The efficiency ratios have improved with the increased net interest income, and control of non-interest expense.

Big Sky Western Bank

Big Sky Western Bank was acquired by the Company in January 1999. Total assets at December 31, 1999 increased $27 million, or 68 percent, over the prior year-end. Net loans increased $20 million, or 83 percent, from December 31, 1998, with the remaining asset growth in investment securities. Real estate loans increased $4 million, and commercial loans increased $16 million. Non-performing loans as a percentage of loans was .49 percent and the allowance for loan losses was at 2.2 times non-performing loans. Total deposits increased $10 million, or 31 percent, with borrowed funds used to support the additional asset growth. Net income increased $271 thousand, or 160 percent, from 1998. Net interest income increased $826 thousand, or 66 percent, reflecting the asset growth. Non-interest income increased $138 thousand, and non-interest expense increased $416 thousand, resulting from increased activity levels. The efficiency ratio decreased from 84.25 in 1998 to 70.86 in 1999 which was also lower than the 80.22 in 1997. The efficiency ratios have improved significantly with the increased net interest income, and non-interest income.

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, Ravalli 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 branch offices in Kalispell, Columbia Falls, Evergreen, Bigfork, and Polson (the county seat of Lake County), Libby (the county seat of Lincoln County), Cut Bank (the county seat of Glacier County), Hamilton (the county seat of Ravalli County), Billings (the county seat of Yellowstone County), and Butte (the county seat of Silver Bow County). First Security's main office and two branch locations are in Missoula (the county seat of Missoula County). Valley's main office and two branch locations are in Helena (the state capital and the county seat of Lewis & Clark County), and Whitefish and Eureka are located in Whitefish, Montana and Eureka, Montana, respectively. 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 three offices in Kootenai County, 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 20% of the deposits in Silver Bow County. First Security has approximately 14% of the total deposits in Missoula County. Valley has approximately 12% of Lewis and Clark County's total deposits, and Big Sky has approximately 5% 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	For the year ended 12-31-99			For the year ended 12-31-98			For the year ended 12-31-97		
(Dollars in Thousands) ASSETS	Average Balance	Interest and Dividends	Average Yield/ Rate	Average Balance	Interest and Dividends	Average Yield/ Rate	Average Balance	Interest and Dividends	Average Yield/ Rate
Real Estate Loans	$200,575	15,925	7.94%	$217,930	17,769	8.15%	$222,773	18,260	8.20%
Commercial Loans	226,108	19,684	8.71%	181,712	16,613	9.14%	136,673	13,158	9.63%
Consumer and Other Loans	125,993	11,483	9.11%	115,805	11,055	9.55%	111,861	10,994	9.83%
Total Loans	552,676	47,092	8.52%	515,447	45,437	8.82%	471,307	42,412	9.00%
Investment Securities	183,730	11,829	6.44%	136,268	8,284	6.08%	141,387	9,274	6.56%
Total Earning Assets	736,406	58,921	8.00%	651,715	53,721	8.24%	612,694	51,686	8.44%
Non-Earning Assets	54,905			46,138			47,223		
TOTAL ASSETS	$791,311			$697,853			$659,917		
LIABILITIES AND STOCKHOLDERS' EQUITY									
NOW Accounts	$ 79,545	875	1.10%	$ 76,284	1,274	1.67%	$ 71,987	1,324	1.84%
Savings Accounts	42,456	726	1.71%	48,438	1,065	2.20%	48,087	1,415	2.94%
Money Market Accounts	113,167	4,538	4.01%	95,524	4,365	4.57%	74,484	3,245	4.36%
Certificates of Deposit	156,204	8,435	5.40%	137,964	8,006	5.80%	135,856	7,927	5.83%
FHLB Advances	170,383	9,337	5.48%	139,877	7,876	5.63%	142,886	8,028	5.62%
Repurchase Agreements and Other Borrowed Funds	31,362	1,681	5.36%	20,023	964	4.81%	29,294	1,357	4.63%
Total Interest Bearing Liabilities	593,117	25,592	4.31%	518,110	23,550	4.55%	502,594	23,296	4.64%
Non-interest Bearing Deposits	103,280			99,102			81,151		
Other Liabilities	16,602			7,885			13,209		
Total Liabilities	712,999			625,097			596,954		
Common Stock	91			81			64		
Paid-In Capital	70,649			48,662			36,315		
Retained Earnings	9,523			22,808			25,981		
Accumulated Other Comprehensive Earnings	(1,951)			1,205			605		
Total Stockholders' Equity	78,312			72,756			62,964		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$791,311			$697,853			$659,917		
NET INTEREST INCOME		$33,329			$30,171			$28,390	
NET INTEREST SPREAD			3.69%			3.69%			3.80%
NET INTEREST MARGIN ON AVERAGE EARNING ASSETS(1)			4.53%			4.63%			4.63%
RETURN ON AVERAGE ASSETS(2)			1.54%			1.56%			1.55%
RETURN ON AVERAGE EQUITY(3)			15.55%			15.00%			16.26%
DIVIDEND PAYOUT RATIO(4)			50.00%			44.44%			38.39%
AVERAGE EQUITY TO AVERAGE ASSETS RATIO(5)			9.90%			10.43%			9.54%

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

(2) Net income divided by average total assets

(3) Net income divided by average equity

(4) Dividends declared per share divided by income per share

(5) Average equity divided by average total assets

RATE/VOLUME ANALYSIS

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

(Dollars in Thousands)	Years Ended December 31, 1999 vs. 1998			Years Ended December 31, 1998 vs. 1997		
	Increase (Decrease) due to:			Increase (Decrease) due to:		
INTEREST INCOME	Volume	Rate	Net	Volume	Rate	Net
Real Estate Loans	$(1,415)	$ (429)	$(1,844)	$ (397)	$ (94)	$ (491)
Commercial Loans	4,059	(988)	3,071	4,336	(881)	3,455
Consumer and Other Loans	973	(545)	428	388	(327)	61
Investment Securities	2,885	660	3,545	(336)	(654)	(990)
Total Interest Income	6,502	(1,302)	5,200	3,991	(1,956)	2,035
NOW Accounts	54	(453)	(399)	79	(129)	(50)
Savings Accounts	(132)	(207)	(339)	10	(360)	(350)
Money Market Accounts	806	(633)	173	917	203	1,120
Certificates of Deposit	1,058	(629)	429	123	(44)	79
FHLB Advances	1,718	(257)	1,461	(169)	17	(152)
Other Borrowings and Repurchase Agreements	546	171	717	(429)	36	(393)
Total Interest Expense	4,050	(2,008)	2,042	531	(277)	254
NET INTEREST INCOME	$ 2,452	$ 706	$ 3,158	$ 3,460	$(1,679)	$ 1,781

Net interest income increased $3.2 million in 1999 over 1998. The increase was due to increases in volumes. Market interest rates increased during 1999. The two-year treasury note was at 6.1% at December 31, 1999 which is a 161 basis point increase from year-end 1998. The 30-year treasury bond was at 6.46%, up 135 basis points from the prior year. The spread between the 2-year rates and 30-year rates has declined from 53 basis points to 27 basis points. The decrease in spread may result in a smaller interest margin as short-term funding costs may increase at a faster pace than the income on earning assets. For additional information see section "Management's Discussion and Analysis".

INVESTMENT ACTIVITIES

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

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

There was no active trading in the Company's investment portfolios during 1999. 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 1999, there was a small net realized gain from the sale of securities, resulting from the disposition of less desirable investments and acquiring investments with better total return probabilities.

The Company uses an effective tax rate of 31.28% in calculating the tax equivalent yield. Approximately $50 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, 1999.

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) TYPE OF LOAN	At 12/31/99		At 12/31/98		At 12/31/97		At 12/31/96		At 12/31/95	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
REAL ESTATE LOANS:										
Residential first mortgage loans	$ 192,804	32.66%	$ 201,898	38.96%	$216,863	44.60%	$215,747	48.25%	$202,535	50.88%
Loans held for sale	3,326	0.56%	13,692	2.64%	7,778	1.60%	3,900	0.87%	5,951	1.49%
Total	$ 196,130	33.22%	$ 215,590	41.60%	$224,641	46.20%	$219,647	49.12%	$208,486	52.37%
COMMERCIAL LOANS:										
Real estate	$ 152,504	25.84%	$ 105,339	20.33%	$ 68,340	14.06%	$ 60,222	13.47%	$ 50,762	12.75%
Other commercial loans	105,613	17.89%	89,067	17.19%	81,271	16.71%	65,126	14.56%	52,622	13.22%
Total	$ 258,117	43.73%	$ 194,406	37.52%	$149,611	30.77%	$125,348	28.03%	$103,384	25.97%
INSTALLMENT AND OTHER LOANS:										
Consumer loans	$ 80,039	13.56%	$ 64,069	12.36%	$112,296	23.10%	$102,336	22.89%	$ 86,727	21.79%
Home equity loans(1)	62,577	10.60%	49,796	9.61%						
Outstanding balances on credit cards	0	0.00%	18	0.00%	3,951	0.81%	3,725	0.83%	3,139	0.79%
Total	$ 142,616	24.16%	$ 113,883	21.97%	$116,247	23.91%	$106,061	23.72%	$ 89,866	22.58%
Net deferred loan fees, premiums and discounts(2)	$ (517)	-0.08%	$ (538)	-0.10%						
Allowance for Losses	(6,068)	-1.03%	(5,133)	-0.99%	(4,279)	-0.88%	(3,887)	-0.87%	(3,652)	-0.92%
NET LOANS	$ 590,278	100.00%	$ 518,208	100.00%	$486,220	100.00%	$447,169	100.00%	$398,084	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, 1999 was as follows:

(Dollars in Thousands)	Real Estate	Commercial	Consumer	Totals
Variable Rate	$ 76,596	148,971	31,890	257,457
Fixed Rate Maturing or Repricing in:				
One year or less	13,665	32,981	40,384	87,030
One to five years	39,986	39,086	57,695	136,767
Thereafter	65,883	37,079	12,647	115,609
Totals	$196,130	258,117	142,616	596,863

LOAN PORTFOLIO SCHEDULED CONTRACTUAL PRINCIPAL REPAYMENTS

The following table sets forth certain information at December 31, 1999 regarding the dollar amount of scheduled loan contractual repayments (demand loans, loans having no stated scheduled repayments and no stated maturity, and overdrafts are reported as due in one year or less)

(Dollars in Thousands)	One Year or Less	After One Year through Five Years	After Five Years	Totals
Real estate loans	$ 21,067	105,853	69,210	196,130
Commercial loans	56,367	111,230	90,520	258,117
Consumer loans	61,323	59,481	21,812	142,616
Totals	$138,757	276,564	181,542	596,863

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

REAL ESTATE LENDING

The Banks' lending activities consist of the origination of both construction and permanent loans on residential and commercial real Estate. The Banks actively solicit mortgage loan applications from real estate brokers, contractors, existing customers, customer Referrals, and walk-ins to their offices. The Banks lending policies generally limit the maximum loan-to-value ratio on residential mortgage loans to 80% of the lesser of the Appraised value or purchase price or up to 90% of the loan if insured by a private mortgage insurance company. The Banks also provide interim construction financing for single-family dwellings, and make land acquisition and development loans on properties intended for residential use.

CONSUMER LENDING

The majority of all consumer loans are secured by either real estate, automobiles, or other assets. Presently 22% of the interest rates on the Banks' consumer portfolio is variable. The Banks intend to continue lending for such loans because of their short-term nature, generally between three months and five years, with an average term of approximately two years. Moreover, interest rates on consumer loans are generally higher than on mortgage loans. The Banks also originate second mortgage and home equity loans, especially to its existing customers in instances where the first and second mortgage loans are less than 75% of the current appraised value of the property.

COMMERCIAL LOANS

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

LOAN APPROVAL LIMITS

Individual loan approval limits have been established for each lender based on the experience and technical skills of the individual. Limits for fully secured loans range from $30,000 to $100,000, and unsecured limits range from $5,000 to $25,000. An officers' loan committee, consisting of senior lenders and members of senior management, has approval authority up to $500,000. Loans over $500,000 go to the Company's Board of Directors for approval. First Security Bank's internal loan committee can approve loans up to $400,000. Loans over $400,000 must be approved by the executive loan committee which includes First Security's executive officers, the Chairman and an additional director. Under Montana banking laws, banks generally may not make loans to one borrower and related entities in an amount, which exceeds 20% of its unimpaired capital and surplus. Those limits at December 31, 1999 are approximately $4.0 million in Glacier, $2.9 million for First Security, $1.2 million for Valley, $1.0 million for Big Sky, $650,000 for Whitefish, and $400,000 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, 1999, loans serviced for others aggregated approximately $130 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:

	At 12/31/99	At 12/31/98	At 12/31/97	At 12/31/96	At 12/31/95
NON-ACCRUAL LOANS:					
Mortgage loans	$ 549	$ 438	$ 93	$ 157	$ 0
Commercial loans	776	1,068	288	262	474
Consumer loans	58	64	156	45	16
TOTAL	$1,383	$1,570	$ 537	$ 464	$ 490
ACCRUING LOANS 90 DAYS OR MORE OVERDUE:					
Mortgage loans	$ 62	$ 632	$ 416	$ 290	$ 8
Commercial loans	99	385	268	222	364
Consumer loans	104	124	251	431	179
TOTAL	$ 265	$1,141	$ 935	$ 943	$ 551
Troubled debt restructuring:	$ 0	$ 0	$ 27	$ 0	$ 0
Real estate and other assets owned, net	550	151	121	506	52
TOTAL NON-PERFORMING LOANS, TROUBLED DEBT RESTRUCTURINGS, AND REAL ESTATE AND OTHER ASSETS OWNED, NET	$2,198	$2,862	$1,620	$1,913	$1,093
AS A PERCENTAGE OF TOTAL ASSETS	0.25%	0.43%	0.25%	0.31%	0.20%
Interest Income(1)	$ 13	$ 103	$ 84	$ 94	$ 55

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

ALLOWANCE FOR LOAN LOSSES

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

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

The Banks' charge-off policy is generally consistent with regulatory standards. The Banks typically place loans on 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)	Years ended December 31, 1999	1998	1997	1996	1995
BALANCE AT BEGINNING OF PERIOD	$ 5,133	4,279	3,887	3,652	3,338
CHARGE OFFS:					
Residential real estate	(44)	(50)	0	(122)	0
Commercial loans	(409)	(514)	(162)	(229)	(238)
Consumer loans	(335)	(474)	(610)	(540)	(221)
Total charge offs	$ (788)	(1,038)	(772)	(891)	(459)
RECOVERIES:					
Residential real estate	1	0	0	1	0
Commercial Loans	110	250	155	69	56
Consumer loans	106	110	120	107	106
Total recoveries	$ 217	360	275	177	162
NET (CHARGE OFFS) RECOVERIES	(571)	(678)	(497)	(714)	(297)
PROVISION	1,506	1,532	889	949	611
BALANCE AT END OF PERIOD	$ 6,068	5,133	4,279	3,887	3,652
RATIO OF NET CHARGE OFFS TO AVERAGE LOANS OUTSTANDING DURING THE PERIOD	0.10%	0.13%	0.11%	0.18%	0.08%

ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

	1999		1998		1997		1996		1995	
(Dollars in thousands)	Allowance	Percent of loans in category	Allowance	Percent of loans in category	Allowance	Percent of loans in category	Allowance	Percent of loans in category	Allowance	Percent of loans in category
Residential real estate	$1,000	0.51%	1,099	0.51%	1,146	0.51%	1,120	0.51%	1,063	0.51%
Commercial real estate	1,526	1.00%	1,060	1.00%	513	0.75%	452	0.75%	381	0.75%
Other commercial	2,107	2.00%	1,717	1.93%	1,276	1.57%	1,022	1.57%	826	1.57%
Consumer	1,435	1.01%	1,257	1.10%	1,344	1.16%	1,293	1.22%	1,382	1.54%
Totals	$6,068		5,133		4,279		3,887		3,652	

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	$27,506	130,068	157,574
Three months to six months	6,264		6,264
Seven months to twelve months	11,753		11,753
Over twelve months	4,842		4,842
Totals	$50,365	130,068	180,433

For additional information, see Note 6 to the Consolidated Financial Statements for the year ended December 31, 1999.

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, Glacier has made use of repurchase agreements with various securities dealers. This process involves the "selling" of one or more of the securities in the Glacier's portfolio and by entering into an agreement to "repurchase" that same security at an agreed upon later date. A rate of interest is paid to the dealer for the subject period of time. In addition, although Glacier has offered retail repurchase agreements to its retail customers, the Government Securities Act of 1986 imposed confirmation and other requirements which generally made it impractical for financial institutions to offer such investments on a broad basis. Through policies adopted by the Board of Directors, Glacier and Valley enter into 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 other banks have not utilized repurchase agreements for liquidity purposes.

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

(Dollars in thousands)	For the year ended December 31,		
	1999	1998	1997
FHLB Advances			
Amount outstanding at end of period	$194,650	124,886	145,660
Average balance	$170,383	139,877	142,886
Maximum outstanding at any month-end	$218,238	151,165	148,476
Weighted average interest rate	5.48%	5.63%	5.62%
Repurchase Agreements:			
Amount outstanding at end of period	$19,766	17,239	21,673
Average balance	$28,605	16,652	20,107
Maximum outstanding at any month-end	$53,791	19,300	25,292
Weighted average interest rate	4.51%	4.70%	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, 1999.

SUBSIDIARIES

The Company has seven direct subsidiaries, Glacier Bank (wholly owned), First Security (wholly owned), Valley (wholly owned), Big Sky (wholly owned), Whitefish (majority owned), Eureka (majority owned) and Community First, Inc. ("CFI") (wholly owned). For information regarding the holding company, as separate from the subsidiaries, see Note 15 to the Consolidated Financial Statements for the year ended December 31, 1999.

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, 1999, the Company employed 434 persons, 303 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, 1999 for detailed information regarding pension/savings plan costs and eligibility.

SUPERVISION AND REGULATION

INTRODUCTION

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

CHANGES IN BANKING LAWS AND REGULATIONS

The laws and regulations that affect banks and bank holding companies have recently undergone significant changes. On November 12, 1999, the President signed into law the Financial Services Modernization Act of 1999 (the "Act") Generally, the Act (i) repeals the historical restrictions on preventing banks from affiliating with securities firms, (ii) provides a uniform framework for the activities of banks, savings institutions and their holding companies, (iii) broadens the activities that may be conducted by national banks and banking subsidiaries of bank holding companies, (iv) provides an enhanced framework for protecting the privacy of consumers' information and (v) addresses a variety of other legal and regulatory issues affecting both day-to-day operations and long-term activities of financial institutions.

Bank holding companies are permitted to engage in a wider variety of financial activities than permitted under previous law, particularly with respect to insurance and securities activities. In addition, in a change from previous law, bank holding companies will be in a position to be owned, controlled or acquired by any company engaged in financially related activities, so long as such company meets certain regulatory requirements. The Act also permits national banks (and, in states with wildcard statutes, certain state banks), either directly or through operating subsidiaries, to engage in certain non-banking financial activities. The Company does not believe that the Act will negatively affect the operations of it or the Banks. However, to the extent the legislation permits banks, securities firms and insurance companies to affiliate, the financial services industry may experience further consolidation. This consolidation could result in a growing number of larger financial institutions that offer a wider variety of financial services than the Company currently offers and that can aggressively compete in the markets currently served by the Company and the Banks.

BANK HOLDING COMPANY REGULATION

The Company is a bank holding company, due to its ownership of Glacier, Whitefish, Eureka, Valley Bank, First Security, Big Sky Western and Mountain West, all of which are Montana-state chartered commercial banks (with the exception of Mountain West Bank, and Idaho state-chartered bank), and all of which are members of the FRB (with the exception of Mountain West Bank, a non-Fed member FDIC-insured bank). In general, the Bank Holding Company Act of 1956, as amended ("BHCA") limits bank holding company business to owning or controlling banks and engaging in other banking-related activities. Bank holding companies must obtain the FRB's approval before they: (1) acquire direct or indirect ownership or control of any voting shares of any bank that results in total ownership or control, directly or indirectly, of more than 5% of the voting shares of such bank; (2) merge or consolidate with another bank holding company; or (3) acquire substantially all of the assets of any additional banks. Subject to certain state laws, such as age and contingency laws, a bank holding company that is adequately capitalized and adequately managed may acquire the assets of both in-state and out-of-state bank.

Control of Nonbanks

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

Control Transactions

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

TRANSACTIONS WITH AFFILIATES

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

REGULATION OF MANAGEMENT

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

TIE-IN ARRANGEMENTS

The Company and its subsidiaries cannot engage in certain tie-in arrangements in connection with any extension of credit, sale or lease of property or furnishing of services. For example, with certain exceptions, neither the Company nor its subsidiaries may

condition an extension of credit on either (1) a requirement that the customer obtain additional services proved by it or (2) an agreement by the customer to refrain from obtaining other services from a competitor.

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

THE SUBSIDIARIES

General

With the exception of Mountain West Bank, the Company's subsidiaries are subject to extensive regulation and supervision by the Montana Department of Commerce's Banking and Financial Institutions Division and the FRB as a result of their membership in the Federal Reserve System. Mountain West Bank is subject to regulation by the Idaho Department of Finance and by the FDIC as a state non-member commercial bank. 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. The laws and regulations governing the Banks generally have been promulgated to protect depositors and not to protect stockholders of such institutions or their holding companies.

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

Insider Credit Transactions. Banks are also subject to certain restrictions imposed by the Federal Reserve Act on extensions of credit to executive officers, directors, principal shareholders, or any related interests of such persons. Extensions of credit (I) must be made on substantially the same terms, including interest rates and collateral, and follow credit underwriting procedures that are not less stringent than those prevailing at the time for comparable transactions with persons not covered above and who are not employees; and (ii) must not involve more than the normal risk of repayment or present other unfavorable features. Banks are also subject to certain lending limits and restrictions on overdrafts to such persons.

FDICIA. Under the Federal Deposit Insurance Corporation Improvement Act (the "FDICIA"), each federal banking agency has prescribed, by regulation, noncapital safety and soundness standards for institutions under its authority. These standards cover internal controls, information systems, 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 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.

DEPOSIT INSURANCE

The deposits of the Banks are currently insured to a maximum of $100,000 per depositor through the Bank Insurance Fund ("BIF") administered by the FDIC. All insured banks are required to pay semi-annual deposit insurance premium assessments to the FDIC.

The FDICIA included provisions to reform the Federal Deposit Insurance System, including the implementation of risk-based deposit insurance premiums. The FDICIA also permits the FDIC to make special assessments on insured depository institutions in amounts determined by the FDIC to be necessary to give it adequate assessment income to repay amounts borrowed from the U.S. Treasury and other sources, or for any other purpose the FDIC deems necessary. The FDIC has implemented a risk-based insurance premium system under which banks are assessed insurance premiums based on how much risk they present to the BIF. Banks with higher levels of capital and a low degree of supervisory concern are assessed lower premiums than banks with lower levels of capital or a higher degree of supervisory concern.

DIVIDENDS

The principal source of the Company's cash revenues is dividends received from its subsidiary banks. The payment of dividends is subject to government regulation, in that regulatory authorities may prohibit banks and bank holding companies from paying dividends which would constitute an unsafe or unsound banking practice. In addition, a bank may not pay cash dividends if that payment could reduce the amount of its capital below that necessary to meet minimum applicable regulatory capital requirements. Other than the laws and regulations noted above, which apply to all banks and bank holding companies, neither the Company nor the Banks are currently subject to any regulatory restrictions on their dividends.

CAPITAL ADEQUACY

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

The FDIC and FRB 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 profile 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 FRB 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 an FRB rule, redeemable perpetual preferred stock may not be counted as Tier I capital unless the redemption is subject to the prior approval of the FRB), and minority interests in equity accounts of consolidated subsidiaries, less intangibles, except as described above.

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

EFFECTS OF GOVERNMENT MONETARY POLICY

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

TAXATION

FEDERAL TAXATION

The Company files consolidated federal and Montana 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 rat of 6.75%.

ITEM 2. PROPERTIES

At December 31, 1999, Glacier Bank owned 11 of its 15 offices, including its headquarters and other property having an aggregate book value of approximately $6.2 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, 1999:

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

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

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

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

Office	Services Offered	Ownership
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 $659,000 and $571,000 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. Construction is underway for a new office in Bozeman which will replace the current 2405 West Main leased office. Net book value of facilities and leasehold improvements is $2.5 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	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 1999.

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.; McDonald and Company, Sec. Inc.; 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, 1999, there were approximately 3,200 shareholders of Company common stock. Following is a schedule of quarterly common stock price ranges:

	1999		1998	
Quarter	High	Low	High	Low
First	$21.82	$17.05	$24.38	$19.21
Second	$24.38	$17.27	$23.55	$21.90
Third	$23.88	$15.25	$23.97	$20.71
Fourth	$18.75	$14.88	$20.57	$17.16

The Company paid cash dividends on its common stock of $.64 and $.52 per share for the years ended December 31, 1999 and 1998, 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, 1999	1998	1997	1996	1995
SUMMARY OF FINANCIAL CONDITION:					
Total assets	$884,117	705,966	681,391	631,710	566,082
Investment securities	53,587	58,890	58,417	75,627	70,217
Mortgage-backed securities	137,798	46,596	63,737	47,579	39,368
Loans receivable	596,346	523,341	490,751	451,228	401,886
Allowance for loan losses	(6,068)	(5,133)	(4,279)	(3,887)	(3,652)
Deposits	576,282	475,844	429,798	395,611	350,939
Advances	194,650	124,886	145,660	150,116	125,265
Other borrowed funds and repurchase agreements	26,614	18,707	29,960	17,871	23,839
Stockholders' equity	78,813	77,810	67,702	58,225	52,503
Equity per common share*	8.25	8.22	7.38	6.52	5.85
Equity as a percentage of total assets	8.91%	11.02%	9.94%	9.22%	9.27%

(dollars in thousands, except per share data)	Years ended December 31, 1999	1998	1997	1996	1995
SUMMARY OF OPERATIONS:					
Interest income	$ 58,921	53,721	51,686	47,697	42,358
Interest expense	25,592	23,550	23,296	21,426	18,346
Net interest income	33,329	30,171	28,390	26,271	24,012
Provision for loan losses	1,506	1,532	889	949	611
Non-interest income	11,064	11,959	10,135	9,825	8,860
Non-interest expense	24,077	23,285	21,427	21,158	17,733
Earnings before income taxes	18,810	17,313	16,209	13,989	14,528
Income taxes	6,631	6,398	5,973	5,662	5,688
Net earnings	12,179	10,915	10,236	8,327	8,840
Basic earnings per common share*	1.28	1.17	1.12	0.94	0.98
Diluted earnings per common share*	1.27	1.15	1.10	0.92	0.98
Dividends declared per share*	0.64	0.52	0.43	0.35	0.31

	Years ended and at December 31, 1999	1998	1997	1996	1995
RATIOS:					
Net earnings as a percent of					
average assets	1.54%	1.56%	1.55%	1.38%	1.69%
average stockholders' equity	15.55%	15.00%	16.26%	15.04%	18.35%
Net interest margin on average earning assets (tax equivalent)	4.58%	4.79%	4.72%	4.76%	4.97%
Allowance for loan losses as a percent of loans	1.02%	0.98%	0.87%	0.86%	0.91%
Allowance for loan losses as a percent of nonperforming assets	269%	184%	264%	181%	334%

(dollars in thousands)	Years ended and at December 31, 1999	1998	1997	1996	1995
OTHER DATA:					
Loans originated and purchased	$490,404	394,799	265,759	314,213	254,950
Loans serviced for others	$129,666	123,741	128,250	124,619	112,024
Number of full time equivalent employees	363	351	307	327	301
Number of offices	26	23	23	21	18
Number of shareholders of record	1,212	929	772	758	739

*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, 1999 had six commercial banks 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. The following discussion and analysis includes the effect of the pooling-of-interests merger with HUB Financial Corporation (parent company of Valley Bank of Helena) and Big Sky Western Bank, and the purchase accounting treatment of the minority shares of Valley Bank of Helena. Prior period information has been restated to include amounts from the HUB Financial Corporation merger and the Big Sky merger. The Company reported earnings of $12,179,000 for the year ended December 31, 1999, or $1.28 basic earnings per share, and $1.27 diluted earnings per share, compared to $10,915,000, or $1.17 basic earnings per share and $1.15 diluted earnings per share, for the year ended December 31, 1998, and $10,236,000, or $1.12 basic and $1.10 diluted earnings per share for the year ended December 31, 1997. 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 six 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 1999, all six 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, 1999 of $78,813,000, or 8.9% of assets, which compares with $77,810,000, or 11.0% of assets at December 31, 1998. The increase in assets of $178,151,000, or 25.2% during 1999 has outpaced earnings retention and increases resulting from the exercise of stock options. 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

For the year ended December 31, 1999, consolidated assets increased $178,151,000, or 25.2% over the prior year. The following table summarizes the Company's major asset and liability components as a percentage of total assets at December 31, 1999, 1998, and 1997.

MAJOR BALANCE SHEET COMPONENTS AS A PERCENTAGE OF TOTAL ASSETS

	December 31, 1999	1998	1997
ASSETS:			
Cash, and Cash Equivalents, Investment Securities, FHLB and Federal Reserve Stock	28.8%	22.8%	25.2%
Real Estate Loans and loans Held for Sale	22.2%	30.5%	32.8%
Commercial Loans	29.2%	27.5%	21.8%
Consumer Loans	16.1%	16.1%	17.0%
Other Assets	3.6%	3.0%	3.3%
	100.0%	100.0%	100.0%
LIABILITIES AND STOCKHOLDER'S EQUITY:			
Deposit Accounts	65.2%	67.4%	62.7%
FHLB Advances	22.0%	17.7%	21.2%
Other Borrowings and Repurchase Agreements	3.0%	2.6%	4.4%
Other Liabilities	0.9%	1.2%	1.8%
Stockholders' Equity	8.9%	11.0%	9.9%
	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 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, 1999, 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 17.65% which compares to a positive 2.51% at December 31, 1998 and .95% at December 31, 1997. 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	Non-rate Sensitive	Total
ASSETS:						
Interest bearing deposits	$ 1,500	--	--	--	--	1,500
Investment securities	16,700	865	2,231	33,791	--	53,587
Mortgage-backed securities	5,052	4,110	28,146	100,490	--	137,798
Floating rate loans	157,755	7,668	89,690	8,441	--	263,554
Fixed rate loans	61,159	41,855	156,101	67,609	--	326,724
Other earning assets	15,928	--	--	--	--	15,928
Non-earning assets	12,527	--	--	--	72,499	85,026
TOTAL ASSETS	$ 270,621	54,498	276,168	210,331	72,499	884,117
LIABILITIES AND EQUITY:						
Deposits	241,365	54,250	38,059	242,608	--	576,282
FHLB advances	158,659	878	12,598	22,515	--	194,650
Other borrowed funds and repurchase agreements	26,614	--	--	--	--	26,614
Other liabilities	--	--	--	--	7,758	7,758
Equity	--	--	--	--	78,813	78,813
TOTAL LIABILITIES AND EQUITY	$ 426,638	55,128	50,657	265,123	86,571	884,117
Repricing gap	$(156,017)	(630)	225,511	(54,792)	(14,072)	
Cumulative repricing gap	(156,017)	(156,647)	68,864	14,072		
Cumulative gap as a % of total assets	-17.65%	-17.72%	7.79%	1.59%		
Gap Earnings Sensitivity(1)..............................		$ (956)				
Gap Earnings Sensitivity Ratio(2)........................		$ -7.85%				

(1) Gap Earnings Sensitivity is the estimated effect on income, after taxes of 39%, of a 1% increase or decrease in interest rates .01(-$156,646 + $61,092)

(2) Gap Earnings Sensitivity Ratio is Gap Earnings Sensitivity divided by the estimated yearly earnings of $12,179. 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. Non-contractual deposit liabilities are allocated among the various maturity categories as follows: non-interest bearing checking and interest-bearing checking are included in the more than 5 years category.

Regular savings are included in the 1 - 5 years category. Money market balances are included in the less than 6 months category. Mortgage-backed securities are at the anticipated principal payments based on the weighted-average-life.

INTEREST RATE SPREAD

One way to protect against interest rate volatility is to maintain a comfortable interest spread between yields on assets and the rates paid on interest bearing liabilities. The interest spread for 1999 was the same as the prior year. The net interest margin decreased slightly in 1999 from 4.79% to 4.58%, primarily the result of an increase in interest earning assets at lower rates. Increased asset levels, and increased interest-free funding resulted in significantly higher net interest income.

	December 31, [1]		
	1999	1998	1997
Combined weighted average yield on loans and investments[2].....	8.00%	8.24%	8.44%
Combined weighted average rate paid on savings deposits and borrowings...	4.31%	4.55%	4.64%
Net interest spread..	3.69%	3.69%	3.80%
Net interest margin[3]...	4.58%	4.79%	4.72%

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
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 $178,151,000, or 25.2% over the December 31, 1998 asset level. Total loans outstanding increased 13.9%, or $72,984,000 with the largest increase occurring in the commercial classification which increased $63,711,000, or 32.8%. Consumer loans increased $28,733,000, or 25.2%. Residential real estate loans and loans held for sale declined $19,460,000 or 9.0%, 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 $85,899,000, or 81.4%. 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 $177,148,000, or 28.2%, with non-interest bearing deposits up $13,183,000, or 13.2%, and interest bearing deposits up $87,255,000, or 23.2%. Federal Home Loan Bank advances increased $69,764,000, or 55.9%. Securities sold under repurchase agreements and other borrowed funds were up $7,907,000, or 42.3%.

Total stockholders' equity increased $1,003,000, or 1.3%, the result of earnings retention, offset by a $6,294,000 net change in the unrealized loss on the securities available-for-sale.

RESULTS OF OPERATIONS

INTEREST INCOME - Interest income was $58,921,000 compared to $53,721,000 for the years ended December 31, 1999 and 1998, respectively, a $5,200,000, or 9.7% 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 $25,592,000 for the year ended December 31, 1999, up from $23,550,000 in 1998, a $2,042,000, or 8.7%, 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 4.6% in 1998 to 4.3% in 1999.

NET INTEREST INCOME - Net interest income was $33,329,000 compared to $30,171,000 in 1998, an increase of $3,158,000, or 10.5%, the net result of the items discussed in the above paragraphs.

PROVISION FOR LOAN LOSSES - The provision for loan losses was $1,506,000 for 1999, down slightly from $1,532,000 for 1998. Total loans charged off, net of recoveries, were $571,000 in 1999, down from the $678,000 experienced in 1998. The allowance for loan losses balance was $6,068,000 at year end 1999, up from $5,133,000 at year end 1998, an increase of $935,000. 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 $2,254,000 or .26% of total assets; compared to $2,795,000 or .40% of total assets at December 31, 1998. The allowance for loan losses was 269% of non-performing assets at December 31, 1999, up from 184% 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 $11,064,000 was down $895,000, or 7.5% 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 $992,000 below the prior year, due mostly to a slow down in real estate loan origination and sale activity resulting from higher mortgage rates in 1999. Increased volumes in deposit accounts resulted in an increase in fee income of $754,000 from service charges and other fees. Other income was down $618,000 most of which was the gain on sale of credit card and trust business in 1998. The gain on sale of investments was $6,000 in 1999, down from $45,000 in 1998.

NON-INTEREST EXPENSE - Total non-interest expense increased from $23,285,000 to $24,077,000 an increase of $792,000, or 3.4%. Compensation, employee benefits, and related expenses increased $899,000, or 7.7% from 1998, with the new branches and expanded data processing staff included. Occupancy and equipment expense increased $381,000, or 13.3% 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 down $394,000, or 4.6%, however, after adjusting for the 1998 merger and reorganization expenses there was an increase of $237,000, 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 53.1% in 1999, up from 52.7% in 1998, as compared with similar sized bank holding companies nationally which average approximately 63.5%.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 1998 COMPARED TO DECEMBER 31, 1997

FINANCIAL CONDITION

Total assets increased $24,575,000, or 3.6% over the December 31, 1997 asset level. Total loans outstanding increased 6.6%, or $31,988,000 with the largest increase occurring in the commercial classification which increased $44,744,000, or 29.9%. Real estate loans decreased $9,541,000 or 4.2% the result of management's decision to not retain long-term mortgages in the portfolio in this low interest rate environment. Consumer loans decreased $2,482,000, or 2.1%, the result of selling the credit card portfolio. Investment securities decreased $16,668,000, or 13.6%. With the flat yield curve during 1998 there were limited attractive investment opportunities.

Total liabilities increased $14,467,000, or 2.4%, with interest bearing deposits up $36,672,000, or 10.8%, and non-interest bearing deposits up $9,374,000, or 10.3%. Federal Home Loan Bank advances decreased $20,774,000, or 14.3%. Securities sold under repurchase agreements and other borrowed funds were down $11,253,000, or 37.6%.

Total stockholders' equity increased $10,108,000, or 14.9%, the result of earnings retention, and a $18,000 increase in the net unrealized gains on securities available-for-sale.

RESULTS OF OPERATIONS

INTEREST INCOME - Interest income was $53,721,000 compared to $51,686,000 for the years ended December 31, 1998 and 1997, respectively, a $2,035,000, or 3.9% increase. The weighted average yield on the loan and investment portfolios decreased from 8.44% to 8.24%. 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 loans, increasing interest income.

INTEREST EXPENSE - Interest expense was $23,550,000 for the year ended December 31, 1998, up slightly from $23,296,000 in 1997, a $254,000 increase. The increase is due to higher balances in interest bearing deposits, which was largely offset by lower amounts outstanding in Federal Home Loan Bank advances, repurchase agreements and other borrowed funds during 1998. Increased balances in non-interest bearing deposits also reduced the need for interest bearing funding.

NET INTEREST INCOME - Net interest income was $30,171,000 compared to $28,390,000 in 1997, an increase of $1,781,000, or 6.3%, the net result of the items discussed in the above paragraphs.

PROVISION FOR LOAN LOSSES - The provision for loan losses was $1,532,000 for 1998, up from $889,000 for 1997. Total loans charged off, net of recoveries, were $678,000 in 1998, up from the $497,000 experienced in 1997. The allowance for loan losses balance was $5,133,000 at year end 1998, up from $4,279,000 at year end 1997, an increase of $854,000. At December 31, 1998, 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 $2,795,000 or .40% of total assets; compared to $1,620,000 or .24% of total assets at December 31, 1997. The reserve for loan losses as a percentage of loans increased to .98% from .87% at the 1998 and 1997 year ends. The reserve for losses has increased primarily because of the changing mix of loans from residential real estate to more commercial loans which historically carry additional credit risk along with higher loan rates.

NON-INTEREST INCOME - Total non-interest income of $11,959,000 was up $1,824,000, or 18.0% from 1997. Loan fees and charges were $1,105,000 greater than the prior year. Most of this increase came from the large volume of real estate loan origination and sale activity resulting from low mortgage rates. Increased volumes in deposit accounts was the reason for the $138,000 increase in service charges and other fees. Other income, which includes a gain on the sale of the credit card portfolio of $457,000, and $102,000 from the sale of the trust business, was up $732,000.

NON-INTEREST EXPENSE - Total non-interest expense increased from $21,427,000 to $23,285,000 an increase of $1,858,000, or 8.7%. Of this increase $852,000 was from merger and reorganization expenses, leaving an increase from operations of $1,006,000, or 4.7%. Compensation, employee benefits, and related expenses increased $507,000, or 4.5% from 1997. Occupancy expense increased $388,000, or 15.6% from 1997. The change to an in-house data center, a new branch of Valley Bank of Helena, and a new branch and corporate office building in Kalispell were the main reasons for the increase. Data processing expense decreased $83,000, the result of bringing more data processing services in-house during 1998. The efficiency ratio (non-interest expense)/(net interest income + non-interest income), was 52.7% in 1998, down from 54.7% in 1997, as compared with similar sized bank holding companies nationally which average about 62%.

FUTURE ACCOUNTING PRONOUNCEMENTS

None

YEAR 2000

The Year 2000 or Y2K problem is a result of the inability of computer software programs to recognize the year 2000, as most programs and systems were designed to store calendar years in the 1900s by assuming the "19" and storing only the last two digits of the year. As the Company has reported in the past, it has spent considerable effort in preparing for Y2K in the period leading up to January 1, 2000.

The Company has not experienced any significant Y2K problems and has not been informed of any material Y2K problems by its customers or vendors. However, although January 1, 2000 is past, it is possible that some problems have gone undetected, or that other dates in the future may further affect computer software and systems, or equipment with embedded chip technology.

The Company will continue to monitor the Y2K compliance of its own computer systems and equipment with embedded technology, as well as any Y2K related problems that may be reported to it by third parties with whom it does business.

As discussed in the Company's Form 10-Q for the fiscal quarter ended September 30, 1999, the Company estimated that the total costs of remediation associated with the Y2K issue would not have a material effect on the operations or financial condition of the Company. The Company believes, based on its review of such costs to March 15, 2000, that this statement continues to be true. However, as noted above, it is possible that additional costs will be incurred in connection with Y2K problems that may still occur in the future.

FORWARD LOOKING STATEMENTS

The discussion above regarding the Company's Y2K status includes certain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "PLSRA"). The Company desires to take advantage of the "safe harbor" provisions of the PLSRA as they apply to forward looking statements. The Company's ability to predict the results of future plans is inherently uncertain, and is subject to factors that may cause actual results to differ materially from those projected. Factors that could affect the actual results include the possibility that systems modifications will not operate as intended, and that the Company or its significant customers or vendors have not yet detected Y2K problems that have arisen or will arise in the future.

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" 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, 1999 and 1998 as compared to the 10% Board approved policy limit.

+200 bp	1999	1998
Estimated sensitivity......................................	-3.66%	-1.99%
Estimated increase (decrease) in net interest income.......	$(1,220)	(600)
-200 bp		
Estimated sensitivity......................................	2.68%	1.44%
Estimated increase (decrease) in net interest income.......	$ 893	434

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

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

[KPMG LETTERHEAD]

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, 1999 and 1998 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, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Glacier Bancorp, Inc. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

Billings, Montana
January 28, 2000

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(dollars in thousands)	December 31, 1999	December 31, 1998
ASSETS:		
Cash on hand and in banks	$ 46,277	33,806
Federal funds sold	64	5,883
Interest bearing cash deposits	1,436	2,494
Cash and cash equivalents	47,777	42,183
Investment securities, available-for-sale	191,385	97,214
Investment securities, held-to-maturity (market value of $8,560)	0	8,272
Loans receivable, net	590,278	518,208
Premises and equipment, net	21,394	17,382
Real estate and other assets owned, net	550	151
Federal Home Loan Bank of Seattle stock, at cost	14,397	12,366
Federal Reserve Bank stock, at cost	1,467	1,219
Accrued interest receivable	5,112	4,348
Goodwill and other intangibles, net of accumulated amortization of $1,012 and $707 at December 31, 1999, and 1998, respectively	7,035	2,601
Deferred tax asset	2,642	0
Other assets	2,080	2,022
	$ 884,117	705,966
LIABILITIES:		
Deposits - non-interest bearing	$ 113,360	100,177
Deposits - interest bearing	462,922	375,667
Advances from Federal Home Loan Bank of Seattle	194,650	124,886
Securities sold under agreements to repurchase	19,766	17,239
Other borrowed funds	6,848	1,468
Accrued interest payable	2,646	2,278
Current income taxes	46	0
Deferred income taxes	0	1,540
Minority interest	308	313
Other liabilities	4,758	4,588
Total liabilities	805,304	628,156
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value per share. Authorized 1,000,000 shares; none issued	0	0
Common stock, $.01 par value per share. 9,550,444 and 8,595,623 shares outstanding at December 31, 1999 and 1998, respectively	96	86
Paid-in capital	81,193	60,104
Retained earnings - substantially restricted	2,622	16,424
Accumulated other comprehensive income	(5,098)	1,196
Total stockholders' equity	78,813	77,810
	$ 884,117	705,966

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands except per share data)	1999	1998	1997
	Years ended December 31,		
INTEREST INCOME:			
Real estate loans	$15,925	17,769	18,260
Commercial loans	19,684	16,613	13,158
Consumer and other loans	11,483	11,055	10,994
Investment securities and other	11,829	8,284	9,274
TOTAL INTEREST INCOME	58,921	53,721	51,686
INTEREST EXPENSE:			
Deposits	14,574	14,710	13,911
Advances	9,337	7,876	8,028
Securities sold under agreements to repurchase	1,318	772	1,072
Other borrowed funds	363	192	285
TOTAL INTEREST EXPENSE	25,592	23,550	23,296
NET INTEREST INCOME	33,329	30,171	28,390
Provision for loan losses	1,506	1,532	889
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	31,823	28,639	27,501
NON-INTEREST INCOME:			
Service charges and other fees	6,154	5,400	5,262
Miscellaneous loan fees and charges	3,774	4,766	3,661
Gain on sale of investments, net	6	45	196
Other income	1,130	1,748	1,016
TOTAL NON-INTEREST INCOME	11,064	11,959	10,135
NON-INTEREST EXPENSE:			
Compensation, employee benefits and related expenses	12,639	11,740	11,233
Occupancy expense	3,251	2,870	2,482
Data processing expense	769	995	1,078
Other expense	7,367	7,535	6,426
Minority interest	51	145	208
TOTAL NON-INTEREST EXPENSE	24,077	23,285	21,427
Earnings before income taxes	18,810	17,313	16,209
Federal and state income tax expense	6,631	6,398	5,973
NET EARNINGS	$12,179	10,915	10,236
BASIC EARNINGS PER SHARE	$ 1.28	1.17	1.12
DILUTED EARNINGS PER SHARE	$ 1.27	1.15	1.10

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 1999, 1998, AND 1997

($ in thousands except per share data)	Common Stock Shares	Common Stock Amount	Paid-in capital	Retained earnings substantially restricted	Accumulated other comprehensive income (loss)	Total stockholders' equity
Balance at December 31, 1996	4,974,211	50	35,410	22,769	(4)	58,225
Comprehensive income:						
Net earnings	--	--	--	10,236	--	10,236
Unrealized gain on securities, net of reclassification adjustment	--	--	--	--	1,218	1,218
Total comprehensive income	--	--	--	--	--	11,454
Cash dividends declared ($.47 per share)	--	--	--	(3,808)	--	(3,808)
Stock options exercised	52,160	1	557	--	--	558
Tax benefit from stock related compensation	--	--	257	--	--	257
Increase in stock grant earned	--	--	20	--	--	20
Three for two stock split	2,493,651	24	(24)	(5)	--	(5)
Additional shares issued	70,961	1	1,000	0	--	1,001
Balance at December 31, 1997	7,590,983	$76	37,220	29,192	1,214	67,702
Comprehensive income:						
Net earnings	--	--	--	10,915	--	10,915
Unrealized loss on securities, net of reclassification adjustment	--	--	--	--	(18)	(18)
Total comprehensive income	--	--	--	--	--	10,897
Transfer from retained earnings to additional paid in capital	--	--	100	(100)	--	0
Cash dividends declared ($.57 per share)	--	--	--	(4,922)	--	(4,922)
Stock options exercised	149,076	1	1,531	--	--	1,532
Tax benefit from stock related compensation	--	--	386	--	--	386
Increase in stock grant earned	--	--	15	--	--	15
10% stock dividend	771,803	8	18,654	(18,661)	--	1
Additional shares issued	83,761	1	2,198	--	--	2,199
Balance at December 31, 1998	8,595,623	$86	60,104	16,424	1,196	77,810
Comprehensive income:						
Net earnings	--	--	--	12,179	--	12,179
Unrealized loss on securities, net of reclassification adjustment	--	--	--	(6,294)	(6,294)	
Total comprehensive income	--	--	--	--	--	5,885
Cash dividends declared ($.64 per share)	--	--	--	(6,076)	--	(6,076)
Stock options exercised	90,233	1	972	--	--	973
Tax benefit from stock related compensation	--	--	240	--	--	240
10% stock dividend	864,588	9	19,877	(19,905)	--	(19)
Balance at December 31, 1999	9,550,444	$96	81,193	2,622	(5,098)	78,813

	Year ended December 31, 1999	1998	1997
Disclosure of reclassification amount:			
Unrealized and realized holding gains (losses) arising during the period	$(10,423)	24	2,044
Transfer from held to maturity	288	--	--
Tax expense	3,845	(12)	(697)
Net after tax	(6,290)	12	1,347
Less reclassification adjustment for gains (losses) included in net income	6	45	196
Tax expense	(2)	(15)	(67)
Net after tax	4	30	129
Net change in unrealized gain (loss) on available-for-sale securities ..	$ (6,294)	(18)	1,218

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)	1999	1998	1997
	Years ended December 31,		
OPERATING ACTIVITIES :			
Net earnings	$ 12,179	10,915	10,236
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Mortgage loans held for sale originated or acquired	(104,247)	(156,058)	(77,414)
Proceeds from sales of mortgage loans held for sale	114,211	150,273	73,566
Proceeds from sales of commercial loans	5,125	8,756	16,193
Provision for loan losses	1,506	1,532	889
Depreciation of premises and equipment	1,535	1,299	1,172
Amortization of goodwill	305	165	155
Gain on sale of investments	(6)	(45)	(196)
Amortization of investment securities premiums and discounts, net	205	(214)	34
Net (decrease) increase in deferred income taxes	(123)	(68)	(317)
Net (increase) decrease in accrued interest receivable	(764)	128	(326)
Net increase in accrued interest payable	368	462	621
Net increase (decrease) in current income taxes	531	(635)	738
Net increase in other assets	(233)	(229)	(137)
Net increase (decrease) in other liabilities and minority interest	12	1,439	(8,326)
FHLB stock dividends	(982)	(929)	(808)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	29,622	16,791	16,080
INVESTING ACTIVITIES:			
Proceeds from sales, maturities and prepayments of investment securities available-for-sale	33,601	33,341	32,651
Purchases of investment securities available-for-sale	(130,122)	(24,171)	(39,342)
Proceeds from maturities and prepayments of investment securities held-to-maturity	0	8,947	9,950
Purchases of investment securities held-to-maturity	0	(1,130)	(369)
Principal collected on installment and commercial loans	186,834	156,955	89,264
Installment and commercial loans originated or acquired	(284,335)	(208,601)	(132,613)
Principal collections on mortgage loans	95,009	87,622	62,692
Mortgage loans originated or acquired	(86,359)	(72,497)	(71,687)
Net proceeds from sales (acquisition) of real estate owned	0	0	385
Net purchase of FHLB and FRB stock	(1,297)	(879)	(1,233)
Net addition of premises and equipment	(5,760)	(3,959)	(2,135)
Acquisition of minority interest	0	(236)	(14)
Acquisition of branch deposits	(4,739)	0	0
NET CASH USED IN INVESTING ACTIVITIES	(197,168)	(24,608)	(52,451)
FINANCING ACTIVITIES:			
Net increase in deposits	100,438	46,046	33,200
Net increase (decrease) in FHLB advances and other borrowed funds	75,144	(27,593)	(1,798)
Net increase (decrease) in securities sold under repurchase agreements	2,527	(4,434)	9,354
Cash dividends paid to stockholders	(5,923)	(4,237)	(3,369)
Proceeds from exercise of stock options and other stock issued	954	1,533	1,554
NET CASH PROVIDED BY FINANCING ACTIVITIES	173,140	11,315	38,941
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,594	3,498	2,570
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	42,183	38,685	36,115
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 47,777	42,183	38,685
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Non-cash investing activity: transfer of held-to-maturity securities to available-for-sale	$ 8,272	0	0
Cash paid during the period for interest	$ 25,224	23,088	22,675
Cash paid during the period for income taxes	$ 6,224	7,046	5,511

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) GENERAL

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

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

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

(b) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its 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"), 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, 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. The pooling method of interests accounting method was used for the merger transaction with HUB and the merger transaction with Big Sky. 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. Premiums and discounts on investment securities are amortized or accreted into income using a

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES . . . CONTINUED

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 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 interest 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 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES . . . CONTINUED

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. During 1999 and 1998 the amount of impaired loans was not material.

(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.

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.

(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.

(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, 1999 and 1998 there were no assets that were considered impaired.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES . . . CONTINUED

(o) MORTGAGE SERVICING RIGHTS

The Company recognizes mortgage servicing rights on loans originated and subsequently sold as an asset regardless of whether the servicing rights are acquired or retained on loans originated and subsequently sold. The mortgage servicing rights are assessed for impairment based on the fair value of the mortgage servicing rights. As of December 31, 1999 and 1998 the carrying value of servicing rights was approximately $665,000 and $689,000, respectively. There was no impairment of carrying value at December 31, 1999 or 1998.

(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 1998 and 1997 financial statements to conform to the 1999 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, 1999 was $6,397,000.

3. INVESTMENT SECURITIES

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

DECEMBER 31, 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	7.39%	1,007	16	0	1,023
maturing after ten years	6.57%	1,043	1	(11)	1,033
	6.48%	4,048	20	(15)	4,053
STATE AND LOCAL GOVERNMENTS AND OTHER ISSUES:					
maturing within one year	6.78%	285	0	(49)	236
maturing one year through five years	4.99%	1,411	15	(5)	1,421
maturing five years through ten years	6.88%	4,120	25	(20)	4,125
maturing after ten years	5.16%	46,698	39	(2,985)	43,752
	5.30%	52,514	79	(3,059)	49,534
MORTGAGE-BACKED SECURITIES	7.09%	34,847	161	(1,080)	33,928
REAL ESTATE MORTGAGE INVESTMENT CONDUITS	6.94%	108,374	126	(4,630)	103,870
TOTAL SECURITIES	6.53%	199,783	386	(8,784)	191,385

3. INVESTMENT SECURITIES . . . CONTINUED

DECEMBER 31, 1998

Dollars in thousands HELD-TO-MATURITY U.S. Government and Federal Agencies:	Weighted Yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
maturing within one year	7.90%	$ 3,010	63	0	3,073
maturing one year through five years	7.10%	1,237	66	0	1,303
	7.67%	4,247	129	0	4,376
State and Local Governments and other issues:					
maturing within one year	5.50%	552	5	0	557
maturing one year through five years	5.56%	811	24	0	835
maturing five years through ten years	5.01%	1,222	44	0	1,266
maturing after ten years	5.67%	1,440	86	0	1,526
	5.42%	4,025	159	0	4,184
Total Held-to-Maturity Securities	6.58%	$ 8,272	288	0	8,560
AVAILABLE-FOR-SALE					
U.S. Government and Federal Agencies:					
maturing within one year	5.87%	$ 2,676	9	(1)	2,684
maturing one year through five years	5.90%	5,993	79	0	6,072
maturing after ten years	6.66%	1,816	10	(1)	1,825
	6.02%	10,485	98	(2)	10,581
State and Local Governments and other issues:					
maturing within one year	6.88%	$ 250	0	0	250
maturing one year through five years	6.00%	100	7	0	107
maturing five years through ten years	5.30%	1,167	69	0	1,236
maturing after ten years	5.21%	37,173	1,590	(319)	38,444
	5.23%	38,690	1,666	(319)	40,037
MORTGAGE-BACKED SECURITIES	7.42%	18,299	546	(63)	18,782
REAL ESTATE MORTGAGE INVESTMENT CONDUITS	6.58%	27,715	184	(85)	27,814
TOTAL AVAILABLE-FOR-SALE SECURITIES ..	6.16%	$95,189	2,494	(469)	97,214

The book value of investment securities is as follows at (in thousands):

	December 31, 1997 Held-to-Maturity	December 31, 1997 Available-for-Sale	December 31, 1997 Totals
U.S. Government and Federal Agencies	$ 9,539	23,819	33,358
State and Local Governments and Other Issues	4,382	26,941	31,323
Mortgage-Backed Securities	3,100	21,535	24,635
Real Estate Mortgage Investment Conduits	--	32,838	32,838
	$17,021	105,133	122,154

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, 1999, 1998, and 1997 were approximately $9,270,000, $7,009,000 and $10,181,000 respectively, resulting in gross gains

3. INVESTMENT SECURITIES . . . CONTINUED

of approximately $55,000, $48,000 and $204,000 and gross losses of approximately $49,000, $3,000 and $8,000, respectively.

At December 31, 1999, the Company had investment securities with par values of approximately $75,261,000 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, 1999 and 1998, the minority interest share of the unrealized loss was approximately $22,000 and $7,000, respectively.

4. LOANS RECEIVABLE

The following is a summary of loans receivable at:

	December 31,	
(dollars in thousands)	1999	1998
Residential first mortgage	$ 192,804	201,898
Loans held for sale	3,326	13,692
Commercial real estate	152,504	105,339
Commercial	105,613	89,067
Consumer	80,039	64,069
Home equity	62,577	49,795
Outstanding balances on credit cards	0	18
	596,863	523,879
Net deferred loan fees, premiums and discounts	(517)	(538)
Allowance for losses	(6,068)	(5,133)
	$ 590,278	518,208

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

	December 31,		
(dollars in thousands)	1999	1998	1997
Balance, beginning of period	$ 5,133	4,279	3,887
Net charge offs	(571)	(678)	(497)
Provision	1,506	1,532	889
Balance, end of period	$ 6,068	5,133	4,279

4. LOANS RECEIVABLE . . . CONTINUED

The following is the allocation of allowance for loan losses at:

	DECEMBER 31, 1999		DECEMBER 31, 1998	
	AMOUNT	PERCENT OF OF LOANS IN CATEGORY	AMOUNT	PERCENT OF OF LOANS IN CATEGORY
(dollars in thousands)				
Real estate loans and contracts ..	$1,000	0.51%	$1,099	0.51%
Commercial real estate	1,526	1.00%	1,060	1.00%
Other commercial	2,107	2.00%	1,717	1.94%
Consumer loans and credit cards ..	966	1.21%	885	1.38%
Home equity	469	0.75%	372	0.75%
	$6,068	1.02%	$5,133	0.98%

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.

The weighted average interest rate on loans was 8.52% and 8.82% at December 31, 1999 and 1998, respectively.

At December 31, 1999 ,1998 and 1997 serviced loans sold to others were $129,666,000, $123,741,000, and $128,250,000, respectively

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extent 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, 1999	December 31, 1998
Letters of credit	$ 6,133	3,892
Loans and loans in process	61,318	52,247
Unused consumer lines of credit ..	16,583	9,570
	$84,034	65,709

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

	December 31, 1998	December 31, 1998
Investment securities	$1,517	1,158
Mortgage-backed securities ..	191	75
Loans receivable	3,404	3,115
	$5,112	4,348

4. LOANS RECEIVABLE . . . CONTINUED

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, 1999 was approximately $10,603,000. During 1999, new loans to such related parties were approximately $17,108,000 and repayments were approximately $13,534,000.

5. PREMISES AND EQUIPMENT

Premises and equipment consist of the following at:

(dollars in thousands)	December 31, 1999	December 31, 1998
Land	$ 3,553	3,360
Office buildings and construction in progress	15,603	12,563
Furniture, fixtures and equipment	10,589	8,523
Leasehold improvements	1,162	1,481
Accumulated depreciation	(9,513)	(8,545)
	$ 21,394	17,382

6. DEPOSITS

Deposits consist of the following at:

(Dollars In Thousands)	DECEMBER 31, 1999 WEIGHTED AVERAGE RATE	DECEMBER 31, 1999 AMOUNT	DECEMBER 31, 1999 PERCENT	DECEMBER 31, 1998 AMOUNT	DECEMBER 31, 1998 PERCENT
Demand accounts	0.0%	$113,360	19.7%	$100,177	21.1%
NOW accounts	1.1%	89,937	15.6%	83,414	17.5%
Savings accounts	1.7%	42,645	7.4%	45,053	9.5%
Money market demand accounts	4.0%	138,140	24.0%	100,537	21.1%
Certificate accounts:					
4.00% and lower		1,715	0.3%	542	0.1%
4.01% to 5.00%		57,830	10.0%	28,121	5.9%
5.01% to 6.00%		105,372	18.3%	86,746	18.2%
6.01% to 7.00%		26,711	4.6%	24,186	5.1%
7.01% to 8.00%		412	0.1%	6,340	1.3%
8.01% and higher		160	0.0%	728	0.2%
Total certificate accounts	5.4%	192,200	33.3%	146,663	30.8%
Total interest bearing deposits	3.6%	462,922	80.3%	375,667	78.9%
Total deposits	2.9%	$576,282	100.0%	475,844	100.0%
Deposits with a balance in excess of $100,000		$180,433		$147,247	

At December 31, 1999, scheduled maturities of certificates of deposit are as follows:

(dollars in thousands)	TOTAL	2000	2001	2002	2003	Thereafter
		Years ending December 31,				
4.00% and lower	$ 1,715	1,702	12	1	0	0
4.01% to 5.00%	57,830	49,946	5,746	1,102	287	749
5.01% to 6.00%	105,372	85,937	11,229	6,127	976	1,103
6.01% to 7.00%	26,711	15,666	7,941	2,051	1,031	22
7.01% to 8.00%	412	288	108	16	0	0
8.01% and higher	$ 160	100	54	6	0	0
	192,200	153,639	25,090	9,303	2,294	1,874

Interest expense on deposits is summarized as follows:

(dollars in thousands)	1999	1998	1997
	Years ended December 31,		
NOW accounts	$ 875	1,274	1,324
Money market demand accounts	4,538	4,365	3,245
Certificate accounts	8,435	8,006	7,927
Savings accounts	726	1,065	1,415
	$14,574	14,710	13,911

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,					
(dollars in thousands)	Total	2000	2001	2002	2003	2004	2005-2010
4.00% to 5.00%	$ 84,018	83,870	148	--	--	--	--
5.01% to 6.00%	98,726	77,358	4,361	742	15,552	152	561
6.01% to 7.00%	9,996	6,856	296	354	237	189	2,064
7.01% to 8.00%	1,710	40	140	40	240	140	1,110
8.01% to 9.00%	200	--	--	--	100	100	--
	$194,650	168,124	4,945	1,136	16,129	581	3,735

These advances were collateralized by the Federal Home Loan Bank of Seattle stock held by the Company, and qualifying real estate loans and investments totaling approximately $305,150,000 and $234,846,000 at December 31, 1999 and 1998, respectively.

The weighted average interest rate on these advances was 5.25% and 5.49% at December 31, 1999 and 1998, respectively.

The Federal Home Loan Bank of Seattle holds callable options which may be exercised after a predetermined time, and quarterly thereafter on the following advances:

Contractual Maturity Date	Year of Initial Call	Total Advance Amount	Weighted Average Interest Rate
2003	2000	$16,000	5.23%
2008	2001	3,000	5.37%
2008	2003	15,000	5.52%
		$34,000	5.37%

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, 1999	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	$13,765	4.38%	$19,601	20,295
31-90 days	6,001	4.81%	6,757	6,866
Greater than 90 days	--	--	--	--
	$19,766	4.51%	$26,358	27,161
December 31, 1998:				
Securities sold under agreements to repurchase within:				
1-30 days	$11,000	4.05%	$14,706	15,099
31-90 days	6,126	5.18%	6,797	7,174
Greater than 90 days	113	5.31%	120	120
	$17,239	4.70%	$21,623	22,393

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, 1999, securities sold under agreements to repurchase averaged approximately

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

$28,605,000 and the maximum outstanding at any month end during the year was approximately $53,791,000.

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 $12,000,000 at federal funds rate minus 25 basis points. At December 31, 1999 and 1998 the outstanding balance under this program was approximately $5,778,000 and $1,100,000. The borrowings are secured with investment securities with a par value of approximately $8,620,000 and a market value of approximately $8,382,000. For the year ended December 31, 1999, the maximum outstanding at any month end was approximately $7,357,000 and the average balance was approximately $3,047,000.

Other borrowed funds also includes federal funds purchased of $720,000 and $38,000 at December 31, 1999 and 1998, 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, 1999 was $350,000, and is 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 $12.83 of principal value, or an equivalent of 27,293 shares.

10. STOCKHOLDERS' EQUITY

The Federal Reserve Board has adopted capital adequacy guidelines pursuant to which it assesses the adequacy of capital in supervising a bank holding company. The following table illustrates the Federal Reserve Board's adequacy guidelines and the Company's compliance with those guidelines as of December 31, 1999:

(dollars in thousands)	Tier 1 (Core) Capital	Tier 2 (Total) Capital	Leverage Capital
GAAP Capital	$ 78,813	78,813	$ 78,813
Less: Goodwill	(7,035)	(7,035)	(7,035)
Plus: Net unrealized losses on			
securities available for sale	5,098	5,098	5,098
Allowance for loan losses	--	6,068	--
Minority Interest	308	308	308
Other regulatory adjustments	(82)	(82)	(82)
Regulatory capital computed	$ 77,102	$ 83,170	$ 77,102
Risk weighted assets	$ 569,370	$ 569,370	
Total average assets			$ 791,311

	1999		
Capital as % of defined assets	13.54%	14.61%	9.74%
Regulatory "well capitalized" requirement ...	6.00%	10.00%	5.00%
Excess over "well capitalized" requirement ..	7.54%	4.61%	4.74%

10. STOCKHOLDERS' EQUITY . . . CONTINUED

	1998		
Capital as % of defined assets	15.96%	17.07%	10.61%
Regulatory "well capitalized" requirement	6.00%	10.00%	5.00%
Excess over "well capitalized" requirement ...	9.96%	7.07%	5.61%

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, 1999, 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, 1999.

During 1997, an additional 70,961 shares of stock were issued to increase the capital of Big Sky.

11. FEDERAL AND STATE INCOME TAXES:

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

	Years ended December 31,		
(dollars in thousands)	1999	1998	1997
Current:			
Federal	$ 5,517	5,267	5,212
State	1,237	1,199	1,078
Total current tax expense	6,754	6,466	6,290
Deferred:			
Federal	(86)	(102)	(363)
State	(37)	34	46
Total deferred tax expense (benefit)	(123)	(68)	(317)
Total income tax expense	$ 6,631	6,398	5,973

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

	Years ended December 31,		
	1999	1998	1997
Federal statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal income tax benefit ...	4.2%	4.6%	4.5%
Non-deductible merger expenses	0.0%	0.1%	0.2%
Other, net	-3.9%	-2.8%	-2.9%
	35.3%	36.9%	36.8%

Tax exempt interest for the years ended December 31, 1999, 1998 and 1997 was approximately $2,301,000, $1,604,000, and $1,227,000, 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 at:

(dollars in thousands)	December 31, 1999	1998
Deferred tax assets:		
Allowance for losses on loans	$ 2,530	2,138
Available-for-sale securities fair value adjustment .	3,278	0
Other	540	513
Total gross deferred tax assets	6,348	2,651
Deferred tax liabilities:		
Federal Home Loan Bank stock dividends	(2,196)	(1,765)
Fixed assets, due to differences in depreciation ...	(571)	(450)
Tax bad debt reserve in excess of base-year reserve	(418)	(617)
Available-for-sale securities fair value adjustment	0	(822)
Basis difference from acquisitions	(186)	(192)
Other	(335)	(345)
Total gross deferred tax liabilities	(3,706)	(4,191)
Net deferred tax liability	$ 2,642	(1,540)

There is no valuation allowance at December 31, 1999 and 1998 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.

The current tax receivable (payable) was approximately ($46,000) and $485,000 at December 31, 1999 and 1998.

Retained earnings at December 31, 1999 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, 1999, 1998, and 1997 was approximately $791,000, $552,000 and $620,000 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, 1999, 1998 and 1997 was approximately $246,000, $216,000, and $173,000, 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, 1999, 1998 and 1997 was approximately $10,000, $26,000, and $46,000, 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 $43,000, $52,000, $156,000, for the years ending December 31, 1999, 1998, and 1997, 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 1999, 1998, and 1997 were approximately ($33,000), $12,000, and $66,000, 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,		
	1999	1998	1997
Net earnings available to common stockholders, basic and diluted	$12,179,000	10,915,000	10,236,000
Average outstanding shares - basic .	9,520,348	9,304,101	9,130,762
Add: dilutive stock options	91,803	150,026	154,447
Average outstanding shares - diluted	9,612,151	9,454,127	9,285,209
Basic earnings per share	$ 1.28	1.17	1.12
Diluted earnings per share	$ 1.27	1.15	1.10

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 plan must be at least equal to the per share market value of such stock at the date the option is granted. The 1984 plan also contains provisions permitting the optionee, with the approval of the Company, to surrender his or her options for cancellation and receive cash or common stock equal to the difference between the exercise price and the then fair market value of the shares on the date of surrender (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 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, 1999, total shares available for option grants to employees and directors are 773,432. Changes in shares granted for stock options for the years ended December 31, 1999, 1998, and 1997, are summarized as follows:

	Options outstanding		Options exercisable	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance, December 31, 1996	219,327	$ 16.59	116,631	$ 15.65
Canceled	(9,715)	(15.65)		
Granted	115,418	23.45		
Became exercisable			11,338	17.15
Three for two stock split	160,937		57,577	
Exercised	(51,993)	(10.73)	(51,993)	(10.73)
Balance, December 31, 1997	433,974	$ 12.98	133,553	$ 10.94
Canceled	(8,950)	(15.68)	(600)	(10.37)
Granted	134,377	24.37		
Became exercisable			132,885	11.31
Stock dividend	46,574		28,620	
Exercised	(149,076)	(10.27)	(149,076)	(10.27)
Balance, December 31, 1998	456,899	$ 15.83	145,382	$ 11.00
Canceled	(43,439)	(18.57)	(2,631)	(11.74)
Granted	206,953	22.53		
Became exercisable			195,959	16.02
Stock dividend	55,913		32,042	
Exercised	(100,427)	(11.86)	(100,427)	(11.86)
Balance, December 31, 1999	575,899	$ 17.20	270,325	$ 13.58

During the year ended December 31, 1999, there were 10,019 options exercised through cash-less exercises at a weighted average market price of $21.77.

The range of exercise prices on options outstanding at December 31, 1999 is as follows:

				Options exercisable	
Price range	Shares	Weighted average exercise price	Weighted average life of options	Shares	Weighted average exercise price
$8.32 - $10.52	75,997	$ 10.04	2.9 years	74,796	$ 10.06
$12.53 - $13.56	161,529	13.19	3.1 years	161,529	13.19
$17.87 - $21.00	302,373	20.43	3.0 years	-	-
$23.19 - $24.00	36,000	23.21	4.4 years	34,000	23.19
	575,899	$ 17.20	3.4 years	270,325	$ 13.58

The options exercised during the year ended December 31, 1999 were at prices from $8.99 to $20.15.

The per share weighted-average fair value of stock options granted during 1999, 1998 and 1997 was $5.07, $5.09, and $5.05, respectively, on the date of grant using the Black-Scholes option-pricing model with the following assumptions: 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 of 4.6%, volatility ratio of .22, and expected life of 4.8 years: 1997 - expected dividend yield of 2.9%, risk-free interest rate 5.8%, 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:

		Years ended December 31,		
		1999	1998	1997
Net earnings:	As reported	$ 12,179	10,915	10,236
(in thousands)	Pro forma	11,302	10,297	9,788
Basic earnings per share:	As reported	1.28	1.17	1.12
	Pro forma	1.19	1.11	1.07
Diluted earnings per share:	As reported	1.27	1.15	1.10
	Pro forma	1.18	1.09	1.05

15. PARENT COMPANY INFORMATION (CONDENSED)

The following condensed financial information is the unconsolidated (parent company only) information for Glacier Bancorp, Inc., combined with Big Sky Western Bank:

STATEMENTS OF FINANCIAL CONDITION	December 31,	
(dollars in thousands)	1999	1998
Assets:		
Cash	$ 2,561	598
Interest bearing cash deposits	16	2,487
Cash and cash equivalents	2,577	3,085
Investments securities, available-for-sale, at market value	1,755	1,691
Investments securities, held-to-maturity, at cost	0	91
Other assets	2,640	1,332
Goodwill, net	2,376	2,601
Investment in subsidiaries	71,977	71,395
	$ 81,325	80,195
Liabilities and Stockholders' Equity:		
Dividends payable	$ 1,910	1,757
Notes payable	0	0
Other liabilities	602	628
Total liabilities	2,512	2,385
Common stock	96	86
Paid-in capital	81,193	60,104
Retained earnings	2,622	16,424
Net unrealized gains (losses) on securities available-for-sale	(5,098)	1,196
Total stockholders' equity	78,813	77,810
	$ 81,325	80,195

STATEMENTS OF OPERATIONS	Years ended December 31,		
(dollars in thousands)	1999	1998	1997
Revenues			
Dividends from subsidiaries	$ 8,420	5,377	3,779
Other income	161	168	344
Intercompany charges for services	1,617	1,971	1,803
Total revenues	10,198	7,516	5,926
Expenses			
Employee compensation and benefits	1,519	1,880	1,974
Goodwill amortization	243	165	155
Other operating expenses	1,027	1,239	323
Total expenses	2,789	3,284	2,452
Earnings before income tax benefit and equity in undistributed earnings of subsidiaries	7,409	4,232	3,474
Income tax benefit	(328)	(198)	(88)
Income before equity in undistributed earnings of subsidiaries	7,737	4,430	3,562
Equity in undistributed earnings of subsidiaries	4,442	6,485	6,674
Net earnings	$ 12,179	10,915	10,236

STATEMENTS OF CASH FLOWS (dollars in thousands)	Years ended December 31, 1999	1998	1997
Operating Activities			
Net earnings	$ 12,179	10,915	10,236
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Goodwill amortization	242	165	155
Gain on sale of investments available-for-sale	0	(8)	(184)
Equity in undistributed earnings of subsidiaries	(4,442)	(6,485)	(6,674)
Net increase (decrease) in other assets and other liabilities	(988)	205	(1,732)
Net cash provided by operating activities	6,991	4,792	1,801
Investing activities			
Purchases of investment securities available-for-sale	(103)	(198)	(176)
Proceeds from sales, maturities and prepayments of securities available-for-sale	3	59	484
Proceeds from maturities of securities held-to-maturity	0	3	3
Payment for land purchase	0	0	(160)
Equity contribution to subsidiary	(2,500)	0	0
Acquisition of minority interest	0	(236)	(14)
Net cash provided (used) by investing activities	(2,600)	(372)	137
Financing activities			
Proceeds from exercise of stock options and other stock issued	954	1,532	1,554
Principal reductions on notes payable	0	(216)	(82)
Proceeds from new bank loan	0	0	222
Cash dividends paid to stockholders	(5,853)	(4,327)	(3,369)
Net cash used by financing activities	(4,899)	(3,011)	(1,675)
Net increase (decrease) in cash and cash equivalents	(508)	1,409	263
Cash and cash equivalents at beginning of period	3,085	1,676	1,413
Cash and cash equivalents at end of period	$ 2,577	3,085	1,676

16. UNAUDITED QUARTERLY FINANCIAL DATA

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

	QUARTERS ENDED March 31, 1999	June 30, 1999	Sept. 30, 1999	Dec. 31, 1999
Interest income	$ 13,061	14,090	15,348	16,422
Interest expense	5,487	5,999	6,762	7,344
Net interest income	7,574	8,091	8,586	9,078
Provision for loan loss	322	350	418	416
Net income before income taxes	4,435	4,604	4,931	4,840
Net earnings	2,894	3,003	3,163	3,119
Basic earnings per share[1]	0.30	0.32	0.33	0.33
Diluted earnings per share[1]	0.30	0.31	0.33	0.33
Dividends per share[1]	0.14	0.15	0.15	0.20[2]
Market range high-low[1]	$21.82-$17.05	$24.38-$17.27	$23.88-$15.25	$18.75-$14.88

	Quarters Ended			
	March 31, 1998	June 30, 1998	Sept. 30, 1998	Dec. 31, 1998
Interest income	$13,240	13,464	13,597	13,420
Interest expense	5,936	6,008	5,937	5,669
Net interest income	7,304	7,456	7,660	7,751
Provision for loan loss	235	551	308	438
Net income before income taxes ..	4,260	4,350	4,413	4,290
Net earnings	2,694	2,715	2,735	2,771
Basic earnings per share[1]	0.29	0.29	0.29	0.30
Diluted earnings per share[1] ...	0.28	0.29	0.29	0.29
Dividends per share[1]	0.11	0.12	0.13	0.21[3]
Market range high-low[1]	$ 24.38-$19.21	$ 23.55-$21.90	$ 23.97-$20.71	$ 20.57-$17.16

	Quarters Ended			
	March 31, 1997	June 30, 1997	Sept. 30, 1997	Dec. 31, 1997
Interest income	$12,304	12,858	13,199	13,325
Interest expense	5,646	5,808	5,939	5,903
Net interest income	6,658	7,050	7,260	7,422
Provision for loan loss	197	248	228	216
Net income before income taxes ..	3,499	4,055	4,229	4,426
Net earnings	2,202	2,558	2,672	2,804
Basic earnings per share[1]	0.24	0.28	0.29	0.31
Diluted earnings per share[1] ...	0.24	0.28	0.28	0.30
Dividends per share[1]	0.09	0.10	0.10	0.14[2]
Market range high-low[1]	$ 13.64-$12.81	$ 17.36-$12.60	$ 16.12-$14.46	$ 20.66-$15.39

[1] Per share amounts adjusted to reflect effect of 10% stock dividend
[2] Special dividend was paid at $.05 per share.
[3] Special dividend was paid at $.07 per share.

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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:

(dollars in thousands)	1999 AMOUNT	1999 FAIR VALUE	1998 Amount	1998 Fair Value
Financial Assets:				
Cash	$ 46,277	46,277	33,806	33,806
Federal funds sold	64	64	5,883	5,883
Interest bearing cash deposits	1,436	1,436	2,494	2,494
Investment securities	53,587	53,587	58,890	59,178
Mortgage-backed securities	137,798	137,798	46,576	46,596
Loans	590,278	580,452	518,208	525,465
FHLB and Federal Reserve Bank stock	15,864	15,864	13,585	13,585
Financial Liabilities:				
Deposits	$576,282	578,979	475,844	476,892
Advances from the FHLB of Seattle	194,650	190,681	124,886	125,311
Repurchase agreements and other borrowed funds	26,614	26,614	18,707	18,707

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.

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

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.

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):

	Six months ended June 30, 1998 (unaudited)	Years ended December 31, 1997	1996
Net earnings of:			
Glacier Bancorp, Inc	$4,892	9,180	7,425
HUB Financial Corporation	408	874	782
Combined	$5,300	10,054	8,207

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

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 to the combination have been restated to include the accounts and results of operations of Big Sky Western Bank. 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, 1998	1997
Net earnings of:		
Glacier Bancorp, Inc.	$10,744	10,054
Big Sky Western Bank	171	182
Combined	$10,915	10,236

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. 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. AGREEMENT TO MERGE

On September 9, 1999, the Company entered into a definitive agreement to acquire, through an exchange of stock, Mountain West Bank of Couer d'Alene, Idaho (Mountain West). It is expected that on February 4, 2000, the transaction will be completed with 844,257 shares of Company stock issued for 100 percent of the outstanding stock of Mountain West. Mountain West will operate as an independent, wholly-owned subsidiary of the Company. The acquisition is being accounted for using the pooling-of-interests method. Transactions accounted for as a pooling-of-interests reflect the assets, liabilities, stockholders' equity, and results of operations of the separate entities as though the entities had been combined as of the earliest date reported.

The following unaudited pro forma data summarizes the combined results of operations of the Company and Mountain West as if the combination had been consummated on December 31, 1999:

	Years ended December 31,		
(dollars in thousands)	1999	1998	1997
Interest income	$ 64,736	58,529	55,324
Interest expense	27,635	25,415	24,817
Net interest income	37,101	33,114	30,507
Net earnings	$ 12,353	11,444	10,552
Basic earnings per share	$ 1.19	1.14	1.09
Diluted earnings per share	$ 1.18	1.11	1.07
Total assets	$974,001	785,135	740,891
Total deposits	$645,522	544,110	481,121

22. OPERATING SEGMENT INFORMATION

As of December 31, 1998, the company adopted FASB Statement 131, Financial Reporting for Segments of a Business Enterprise. This statement requires that a public business enterprise report financial and descriptive information about its reportable operating segments. According to the statement, operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company evaluates segment performance internally based on individual bank charter, and thus the operating segments are so defined. All segments, except for the segment defined as "other," are based on commercial banking operations. The operating segment defined as "other" includes the Parent company, 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, 1999, 1998, and 1997 (in thousands):

1999	Glacier	Whitefish	Eureka	First Security	Valley Helena	Big Sky Western	Other	Consolidated
Net interest income	$ 15,266	2,044	1,290	8,804	3,614	2,077	234	33,329
Provision for loan losses	470	66	24	600	155	191	0	1,506
Net interest income after provision for loan losses	14,796	1,978	1,266	8,204	3,459	1,886	234	31,823
Noninterest income	5,539	675	313	2,260	1,494	881	(98)	11,064
Merger expense and amortization of goodwill and core deposit intangibles	78	0	0	0	0	0	361	439
Other noninterest expense	10,750	1,502	986	4,567	2,977	2,096	709	23,587
Income before income taxes and minority interest	9,507	1,151	593	5,897	1,976	671	(934)	18,861
Minority interest	51	51						
Income taxes expense (benefit)	3,303	348	191	2,132	731	231	(305)	6,631
Net income	$ 6,204	803	402	3,765	1,245	440	(680)	12,179
Assets	$460,257	52,203	28,879	193,548	82,587	66,255	388	884,117
Net loans	272,060	35,485	18,178	161,781	58,924	43,850	0	590,278
Deposits	276,880	34,261	18,514	143,645	65,095	41,034	(3,147)	576,282
Shareholders' equity	36,040	4,605	3,137	15,640	7,073	5,281	7,037	78,813
1998								
Net interest income	$ 14,572	1,820	1,247	7,784	3,312	1,251	185	30,171
Provision for loan losses	670	78	12	645	85	42	0	1,532
Net interest income after provision for loan losses	13,902	1,742	1,235	7,139	3,227	1,209	185	28,639
Noninterest income	5,723	686	372	2,801	1,553	743	81	11,959
Merger expense and amortization of goodwill and core deposit intangibles	0	0	0	0	0	0	931	931
Other noninterest expense	10,523	1,347	971	4,151	3,010	1,680	527	22,209
Income before income taxes and minority interest	9,102	1,081	636	5,789	1,770	272	(1,192)	17,458
Minority interest	145	145						
Income taxes expense (benefit)	3,238	343	217	2,138	659	103	(300)	6,398
Net income	$ 5,864	738	419	3,651	1,111	169	(1,037)	10,915
Assets	$370,686	42,643	24,471	164,546	69,924	39,376	(5,680)	705,966
Net loans	272,399	22,022	16,322	134,646	48,860	23,959	0	518,208
Deposits	201,211	34,179	17,797	139,348	57,807	31,385	(5,883)	475,844
Shareholders' equity	39,058	4,642	3,309	14,668	6,628	2,873	6,632	77,810
1997								
Net interest income	$ 14,121	1,786	1,232	6,654	3,142	1,143	312	28,390
Provision for loan losses	345	0	42	360	60	82	0	889
Net interest income after provision for loan losses	13,776	1,786	1,190	6,294	3,082	1,061	312	27,501
Noninterest income	4,540	570	350	2,818	1,275	520	62	10,135
Merger expense and amortization of goodwill and core deposit intangibles	0	0	0	0	0	0	155	155
Other noninterest expense	10,145	1,399	947	4,050	2,709	1,334	480	21,064
Income before income taxes and minority interest	8,171	957	593	5,062	1,648	247	(106)	16,417
Minority interest	208	208						
Income taxes expense (benefit)	2,958	312	202	1,896	614	65	(74)	5,973
Net income	$ 5,213	645	391	3,166	1,034	182	(395)	10,236
Assets	$365,921	41,276	25,565	144,382	69,875	32,724	1,648	681,391
Net loans	266,670	22,746	16,290	111,867	49,344	19,303	0	486,220
Deposits	173,371	30,918	16,385	127,801	57,687	25,449	(1,813)	429,798
Shareholders' equity	35,572	4,247	3,188	12,586	6,647	2,927	2,535	67,702

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 "Proposal No. 1 - Election of Directors - Information with Respect to Nominees for Director and Continuing Directors" - "Background of Directors" and "Security Ownership of Certain Beneficial Owners and Management - Executive Officers who are not Directors" of the Company's 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 "Proposal No. 1 - Election of Directors - Compensation of Directors" and "Executive Compensation" of the Company's Proxy Statement and is incorporated herein by reference.

ITEM 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 "Proposal No. 1 - Election of Directors - Information with Respect to Nominees for Director and Continuing Directors", "Security Ownership of Certain Beneficial Owners and Management - Executive Officers who are not Directors" and "Beneficial Owners" of the Company's Proxy Statement and is incorporated herein by reference.

ITEM 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 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)	Amendment to 1995 Stock Option Plan approved April 28, 1999
10(k)	Deferred Compensation Plan(6)
10(l)	Supplemental Executive Retirement Agreement(6)
21	Subsidiaries of the Company (See item 1, "Subsidiaries")
23	Consent of KPMG LLP
27	Financial Data Schedule

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(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).

SIGNATURES

PURSUANT to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 29, 2000.

GLACIER BANCORP, INC.

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

PURSUANT to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 29, 2000, by the following persons in the capacities indicated.

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

xxx

EXHIBIT 23

Independent Accountants' Consent

The Board of Directors
Glacier Bancorp, Inc.:

We consent to incorporation by reference in the registration statement on Form S-8 (No. 33-94648) of our report dated January 28, 2000 relating to the consolidated statements of financial condition of Glacier Bancorp, Inc. and subsidiaries as of December 31, 1999 and 1998 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, 1999, which report appears in the December 31, 1999 annual report on Form 10-K of Glacier Bancorp, Inc.

/s/ KPMG LLP
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Billings, Montana
March 27, 2000

12-MOS
DEC-31-1999
JAN-01-1999
DEC-31-1999
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26,526
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0
96
78,813
884,117
47,092
11,829
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58,921
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25,592
33,329
1,506
6
24,077
18,810
0
0
0
12,179
1.28
1.27
4.53
1,383
265
0
0
5,133
788
217
6,068
6,068
0
0