SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 1998

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

For the transition period from _______________ to _________________

COMMISSION FILE 0-18911

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

DELAWARE	81-0468393
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
P.O. Box 27; 49 Commons Loop, Kalispell, Montana	59903-0027
(Address of principal executive offices)	(Zip Code)

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

N/A

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

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

The number of shares of Registrant's common stock outstanding on November 9, 1998, was 8,366,555. No preferred shares are issued or outstanding.

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

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GLACIER BANCORP, INC.
CONSOLIDATED CONDENSED STATEMENTS OF FINANCIAL CONDITION

(Unaudited - dollars in thousands except per share data)	September 30, 1998	December 31, 1997	September 30, 1997
ASSETS:			
Cash on hand and in banks	$ 27,487	29,724	30,426
Federal funds sold	0	3,860	325
Interest bearing cash deposits	19,188	595	8,063
Cash and cash equivalents	46,675	34,179	38,814
Investments:			
Investment securities, held-to-maturity	8,309	12,951	18,471
Investment securities, available-for-sale	47,284	45,466	43,257
Mortgage backed securities, held-to-maturity	0	3,100	3,191
Mortgage backed securities, available-for-sale	38,606	54,008	49,794
Total Investments	94,199	115,525	114,713
Net loans receivable:			
Real estate loans	197,403	213,186	214,249
Commercial Loans	181,395	142,633	133,890
Installment and other loans	112,756	115,125	114,963
Allowance for losses	(4,356)	(4,027)	(4,060)
Total Loans, net	487,198	466,917	459,042
Premises and equipment, net	15,530	13,604	13,375
Real estate and other assets owned	271	121	158
Federal Home Loan Bank of Seattle stock, at cost	11,582	10,956	10,731
Federal Reserve stock, at cost	1,067	340	340
Accrued interest receivable	4,090	4,234	4,180
Goodwill, net	2,658	1,371	1,403
Other assets	1,193	1,420	1,267
	$ 664,463	648,667	644,023
LIABILITIES AND STOCKHOLDERS' EQUITY:			
Deposits - interest bearing	$ 348,362	319,362	323,283
Deposits - non-interest bearing	91,177	84,987	82,968
Advances from Federal Home Loan Bank of Seattle	125,978	141,860	129,606
Securities sold under agreements to repurchase	13,356	21,673	21,177
Other borrowed funds	3,256	7,937	12,017
Accrued interest payable	2,784	1,816	2,318
Current income taxes	43	484	343
Deferred income taxes	2,113	1,870	1,919
Other liabilities	3,723	2,623	6,802
Minority Interest	312	1,280	1,249
Total liabilities	591,104	583,892	581,682
Common stock, $.01 par value per share (1)	76	74	74
Paid-in capital	39,126	35,837	35,170
Retained earnings - substantially restricted	33,733	28,743	27,250
Treasury stock at cost (2)	(1,066)	(1,066)	(1,066)
Accumulated other comprehensive earnings	1,490	1,187	913
Total stockholders' equity	73,359	64,775	62,341
	$ 664,463	648,667	644,023
Book value per share	$ 8.82	7.98	7.71

(1) Number of shares outstanding adjusted for 10% stock dividend in 1998

(1) Total shares outstanding at end of period	8,319,940	8,122,003	8,087,442
(2) Treasury shares	85,890	85,890	85,890

GLACIER BANCORP, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(unaudited - $ in thousands except per share data)	Three months ended September 30, 1998	Three months ended September 30, 1997	Nine months ended September 30, 1998	Nine months ended September 30, 1997
INTEREST INCOME:				
Real estate loans	$ 4,162	4,358	12,775	12,811
Commercial loans	4,149	3,263	11,550	9,263
Consumer and other loans	2,744	2,801	8,285	8,054
Mortgage backed securities	733	917	2,256	2,681
Investment securities	1,126	1,279	3,522	3,873
Total interest income	12,914	12,618	38,388	36,682
INTEREST EXPENSE:				
Deposits	3,587	3,331	10,332	9,673
Advances	1,790	1,938	5,825	5,873
Repurchase agreements	99	290	512	771
Other borrowed funds	107	89	226	206
Total interest expense	5,583	5,648	16,895	16,523
Net interest income	7,331	6,970	21,493	20,159
Provision for loan losses	305	204	1,055	601
Net Interest Income after provision for loan losses	7,026	6,766	20,438	19,558
NON-INTEREST INCOME:				
Loan fees and service charges	2,567	2,321	7,092	6,411
Gains (Losses) on sale of investments	1	19	2	20
Other income	202	160	1,442	546
Total fees and other income	2,770	2,500	8,536	6,977
NON-INTEREST EXPENSE:				
Compensation, employee benefits and related expenses	2,832	2,751	8,320	7,909
Occupancy expense	644	582	1,830	1,684
Data processing expense	171	248	760	742
Other expenses	1,822	1,550	5,195	4,495
Minority interest	33	59	132	158
Total non-interest expense	5,502	5,190	16,237	14,988
EARNINGS BEFORE INCOME TAXES	4,294	4,076	12,737	11,547
Federal and state income tax expense	1,638	1,527	4,782	4,288
NET EARNINGS	$ 2,656	2,549	7,955	7,258
Basic earnings per share (1)	$ 0.32	0.32	0.97	0.90
Diluted earnings per share (1)	0.32	0.31	0.95	0.89
Dividends declared per share (1)	0.13	0.13	0.36	0.32
Return on average assets (annualized)	1.59%	1.57%	1.60%	1.52%
Return on beginning equity (annualized)	15.37%	16.96%	16.37%	17.14%
Basic weighted average shares outstanding (1)	8,228,730	8,083,450	8,186,197	8,073,843

(1) Adjusted for 10% stock dividend in 1998.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)	Nine months ended September 30, 1998	1997
OPERATING ACTIVITIES :		
Net earnings	$ 7,955	7,258
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Mortgage loans held for sale originated or acquired	(106,249)	(49,989)
Proceeds from sales of mortgage loans held for sale	88,685	50,686
Provision for loan losses	1,055	601
Depreciation of premises and equipment	1,015	763
Amortization of goodwill	121	123
Loss (gain) on sale of investments	0	20
Amortization of investment securities premiums and discounts, net	(228)	169
Net increase (decrease) in deferred income taxes	22	(76)
Net (increase) decrease in accrued interest receivable	144	(238)
Net increase in accrued interest payable	968	1,105
Net increase (decrease) in current income taxes	(441)	119
Net (increase) decrease in other assets	227	173
Net increase (decrease) in other liabilities and minority interest	1,206	(3,738)
FHLB stock dividends	(626)	(553)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(6,146)	6,423
INVESTING ACTIVITIES:		
Proceeds from maturities and prepayments of investment securities available-for-sale	20,763	29,433
Purchases of investment securities available-for-sale	(6,369)	(28,988)
Proceeds from maturities and prepayments of investment		0
securities held-to-maturity	7,944	4,214
Purchases of investment securities held-to-maturity	(260)	(325)
Principal collected on installment and commercial loans	97,837	77,188
Installment and commercial loans originated or acquired	(143,717)	(103,509)
Proceeds from sales of commercial loans	8,761	1,794
Principal collections on mortgage loans	66,834	37,591
Mortgage loans originated or acquired	(33,487)	(44,039)
Net proceeds from sales (acquisition) of real estate owned	(150)	348
Net purchase of FHLB and FRB stock	(727)	(1,056)
Net addition of premises and equipment	(2,941)	(1,114)
Acquisition of minority interest	(283)	(3)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	14,205	(28,466)
FINANCING ACTIVITIES:		
Net increase in deposits	35,190	33,692
Net decrease in FHLB advances and other borrowed funds	(20,563)	(10,871)
Net increase (decrease) in securities sold under repurchase agreements.	(8,317)	8,858
Cash dividends paid to stockholders	(2,965)	(2,521)
Proceeds from exercise of stock options	1,092	239
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,437	29,397
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,496	7,354
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	34,179	31,459
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 46,675	38,814
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for: Interest	$ 15,927	15,170
Income taxes	5,223	4,169

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1) Basis of Presentation:

In the opinion of Management, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of Glacier Bancorp Inc.'s (the "Company") financial condition as of September 30, 1998, December 31, and September 30, 1997 and the results of operations for the three and nine months ended September 30, 1998 and 1997 and cash flows for the nine months ended September 30, 1998 and 1997.

The accompanying consolidated condensed financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1997. Operating results for the three and nine months ended September 30, 1998 are not necessarily indicative of the results anticipated for the year ending December 31, 1998.

2) Organizational Structure:

The Company is the parent company for six subsidiaries: Glacier Bank ("Glacier"); Glacier Bank of Whitefish ("Whitefish"); Glacier Bank of Eureka ("Eureka"); First Security Bank of Missoula ("Missoula"); Valley Bank of Helena ("Helena") and Community First, Inc. ("CFI"). On February 1, 1998, Glacier was converted from a Federal Savings Bank charter to a State of Montana commercial bank charter. On August 31, 1998, the acquisition of HUB Financial Corporation and Valley Bank of Helena was completed. At September 30, 1998, the Company owned 100%, 94%, 98%, 100%, 100% and 100% of Glacier, Whitefish, Eureka, Missoula, Helena and CFI, respectively. CFI provides full service brokerage services through Robert Thomas Securities.

The Valley Bank of Helena was acquired through an exchange of stock with HUB Financial Corporation ("HUB") shareholders, formerly the parent company of Helena, and a share exchange with the minority shareholders of Helena. The pooling-of-interests accounting method is being used for the HUB acquisition. 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. The share exchange with the minority shareholders of Helena is being accounted for as a purchase transaction. In a purchase none of the prior period amounts are restated. The following abbreviated organizational chart illustrates the various relationships:

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)
	Valley Bank of Helena (Commercial bank)	Community First Inc, (Brokerage services)	

3) Stock Split:

On August 27, 1998 a 10% stock dividend was approved by the Board of Directors. As a result, all per share amounts from time periods proceeding this date have been restated to illustrate the effect of the stock dividend. Any fractional shares were paid in cash.

4) Ratios:

Return on Average Assets was calculated based on the average of the total assets for the period. Return on Beginning Equity was calculated based on the stockholders' equity at the beginning of each period presented.

5) Cash Dividend Declared:

On September 30, 1998, the Board of Directors declared a $.13 per share quarterly cash dividend to stockholders of record on October 13, 1998, payable on October 23, 1998.

6) Computation of Earnings Per Share:

Basic earnings per common share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period presented. Diluted earnings per share is computed by including the net increase in shares if dilutive outstanding stock options were exercised, using the treasury stock method. Previous period amounts are restated for the effect of the stock dividend. The following schedule contains the data used in the calculation of basic and diluted earnings per share.

THREE MONTHS ENDED SEPTEMBER 30, 1998	Income	Average Shares	Per-share Amount
BASIC EARNINGS PER SHARE:			
Income available to common shareholders	$2,656,000	8,228,730	0.32
EFFECT OF DILUTIVE SECURITIES:			
Net increase in shares from assumed exercise of stock options		142,282	
DILUTED EARNINGS PER SHARE:			
Income available to common shareholders plus assumed options	2,656,000	8,371,012	0.32

Three months ended September 30, 1997	Income	Average Shares	Per-share Amount
BASIC EARNINGS PER SHARE:			
Income available to common shareholders	$2,549,000	8,083,450	0.32
EFFECT OF DILUTIVE SECURITIES:			
Net increase in shares from assumed exercise of stock options		152,049	
DILUTED EARNINGS PER SHARE:			
Income available to common shareholders plus assumed options	2,549,000	8,235,499	0.31

Nine months ended September 30, 1998	Income	Average Shares	Per-share Amount
BASIC EARNINGS PER SHARE:			
Income available to common shareholders	$7,955,000	8,186,197	0.97
EFFECT OF DILUTIVE SECURITIES:			
Net increase in shares from assumed exercise of stock options	--	170,490	--
DILUTED EARNINGS PER SHARE:			
Income available to common shareholders plus assumed options	7,955,000	8,356,687	0.95

Nine months ended September 30, 1997	Income	Average Shares	Per-share Amount
BASIC EARNINGS PER SHARE:			
Income available to common shareholders	$7,258,000	8,073,843	0.90
EFFECT OF DILUTIVE SECURITIES:			
Net increase in shares from assumed exercise of stock options	--	124,710	--
DILUTED EARNINGS PER SHARE:			
Income available to common shareholders plus assumed options	7,258,000	8,198,554	0.89

7) Investments:

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

INVESTMENT SECURITIES AS OF SEPTEMBER 30, 1998

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
HELD TO MATURITY:				
U.S. Government and Federal Agencies	$ 5,026	175	0	5,201
State and Local Government and other issues	3,283	122	(1)	3,404
Total Held to Maturity Securities	$ 8,309	297	(1)	8,605
AVAILABLE FOR SALE:				
U.S. Government and Federal Agencies	$13,608	111	(7)	13,712
State and Local Government and other issues	27,271	1,748	(40)	28,979
Mortgage-backed securities	17,768	620	(29)	18,359
Real Estate Mortgage Investment Conduit	24,765	271	(196)	24,840
Total Available for Sale securities	$83,412	2,750	(272)	85,890

INVESTMENT SECURITIES AS OF DECEMBER 31, 1997

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
HELD TO MATURITY:				
U.S. Government and Federal Agencies	$ 9,342	169	(6)	9,505
State and Local Government and other issues	3,609	118	(1)	3,726
Mortgage-backed securities	3,100	27	0	3,127
Total Held to Maturity Securities	$16,051	314	(7)	16,358
AVAILABLE FOR SALE:				
U.S. Government and Federal Agencies	$18,773	70	(55)	18,788
State and Local Government and other issues	25,541	1,145	(8)	26,678
Mortgage-backed securities	20,877	678	(20)	21,535
Real Estate Mortgage Investment Conduit	32,318	259	(104)	32,473
Total Available for Sale securities	$97,509	2,152	(187)	99,474

8) 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 Boards capital adequacy guidelines and the Company's compliance with those guidelines as of September 30, 1998.

	Tier I (Core) Capital		Tier II (Total) Capital		Leverage Capital	
(dollars in thousands)	$	%	$	%	$	%
GAAP Capital	$ 73,359		$ 73,359		73,359	
Goodwill	(2,658)		(2,658)		(2,658)	
Net unrealized gains on securities available-for-sale	(1,490)		(1,490)		(1,490)	
Allowance for loan losses	--		4,356		--	
Regulatory capital computed	$ 69,211		$ 73,567		69,211	
Risk weighted assets	$ 456,480		$ 456,480			
Total average assets					668,176	
Capital as % of defined assets		15.16%		16.11%		10.36%
Regulatory "well capitalized" requirement		6.00%		10.00%		5.00%
Excess over "well capitalized" requirement		9.16%		6.11%		5.36%

9) Comprehensive Income:

In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130, `Reporting Comprehensive Income," which establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. This statement requires that all items required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 130 as of January 1, 1998.

OTHER COMPREHENSIVE INCOME:	THREE MONTHS ENDED SEPTEMBER 30, 1998			THREE MONTHS ENDED SEPTEMBER 30, 1997		
(DOLLARS IN THOUSANDS)	BEFORE TAX	TAX EXPENSE	AFTER TAX	BEFORE TAX	TAX EXPENSE	AFTER TAX
Unrealized holding gains arising during the period	$ 2,405	914	1,491	1,492	567	925
Less reclassification adjustment for amounts included in net income	(1)	0	(1)	(19)	(7)	(12)
Other comprehensive income	$ 2,404	914	1,490	1,473	560	913

	NINE MONTHS ENDED SEPTEMBER 30, 1998			Nine months ended September 30, 1997		
	BEFORE TAX	TAX EXPENSE	AFTER TAX	BEFORE TAX	TAX EXPENSE	AFTER TAX
Unrealized holding gains arising during the period	$ 2,405	914	1,491	1,492	567	925
Less reclassification adjustment for amounts included in net income	(2)	(1)	(1)	(20)	(8)	(12)
Other comprehensive income	$ 2,403	913	1,490	1,472	559	913

10) Forward Looking Statements

This document contains certain forward-looking statements, all of which are based on current expectations. Actual results may differ materially, and therefore readers are cautioned not to place undue reliance on these forward-looking statements.

In addition to the discussion of the Company's Year 2000 issues set forth in Item 2, this document contains certain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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 predicted. Among such factors are unanticipated costs and expenses associated with the Company's operations, including the acquisition transaction described in "Subsequent Events' below, the effects of intense market competition locally and in the banking industry generally, and the effects of the economy on the Company's results of operations generally.

11) Subsequent Events

On October 20, 1998 the Company entered into a definitive share exchange agreement to acquire Big Sky Western Bank ("Big Sky"). Big Sky has approximately $40 million in total assets and brings a presence in Bozeman, Montana to the Company. The transaction, which is subject to approval by Big Sky shareholders and regulatory authorities, is expected to close by early 1999.

As of November 1, 1998 the Company relocated its corporate headquarters and a drive-up office of Glacier Bank to 49 Commons Loop, which is on the northern edge of Kalispell, Montana.

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

Financial Condition - This section discusses the changes in Statement of Financial Condition items from December 31, 1997 to September 30, 1998.

At September 30, 1998, total consolidated assets increased by $15.8 million or 2.4%, over the December 31, 1997 level. This increase was primarily in loan growth of $20.3 million, and interest bearing cash deposits with other financial institutions, $18.6 million. Total investments have declined $21.3 million.

Real estate loans decreased $15.8 million during the period, while commercial loans increased $38.8 million, offsetting the decline in real estate loans. Approximately $8.5 million of the commercial loan increase resulted from repurchasing loan participations from non-affiliated banks.

Loans sold to the secondary market amounted to $97.4 million and $52.5 million during the first nine months of 1998 and 1997, respectively.

The amount of loans serviced for others on September 30, 1998 was $128.2 million.

Total deposits increased $35.2 million, with $29.0 million of the increase occurring in interest bearing deposits and $6.2 million from non-interest bearing deposits. Advances from the Federal Home Loan Bank ("FHLB") decreased $15.9 million while securities sold under repurchase agreements and other borrowed funds decreased $13.0 million.

All five institutions are members of the FHLB. Accordingly, management of the Company has a wide range of versatility in managing the liquidity and asset/liability mix for each individual institution as well as the Company as a whole. The following table demonstrates the available FHLB lines of credit and the extent of utilization as of September 30, 1998:

	Available line	Amount Used	Available
Glacier Bank	151,100,000	92,386,000	58,714,000
Whitefish	8,078,000	3,000,000	5,078,000
Eureka	7,396,000	2,494,000	4,902,000
Missoula	24,636,000	10,000,000	14,636,000
Helena	10,449,000	2,398,000	8,051,000

Classified Assets and Reserves

Non-performing assets, consisting of non-accrual loans, accruing loans 90 days or more overdue, and real estate and other assets acquired by foreclosure or deed-in-lieu thereof, net of related reserves, amounted to $2.7 million or .41% of total assets at September 30, 1998, as compared to $1.5 million, or .23% of total assets, as December 31, 1997. Although the level of non-performing assets has increased, the level remains below the Federal Reserve Bank peer group ratio of .60% of total assets as of June 30, 1998, the latest available information.

	September 30, 1998	December 31, 1997
Total Reserves for Loan and Real Estate Owned Losses:	$4.4 million	$4.0 million
Reserves as a percentage of Total Loans:	.89%	.86%
Reserves as a percentage of Non-performing Assets:	159%	275%

Impaired Loans

As of September 30, 1998, there were no loans considered impaired. Interest income on impaired loans and interest recoveries on loans that have been charged off, is recognized on a cash basis after principal has been fully paid, or at the time a loan becomes fully performing per the terms of the loan.

Minority Interest

The minority interest on the consolidated statement of financial condition represents the minority stockholders' share in the retained earnings of the Company. These are shares of Eureka and Whitefish that are still outstanding. As of September 30, 1998, the Company owns 47,280 shares of Whitefish and 49,084 shares of Eureka. The Company's ownership of Whitefish and Eureka is 94% and 98%, respectively.

Results of Operations - The three months ended 9/30/98 compared to the three months ended 9/30/97.

Glacier Bancorp, Inc. reported net income of $2.656 million; or basic earnings per share of $.32, for the third quarter of 1998, compared with $2.549 million, or basic earnings per share of $.32, for the same quarter of 1997. Return on average assets and return on beginning equity in the third quarter of 1998 were 1.59 percent and 15.37 percent, respectively, compared to returns of 1.57 percent and 16.96 percent for the same quarter of 1997.

Net income was $2.928 million, excluding merger related expenses; or basic earnings per share of $.36 for the quarter. Return on average assets and return on beginning equity in the third quarter of 1998 were 1.76 percent and 16.94 percent, respectively.

From September 30, 1997 total assets have grown $20.440 million, or 3.2 percent, to $664.463 million, and stockholders' equity increased $11.018 million, or 17.7 percent, to $73.359 million. The capital level remains very strong at 11.0 percent of assets.

Net Interest Income

Net interest income for the quarter was $7.331 million, an increase of $361,000 or 5.2 percent over the same period in 1997. Growth in net earning assets, and the changing mix of assets from real estate loans and investments to commercial loans were the reasons for this increase. Loan balances have increased $28.2 million from September 30, 1997, an increase of 6.1 percent. Commercial loans increased $47.5 million, or 35.5 percent, consumer loans are down $2.2 million, or 1.9 percent, the result of selling the credit card portfolio of approximately $3.8 million. Real estate loans have decreased $16.8 million reflecting the successful execution of the strategy of selling the long-term fixed rate loan production. Total investments including mortgage backed securities, decreased $20.5 million, or 17.9 percent. The flat yield curve has provided little opportunity to achieve reasonable spreads, therefore prepayments and maturities have not been reinvested in securities. Total deposits increased $33.3 million, or 8.2 percent, with $8.2 million of the increase in non-interest bearing deposits. Borrowed funds, which include Federal Home Loan Bank advances, repurchase agreements, and other borrowed funds, decreased $20.2 million, reducing the reliance on borrowed funds for asset growth.

The Company's net interest income is determined by its interest rate spread (i.e. the difference between the yields earned on its earning assets, and the rates paid on its interest-bearing liabilities) and the relative amounts of earning assets and interest-bearing liabilities. The following table sets forth information concerning the Company's interest rate spread at September 30, 1998 and 1997:

INTEREST RATE SPREAD

One way to protect against interest rate volatility is to maintain a comfortable interest spread between yields on assets and the rates paid on interest bearing liabilities. As shown below the net interest spread decreased in 1998 from 3.80% to 3.78%, from lower rates on interest earning assets, and slightly lower rates on liabilities. The net interest margin increased in 1998 from 4.63% to 4.70% the result of increased asset levels, and the increase in non-interest bearing deposits.

	September 30, [1]	
For the nine months ended:	1998	1997
Combined weighted average yield on loans and investments [2]	8.40%	8.51%
Combined weighted average rate paid on savings deposits and borrowings	4.62%	4.71%
Net interest spread	3.78%	3.80%
Net interest margin [3]	4.70%	4.63%

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

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

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

Non-Interest Income

Non-interest income increased $270,000, or 10.8 percent from the third quarter of 1997. Loan fees and service charges on deposit accounts were up $246,000 while other income increased by $42,000.

Loan Loss Provision and Non-Performing Assets

The third quarter provision for loan losses was $305 thousand, up from $204 thousand during the same quarter in 1997 reflecting the growth in loans and the changing mix from residential real estate to more commercial and consumer loans. The reserve for loan losses was 159 percent of non-performing assets as of September 30, 1998.

Non-Interest Expense

Non-interest expense increased by $312 thousand, or 6.0 percent, over the third quarter of 1997. Compensation and employee benefits increased $81 thousand, or 2.9 percent, resulting from additional staffing with our in-house data processing, commissions on loan production, and other increases. Occupancy expense was up $62 thousand, or 10.6 percent. Data processing expenses decreased $77 thousand, or 31.0 percent, resulting from the change to in-house data processing. Other expenses, which include non-recurring merger expenses of $284 thousand and costs related to the curative reorganization of $3 thousand, were up $272 thousand, or 17.6 percent.

Results of Operations - Nine months ended September 30, 1998

Net income of $7.955 million was an increase of $697 thousand, or 9.6 percent, over the nine months of 1997. Basic earnings per share were $.97 for 1998 and $.90 in 1997, with diluted earnings per share of $.95 and $.89, respectively. Return on average assets was 1.60 and 1.52, and return on beginning equity was 16.37 and 17.14 percent, for the first nine months in 1998 and 1997, respectively. The relatively high capital level results in a lower return on equity even with increased earnings.

Excluding merger related expenses net income was $8.465 million which is an increase of $1.207 million, or 16.63 percent, over 1997. Basic earnings per share were $1.03, and fully diluted earnings of $1.01 per share. Return on average assets and return on average equity were 1.71 percent and 17.42 percent respectively.

Net-Interest Income

Net interest income for the first nine months was $21.493 million, an increase of $1.334 million, or 6.6 percent over the same period in 1997. The year-to-date net interest income as a percentage of earning assets increased from 4.63 percent to 4.70 percent. This increase in margin, more net earning assets, and the changing mix of loans to more commercial and consumer, are the reasons for the increased net interest income.

Loan Loss Provision

The provision for loan losses was $1.055 million, up from $601 thousand in 1997. As discussed above the increase in loans and the change in the mix of loans was the primary reason for the increase.

Non-Interest Income

Total non-interest income increased by 1.559 million, or 22.3 percent over the same period last year. Fees and service charges increased $681 thousand, or 10.6 percent. Other income increased $896 thousand, primarily from increased activity in real estate loan origination and sales, $102 thousand from the sale of the trust department, and $457 thousand from the sale of the credit card portfolio

Non-Interest Expense

Non-interest expense increased $1.249 million, or 8.3 percent, over 1997. Compensation and employee benefits were up $411 thousand, or 5.2 percent, primarily from the two new branches in 1997, the data processing conversion, and commissions from real estate loan originations. Occupancy expense also increased $146 thousand, primarily from the new branches. Data processing expense increased $18 thousand. Other expenses increased $700 thousand of which $381 thousand was merger related, and $201 thousand to the curative reorganization and the additional authorized shares, which are non-recurring.

Year 2000 Issues

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

State of Readiness

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

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

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

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

Remediation and Implementation. This phase involves obtaining and implementing renovated software applications provided by vendors. As these applications are received and implemented, the committee will test them for Year 2000 compliance. This phase also involves upgrading and replacing automated systems where appropriate, and will continue throughout 1998 and the first quarter of 1999.

Estimated Costs to Address Year 2000 Issues

The total financial effect that Year 2000 issues will have on the Company cannot be predicted with any certainty at this time. In fact, in spite of all efforts being made to rectify these problems, the success of the Company's efforts will not be known until the Year 2000 actually arrives. However, based on its assessment to date, the Company does not believe that expenses related to meeting Year 2000 challenges will have a material effect on its operations or consolidated financial condition. Year 2000 challenges facing vendors of mission-critical software and systems, and facing the Company's customers, could have a material effect on the operations or consolidated financial condition of the Company, to the extent such parties are materially affected by such challenges.

Risks Related to Year 2000 Issues

The year 2000 poses certain risks to the Company and its subsidiary banks and their operations. Some of these risks are present because the Company purchases technology and information systems applications from other parties who face Year 2000 challenges. Other risks are inherent in the business of banking or are risks faced by many companies. Although it is impossible to identify all possible risks that the Company may face moving into the millennium, management has identified the following significant potential risks:

Commercial banks may experience a contraction in their deposit base, if a significant amount of deposited funds are withdrawn by customers prior to the Year 2000, and interest rates may increase as the millennium approaches. This potential deposit contraction could make it necessary for the Company to change its sources of funding and could impact future earnings. The Company established a contingency plan for addressing this situation, should it arise, into its asset and liability management policies. The plan includes maintaining the ability to borrow funds from the Federal Home Loan Bank of Seattle. Significant demand for funds from other banks could reduce the amount of funds available to borrow. If insufficient funds are available from these sources, the Company may also sell investment securities or other liquid assets to meet liquidity needs.

The Company lends significant amounts to businesses in its marketing area. If these businesses are adversely affected by Year 2000 problems, their ability to repay loans could be impaired. This increased credit risk could adversely affect the Company's financial performance. During the assessment phase of the Company's Year 2000 program, each of the Company's subsidiary banks' substantial borrowers were identified, and the Company is working with such borrowers to ascertain their levels of exposure to Year 2000 problems. To the extent that the Company is unable to assure itself of the Year 2000 readiness of such borrowers, it intends to apply additional risk assessment criteria to the indebtedness of such borrowers and make any necessary related adjustments to the Company's provision for loan losses.

The Company and its subsidiary banks, like those of many other companies, can be adversely affected by the Year 2000 triggered failures of other companies upon who the Company depends for the functioning of their automated systems. Accordingly, the Company's operations could be materially affected, if the operations of mission-critical third party service providers are adversely affected. As described above, the Company has identified its mission-critical vendors and is monitoring their Year 2000 compliance programs.

Contingency Plans

The Company is in the process of developing specific contingency plans related to year 2000 issues, other than those described above. As the Company and its subsidiary banks continue the testing phase, and based on future ongoing assessment of the readiness of vendors, service providers and substantial borrowers, appropriate contingency plans will be developed that address the most reasonably likely "worst case" scenarios. Certain circumstances, as described above in "Risk," may occur for which there are no completely satisfactory contingency plans.

FORWARD LOOKING STATEMENTS

The discussion above regarding to the century date change for the Year 2000 includes 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 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 Company's success is identifying systems and programs that are not Year 2000 compliant; the possibility that systems modifications will not operate as intended; unexpected costs associated with remediation, including labor and consulting costs; the nature and amount of programming required to upgrade or replace the affected systems; the uncertainty associated with the impact of the century change on the Company's customers, vendors and third-party service providers; and the economy generally.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Market risk is the risk of loss in a financial instrument arising from adverse changes in market rates/prices such as interest rates, foreign currency exchange rates, commodity prices, and equity prices. The Company's primary market risk exposure is interest rate risk. The ongoing monitoring and management of this risk is an important component of the Company's asset/liability management process which is governed by policies established by its Board of Directors that are reviewed and approved annually. The Board of Directors delegates responsibility for carrying out the asset/liability management policies to the Asset/Liability committee (ALCO). In this capacity ALCO develops guidelines and strategies impacting the Company's asset/liability management related activities based upon estimated market risk sensitivity, policy limits and overall market interest rate levels/trends.

Interest Rate Risk:

Interest rate risk represents the sensitivity of earnings to changes in market interest rates. As interest rates change the interest income and expense streams associated with the Company's financial instruments also change thereby impacting net interest income (NII), the primary component of the Company's earnings. ALCO utilizes the results of a detailed and dynamic simulation model to quantify the estimated exposure of NII to sustained interest rate changes. While ALCO routinely monitors simulated NII sensitivity over a rolling two-year horizon, it also utilizes additional tools to monitor potential longer-term interest rate risk.

The simulation model captures the impact of changing interest rates on the interest income received and interest expense paid on all assets and liabilities reflected on the Company's balance sheet. This sensitivity analysis is compared to ALCO policy limits which specify a maximum tolerance level for NII exposure over a one year horizon, assuming no balance sheet growth, given a 200 basis point (bp) upward and downward shift in interest rates. A parallel and pro rata shift in rates over a 12 month period is assumed. The following reflects the Company's NII sensitivity analysis as of July 31, 1998, the most recent information available, as compared to the 10% Board approved policy limit.

Rate Change	Estimated NII Sensitivity
+200 bp	0.30%
-200 bp	-2.03%

The preceding sensitivity analysis does not represent a Company forecast and should not be relied upon as being indicative of expected operating results. These hypothetical estimates are based upon numerous assumptions including: the nature and timing of interest rate levels including yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, reinvestment/replacement of assets and liability cashflows, and others. While assumptions are developed based upon current economic and local market conditions, the Company cannot make any assurances as to the predictive nature of these assumptions including how customer preferences or competitor influences might change.

Also, as market conditions vary from those assumed in the sensitivity analysis, actual results will also differ due to: prepayment/refinancing levels likely deviating from those assumed, the varying impact of interest rate change caps or floors on adjustable rate assets, the potential effect of changing debt service levels on customers with adjustable rate loans, depositor early withdrawals and product preference changes, and other internal/external variables. Furthermore, the sensitivity analysis does not reflect actions that ALCO might take in responding to or anticipating changes in interest rates.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS ON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

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

a. Exhibit 27 - Financial data schedule

SIGNATURES

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

GLACIER BANCORP, INC.

November 13, 1998	By	/s/ Michael J. Blodnick ---------------------------- Michael J. Blodnick President/CEO
November 13, 1998	By	/s/ James H. Strosahl ---------------------------- James H. Strosahl Executive Vice President/CFO

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION AS OF SEPTEMBER 30, 1998 AND THE CONSOLIDATED STATEMENTS OF OPERATIONS AS OF SEPTEMBER 30, 1998 INCLUDED IN THE COMPANY'S QUARTERLY REPORT FORM 10-Q FOR THE PERIOD ENDED SEPTEMBER 30, 1998.

9-MOS
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SEP-30-1998
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