Tipton Todd N
Form 4
October 01, 2009

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Tipton Todd N
(Last) (First) (Middle)
123 ROBERT S. KERR AVENUE
(Street)
OKLAHOMA CITY, OK 73102-6406
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
SANDRIDGE ENERGY INC [SD]

3. Date of Earliest Transaction (Month/Day/Year)
09/29/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EVP - Exploration

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	09/29/2009		S		6,750	D	$ 12.85	113,411	D	
Common Stock								5,282	I	by 401(k)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
								Date Exercisable	Expiration Date	Title	Amount or Number of Shares		
				Code	V	(A)	(D)						

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Tipton Todd N 123 ROBERT S. KERR AVENUE OKLAHOMA CITY, OK 73102-6406			EVP - Exploration	

Signatures

By: Gaye A. Wilkerson, Power of Attorney	10/01/2009
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. --- (Dollars in thousands, except per share data) Balance at December 31, 2004 .... 30,686,763 $307 227,552 36,391 5,934 270,184 Comprehensive income: Net earnings .... -- -- -- 52,373 -- 52,373 Unrealized loss on securities, net of reclassification adjustment and taxes .... -- -- -- -- (5,113) (5,113) ------- Total comprehensive income .... 47,260 ------- Cash dividends declared ($.60 per share) .... -- -- -- (19,051) -- (19,051) Stock options exercised .... 397,770 4 5,154 -- -- 5,158 Stock issued in connection with acquisitions .... 1,088,014 11 28,427 -- -- 28,438 Acquisition of fractional shares .... -- -- (8) -- -- (8) Tax benefit from stock related compensation .... -- -- 1,258 -- -- 1,258 ---------- ---- ------- ------- ------ ------- Balance at December 31, 2005 .... 32,172,547 $322 262,383 69,713 821 333,239 Other comprehensive income: Net earnings .... -- -- -- 13,629 -- 13,629 Unrealized loss on securities, net of reclassification adjustment and taxes .... -- -- -- -- (689) (689) ------- Total other comprehensive income .... 12,940 ------- Cash dividends declared ($.16 per share) .... -- -- -- (5,171) -- (5,171) Stock options exercised .... 141,565 1 2,185 -- -- 2,186 Stock based compensation and tax benefit .... -- -- 1,197 -- -- 1,197 ---------- ---- ------- ------- ------ ------- Balance at March 31, 2006 (unaudited) .... 32,314,112 $323 265,765 78,171 132 344,391 ==========

==== ======= ======= ====== ======= See accompanying notes to condensed consolidated financial statements. 5 GLACIER BANCORP, INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, ---------------------------- 2006 2005 --------- -------- (UNAUDITED - dollars in thousands) OPERATING ACTIVITIES: NET CASH PROVIDED BY OPERATION ACTIVITIES .... $ 18,854 9,034 --------- -------- INVESTING ACTIVITIES: Proceeds from sales, maturities and prepayments of investments available-for-sale .... 43,209 153,703 Purchases of investments available-for-sale .... (792) (103,175) Principal collected on installment and commercial loans .... 249,640 142,784 Installment and commercial loans originated or acquired .... (350,179) (212,076) Principal collections on mortgage loans .... 89,622 80,378 Mortgage loans originated or acquired .... (117,881) (97,864) Net purchase of FHLB and FRB stock .... (434) (14) Acquisition of First National Bank - West .... -- (18,139) Net addition of premises and equipment .... (7,715) (4,899) --------- -------- NET CASH USED IN INVESTING ACTIVITIES .... (94,530) (59,302) --------- -------- FINANCING ACTIVITIES: Net increase in deposits .... 158,688 22,223 Net (decrease) increase in FHLB advances and other borrowed funds .. (81,900) 40,805 Net increase in securities sold under repurchase agreements .... 2,677 2,990 Cash dividends paid .... (5,171) (4,444) Excess tax benefits from stock options .... 474 -- Proceeds from exercise of stock options and other stock issued ..... 2,186 1,946 --------- -------- NET CASH PROVIDED BY FINANCING ACTIVITIES .... 76,954 63,520 --------- -------- NET INCREASE IN CASH AND CASH EQUIVALENTS .... 1,278 13,252 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD .... 134,694 92,307 --------- -------- CASH AND CASH EQUIVALENTS AT END OF PERIOD .... $ 135,972 105,559 ========= ======== SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION Cash paid during the period for: Interest....................... $ 18,544 11,098 Income taxes................... $ 380 -- See accompanying notes to condensed consolidated financial statements. 6 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) 1) Basis of Presentation In the opinion of management, the accompanying unaudited condensed consolidated 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 March 31, 2006, and March 31, 2005, stockholders' equity for the three months ended March 31, 2006, the results of operations for the three months ended March 31, 2006 and 2005, and cash flows for the three months ended March 31, 2006 and 2005. The condensed consolidated statement of financial condition and statement of stockholders' equity and other comprehensive income of the Company as of December 31, 2005 have been derived from the audited consolidated statements of the Company as of that date. The accompanying condensed consolidated financial statements do not include all of the information and footnotes required by the accounting principals generally accepted in the United States of America for complete financial statements. These condensed consolidated 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, 2005. Operating results for the three months ended March 31, 2006 are not necessarily indicative of the results anticipated for the year ending December 31, 2006. Certain reclassifications have been made to the 2005 financial statements to conform to the 2006 presentation. 2) Organizational Structure The Company, headquartered in Kalispell, Montana, is a Montana corporation incorporated in 2004 as a successor corporation to the Delaware corporation incorporated in 1990. The Company is the parent company for nine wholly owned banking subsidiaries: Glacier Bank ("Glacier"), First Security Bank of Missoula ("First Security"), Western Security Bank ("Western"), Big Sky Western Bank ("Big Sky"), Valley Bank of Helena ("Valley"), and Glacier Bank of Whitefish ("Whitefish"), all located in Montana, Mountain West Bank ("Mountain West") which is located in Idaho, Utah, and Washington, Citizens Community Bank ("Citizens") located in Idaho, and First National Bank - West ("First National") located in Wyoming. In addition, the Company owns three subsidiaries, Glacier Capital Trust II ("Glacier Trust II"), Glacier Capital Trust III ("Glacier Trust III"), and Citizens (ID) Statutory Trust I ("Citizens Trust I") for the purpose of issuing trust preferred securities and in accordance with Financial Accounting Standards Board Interpretation 46(R) the subsidiaries are not consolidated into the Company's financial statements. The Company does not have any off-balance sheet entities. On February 1, 2006, Glacier Capital Trust I, whose common equity was wholly owned by the Company, had 1,400,000 shares of trust preferred securities redeemed and the Subordinated Debentures of $35,000,000 paid. The Subordinated Debentures were replaced by Glacier Trust III. On January 31, 2006, 35,000 shares of trust preferred shares were issued by Glacier Trust III whose common equity is wholly owned by the Company. The Trust Preferred Securities bear a cumulative fixed interest rate of 6.078% for the first five years and then converts to a three month LIBOR plus 1.29% rate adjustable quarterly for the remaining term until maturity on April 7, 2036. Interest distributions are payable quarterly. The Trust Preferred Securities are subject to mandatory redemption upon repayment of the Subordinated Debentures of $35,000,000 at their stated maturity date or their earlier redemption in an amount equal to their liquidation amount plus accumulated and unpaid distributions to the date of redemption. 7 The following abbreviated organizational chart illustrates the various relationships: ----------------------- Glacier Bancorp, Inc. (Parent Holding Company) ----------------------- ------------------------ ------------------------ ------------------------ ------------------------------ Glacier Bank Mountain West Bank First Security Bank Western Security Bank (Commercial bank) (Commercial bank) of Missoula (Commercial bank) (Commercial bank) ------------------------- ------------------------ ----------------------- ----------------------------- ------------------------ ------------------------ ----------------------- ------------------------------ First National Bank - West Big Sky Valley Bank Glacier Bank (Commercial bank) Western Bank of Helena of Whitefish (Commercial bank) (Commercial bank) (Commercial bank) ------------------------ ------------------------ ---------------------- ----------------------------- ------------------------ ------------------------ ----------------------- ------------------------------ Citizens Community Bank Glacier Capital Trust II Glacier Capital Trust III Citizens (ID) Statutory Trust I (Commercial bank) ------------------------- ------------------------ ----------------------- ------------------------------ 3) Ratios Returns on average assets and average equity were calculated based on daily averages. 4) Dividends Declared On March 29, 2006, the Board of Directors declared a $.16 per share quarterly cash dividend payable on April 20, 2006 to stockholders of record on April 11, 2006. 5) Computation of Earnings Per Share Basic earnings per common share is computed by dividing net earnings 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 as if dilutive outstanding stock options were exercised, using the treasury stock method. The following schedule contains the data used in the calculation of basic and diluted earnings per share: Three Three months ended months ended Mar. 31, 2006 Mar. 31, 2005 ------------- ------------- Net earnings available to common stockholders .... $13,629,000 11,520,000 Average outstanding shares - basic ..... 32,252,158 30,764,368 Add: Dilutive stock options .... 574,309 541,420 ----------- ---------- Average outstanding shares - diluted ... 32,826,467 31,305,788 =========== ========== Basic earnings per share .... $ 0.42 0.37 =========== ========== Diluted earnings per share .... $ 0.42 0.37 =========== ========== There were approximately 323,195 and 591,250 average shares excluded from the three months ended diluted share calculation as of March 31, 2006, and 2005, respectively, due to the option exercise price exceeding the market price. 8 6) Stock Based Compensation The Company has three stock based compensation plans outstanding. The Directors 1994 Stock Option Plan was approved to provide for the grant of options to outside Directors of the Company. The Employees 1995 Stock Option Plan was approved to provide the grant of options to certain full-time employees of the Company. The Employees 1995 Stock Option Plan expired in April 2005 and has granted but unexpired options outstanding. The 2005 Stock Incentive Plan was approved by shareholders on April 27, 2005 which provides awards to certain full-time employees of the Company. The 2005 Stock Incentive Plan permits the granting of options, share appreciation rights, restricted share, restricted share units, and unrestricted shares, deferred share units, and performance awards. Upon exercise of the stock options the shares are obtained from the authorized and unissued stock. The Company adopted SFAS No. 123 (Revised) Share-Based Payment, as of January 1, 2006 and, accordingly, has determined compensation cost based on the fair value of the option at the grant date. The Company adopted the modified prospective transition method in reporting financial statement results in the current and for future reporting periods. Under the modified prospective method, SFAS No. 123 (Revised) applies to new awards and to awards modified, repurchased, or cancelled after the effective date; accordingly the prior interim and annual periods do not reflect restated amounts. Additionally, the compensation cost for the portion of awards outstanding for which the requisite service has not been rendered that are outstanding as of the required effective date are recognized as the requisite service is rendered on or after the required effective date. For the three months ended March 31, 2006, the compensation cost for the stock option plans was $723,000, with a corresponding income tax benefit of $200,000, resulting in a net earnings and cash flow from operations reduction of $523,000, or a decrease of $.016 per share for both basic and diluted earnings per share. Additionally, in the cash flow statement, the excess tax benefit from stock options decreased the net cash provided from operating activities and increased the net cash provided by financing activities by $474,000 for the three months ended March 31, 2006. Total unrecognized compensation cost, net of income tax benefit, related to non-vested awards which are expected to be recognized over the next 1.4 years was $2,750,000 as of March 31, 2006. The total fair value of shares vested during the three months ended March 31, 2006 and 2005 was $535,000 and $537,000, respectively. Prior to the adoption of SFAS No. 123 (Revised), the Company utilized the intrinsic value method and compensation cost was the excess of the market price of the stock at the grant date over the amount an employee must pay to acquire the stock. The exercise price of all stock options granted has been equal to the fair market value of the underlying stock at the date of grant and, accordingly, the intrinsic value has been $0 and no compensation cost was recognized prior to the adoption of SFAS No. 123 (Revised). The Company did not modify any outstanding options prior to the adoption of the standard. If the Company had determined compensation cost based on fair value of the options at the grant date under SFAS 123 (Revised) prior to the date of adoption, the Company's net income would have been reduced to the pro forma amounts indicated below: Three months Ended March 31, 2005 --------------- Net earnings (in thousands): As reported $11,520 Compensation cost (207) ------- Pro forma 11,313 ======= Basic earnings per share: As reported 0.37 Compensation cost -- ------- Pro forma 0.37 ======= Diluted earnings per share: As reported 0.37 Compensation cost (0.01) ------- Pro forma 0.36 ====== 9 The per share weighted-average fair value of stock options granted during 2006 and 2005 was $6.47 and $3.46, respectively, on the date of grant using the Black Scholes option-pricing model with the following assumptions: 2006 - expected dividend yield 2.23%, risk-free interest rate of 4.35%, volatility ratio of 27%, and expected life of 3.3 years: 2005 - expected dividend yield 2.23%, risk-free interest rate of 3.44%, volatility ratio of 18%, and expected life of 3.4 years. Expected volatilities are based on historical volatility and other factors. The Company uses historical data to estimate option exercise and termination with the valuation model. Employee and director awards, which have dissimilar historical exercise behavior, are considered separately for valuation purposes. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield in effect at the time of the grant. The option awards generally vest upon six month or two years of service for directors and employees, respectively, and generally expire in five years. Change in shares granted for stock options for the three months ended March 31, 2006 and the year ended December 31, 2005, are summarized as follows: Options outstanding Options exercisable ------------------- ------------------- Weighted Weighted average average exercise exercise Shares price Shares price --------- -------- --------- -------- Balance, December 31, 2004 ... 1,510,631 14.65 703,015 11.61 Canceled .... (29,882) 21.05 (4,974) 9.77 Granted .... 587,761 25.03 Became exercisable .... 525,759 16.31 Exercised .... (398,110) 12.95 (398,110) 12.95 --------- --------- Balance, December 31, 2005 ... 1,670,400 18.58 825,690 14.25 Canceled .... (14,964) 23.20 (4,510) 12.93 Granted .... 650,650 31.44 Became exercisable .... 375,346 20.06 Exercised .... (141,565) 15.44 (141,565) 15.44 --------- --------- Balance, March 31, 2006 ...... 2,164,521 22.62 1,054,961 16.16 ========= ========= The range of exercise prices on options outstanding and exercisable at March 31, 2006 is as follows: Weighted Options exercisable average --------------------- Weighted remaining Weighted average contractual average Options exercise life of Options exercise Price range Outstanding price options Exercisable price -------------- ---------- -------- ---------- ----------- -------- $5.19 - $6.99 103,430 $ 6.32 1.6 years 103,430 $ 6.32 $8.96 - $11.40 70,849 9.99 2.0 years 70,849 9.99 $12.17 - $13.20 123,589 12.68 .9 years 123,589 12.68 $14.09 - $17.45 268,445 14.28 1.9 years 268,445 14.28 $19.50 - $21.24 394,483 20.07 2.8 years 390,108 20.06 $24.99 - $28.34 557,335 25.05 3.9 years 98,540 25.01 $31.44 646,390 31.44 4.8 years -- -- --------- --------- 2,164,521 22.62 3.6 years 1,054,961 16.16 ========= ========= 10 7) Investments A comparison of the amortized cost and estimated fair value of the Company's investment securities, available-for-sale, is as follows: INVESTMENTS AS OF MARCH 31, 2006 Gross Unrealized Estimated Weighted Amortized ---------------- Fair Yield Cost Gains Losses Value -------- --------- ------ ------- --------- (Dollars in thousands) U.S. GOVERNMENT AND FEDERAL AGENCIES: maturing within one year .... 4.28% $ 2,234 -- (13) 2,221 maturing within five years .... 4.53% 2,977 -- (26) 2,951 maturing five years through ten years .... 6.83% 364 4 (1) 367 maturing after ten years .... 5.51% 204 1 -- 205 -------- ------ ------- ------- 4.61% 5,779 5 (40) 5,744 -------- ------ ------- ------- STATE AND LOCAL GOVERNMENTS AND OTHER ISSUES: maturing within one year .... 3.90% 2,391 3 (6) 2,388 maturing one year through five years .... 4.54% 4,091 40 (92) 4,039 maturing five years through ten years .... 4.94% 11,881 658 (17) 12,522 maturing after ten years .... 5.10% 283,126 11,904 (204) 294,826 -------- ------ ------- ------- 5.07% 301,489 12,605 (319) 313,775 -------- ------ ------- ------- MORTGAGE-BACKED SECURITIES .... 4.72% 61,915 225 (1,857) 60,283 REAL ESTATE MORTGAGE INVESTMENT CONDUITS .... 4.21% 492,427 52 (10,512) 481,967 FHLMC AND FNMA STOCK .... 5.74% 7,593 58 -- 7,651 FHLB AND FRB STOCK, AT COST

.... 0.93% 53,962 -- -- 53,962 -------- ------ ------- ------- TOTAL INVESTMENTS .... 4.35% $923,165 12,945 (12,728) 923,382 ======== ====== ======= ======= 11 INVESTMENTS AS OF DECEMBER 31, 2005 Gross Unrealized Estimated Weighted Amortized ---------------- Fair Yield Cost Gains Losses Value -------- --------- ------ ------- --------- (Dollars in thousands) U.S. GOVERNMENT AND FEDERAL AGENCIES: maturing within one year .... 4.54% $ 1,236 -- (2) 1,234 maturing one year through five years .... 4.32% 3,962 -- (39) 3,923 maturing five years through ten years .... 6.55% 324 6 -- 330 maturing after ten years .... 5.04% 337 2 -- 339 -------- ------ ------- ------- 4.53% 5,859 8 (41) 5,826 -------- ------ ------- ------- STATE AND LOCAL GOVERNMENTS AND OTHER ISSUES: maturing within one year .... 4.16% 365 3 -- 368 maturing one year through five years .... 4.75% 6,858 48 (143) 6,763 maturing five years through ten years .... 5.08% 8,728 365 (16) 9,077 maturing after ten years .... 5.10% 287,175 12,476 (225) 299,426 -------- ------ ------- ------- 5.09% 303,126 12,892 (384) 315,634 -------- ------ ------- ------- MORTGAGE-BACKED SECURITIES .... 4.67% 65,926 308 (1,599) 64,635 REAL ESTATE MORTGAGE INVESTMENT CONDUITS .... 4.22% 530,582 154 (9,653) 521,083 FHLMC AND FNMA STOCK .... 5.74% 7,593 -- (330) 7,263 FHLB AND FRB STOCK, AT COST .... 0.66% 53,529 -- -- 53,529 -------- ------ ------- ------- TOTAL INVESTMENTS .... 4.34% $966,615 13,362 (12,007) 967,970 ======== ====== ======= ======= Interest income includes tax-exempt interest for the three months ended March 31, 2006 and 2005 of $3,489,000 and $3,467,000, respectively. Gross proceeds from sales of investment securities for the three months ended March 31, 2006 and 2005 were $0 and $98,929,000 respectively, resulting in gross gains of approximately $0 and $421,000 and gross losses of approximately $0 and $451,000, respectively. The cost of any investment sold is determined by specific identification. 12 8) Loans The following table summarizes the Company's loan portfolio: At At At 3/31/2006 12/31/2005 3/31/2005 -------------------- -------------------- -------------------- TYPE OF LOAN Amount Percent Amount Percent Amount Percent ---------- ------- ---------- ------- ---------- ------- (Dollars in Thousands) Real Estate Loans: Real estate $ 617,486 24.4% $ 589,260 24.6% $ 417,906 22.2% Loans held for sale 25,153 1.0% 22,540 0.9% 19,637 1.1% ---------- ----- ---------- ----- ---------- ----- Total 642,639 25.4% 611,800 25.5% 437,543 23.3% Commercial Loans: Real estate 812,727 32.2% 781,181 32.6% 560,645 29.8% Other commercial 626,615 24.8% 579,515 24.2% 530,588 28.2% ---------- ----- ---------- ----- ---------- ----- Total 1,439,342 57.0% 1,360,696 56.8% 1,091,233 58.0% Consumer and other Loans: Consumer 194,806 7.7% 175,503 7.3% 129,200 6.9% Home equity 298,564 11.8% 295,992 12.3% 258,797 13.8% ---------- ----- ---------- ----- ---------- ----- Total 493,370 19.5% 471,495 19.6% 387,997 20.7% Net deferred loan fees, premiums and discounts (8,068) -0.3% (8,149) -0.3% (7,040) -0.4% Allowance for loan losses (39,851) -1.6% (38,655) -1.6% (29,801) -1.6% ---------- ----- ---------- ----- ---------- ----- Loan receivable, net $2,527,432 100.0% $2,397,187 100.0% $1,879,932 100.0% ========== ===== ========== ===== ========== ===== The following table sets forth information regarding the Company's non-performing assets at the dates indicated: At At At NONPERFORMING ASSETS 3/31/2006 12/31/2005 3/31/2005 --------- --------- --------- (Dollars in Thousands) Non-accrual loans: Real estate loans $ 595 726 25 Commercial loans 3,474 4,045 5,679 Consumer and other loans 247 481 342 ------- ------ ----- Total $ 4,316 5,252 6,046 Accruing Loans 90 days or more overdue: Real estate loans 1,516 1,659 110 Commercial loans 3,195 2,199 792 Consumer and other loans 520 647 215 ------- ------ ----- Total $ 5,231 4,505 1,117 Real estate and other assets owned, net 778 332 2,003 ------- ------ ----- Total non-performing loans and real estate and other assets owned, net $10,325 10,089 9,166 ======= ====== ===== As a percentage of total assets 0.27% 0.26% 0.27% Interest Income (1) $ 78 359 97 (1) This is the amount of interest that would have been recorded on loans accounted for on a non-accrual basis for the three months ended March 31, 2006 and 2005 and the year ended December 31, 2005, if such loans had been current for the entire period. 13 The following table illustrates the loan loss experience: ALLOWANCE FOR LOAN LOSS Three months ended Year ended Three months ended March 31, December 31, March 31, 2006 2005 2005 ----------------- ----------- ----------------- (Dollars in Thousands) Balance at beginning of period $38,655 26,492 26,492 Charge offs: Real estate loans (6) (115) (31) Commercial loans (45) (744) (255) Consumer and other loans (102) (539) (115) ------- ------- ------- Total charge-offs $ (153) (1,398) (401) ------- ------- ------- Recoveries: Real estate loans 55 82 56 Commercial loans 20 414 60 Consumer and other loans 109 415 72 ------- ------- ------- Total recoveries $ 184 911 188 ------- ------- ------- Net recoveries (charge-offs) 31 (487) (213) Acquisition (1) -- 6,627 2,032 Provision 1,165 6,023 1,490 ------- ------- ------- Balance at end of period $39,851 38,655 29,801 ======= ======= ======= Ratio of net recoveries (charge-offs) to average loans outstanding during the period 0.001% -0.020% -0.011% (1) Acquisition of First State Bank, First National Bank-West, Citizens Community Bank, and

Bonner's Ferry branch The following table summarizes the allocation of the allowance for loan losses: March 31, 2006 December 31, 2005 March 31, 2005 ------------------- ------------------- ------------------- Percent Percent Percent of loans of loans of loans in in in Allowance category Allowance category Allowance category --------- -------- --------- -------- --------- -------- (Dollars in thousands) Real estate loans $ 4,518 24.9% 4,318 25.0% 2,987 22.8% Commercial real estate loans 14,374 31.6% 14,370 32.0% 9,699 29.3% Other commercial loans 13,254 24.3% 12,566 23.7% 11,513 27.7% Consumer and other loans 7,705 19.2% 7,401 19.3% 5,602 20.2% ------- ----- ------ ----- ------ ----- Totals $39,851 100.0% 38,655 100.0% 29,801 100.0% ======= ===== ====== ===== ====== ===== 14 9) Intangible Assets The following table sets forth information regarding the Company's core deposit intangibles and mortgage servicing rights as of March 31, 2006: Core Deposit Mortgage Intangible Servicing Rights (1) Total ----------- ------------------- ----- (Dollars in thousands) Gross carrying value $14,816 Accumulated Amortization (7,222) ------- Net carrying value $ 7,594 1,125 8,719 ======= WEIGHTED-AVERAGE AMORTIZATION PERIOD (Period in years) 10.0 9.5 9.9 AGGREGATE AMORTIZATION EXPENSE For the three months ended March 31, 2006 $ 420 46 466 ESTIMATED AMORTIZATION EXPENSE For the year ended December 31, 2006 $ 1,612 105 1,717 For the year ended December 31, 2007 1,508 77 1,585 For the year ended December 31, 2008 1,413 74 1,487 For the year ended December 31, 2009 1,279 72 1,351 For the year ended December 31, 2010 1,069 70 1,139 (1) The mortgage servicing rights are included in other assets and the gross carrying value and accumulated amortization are not readily available. 10) Deposits The following table illustrates the amounts outstanding for deposits greater than $100,000 at March 31, 2006, according to the time remaining to maturity. Included in the three month CD maturities are brokered CD's in the amount of $235,825,000. Certificates Non-Maturity of Deposit Deposits Totals ------------ ----------- --------- (Dollars in thousands) Within three months ..... $331,637 908,349 1,239,986 Three to six months ..... 63,217 -- 63,217 Seven to twelve months .. 53,403 -- 53,403 Over twelve months ...... 36,034 -- 36,034 -------- ------- --------- Totals .... $484,291 908,349 1,392,640 ======== ======= ========= 15 11) Advances and Other Borrowings The following chart illustrates the average balances and the maximum outstanding month-end balances for Federal Home Loan Bank of Seattle (FHLB) advances and repurchase agreements: As of and As of and As of and for the three for the for the three months ended year ended months ended March 31, 2006 December 31, 2005 March 31, 2005 ------------- ---------------- ------------- (Dollars in thousands) FHLB Advances: Amount outstanding at end of period ... $505,209 402,191 858,961 Average balance .... $522,376 673,904 739,928 Maximum outstanding at any month-end .. $572,954 804,047 858,961 Weighted average interest rate .... 3.72% 3.19% 2.87% Repurchase Agreements: Amount outstanding at end of period ... $132,207 129,530 79,148 Average balance .... $133,020 103,522 80,970 Maximum outstanding at any month-end .. $135,661 132,534 79,148 Weighted average interest rate .... 3.93% 2.85% 2.06% 12) Stockholders' Equity The Federal Reserve Board has adopted capital adequacy guidelines that are used to assess the adequacy of capital in supervising a bank holding company. The following table illustrates the Federal Reserve Board's capital adequacy guidelines and the Company's compliance with those guidelines as of March 31, 2006. Tier 1 (Core) Tier 2 (Total) Leverage CONSOLIDATED Capital Capital Capital ------------ ------------ ------------- ---------- (Dollars in thousands) GAAP Capital .... $ 344,391 344,391 344,391 Less: Goodwill and intangibles .... (86,693) (86,693) (86,693) Accumulated other comprehensive Unrealized gain on AFS securities ..... (132) (132) (132) Other adjustments .... -- (18) -- Plus: Allowance for loan losses .... -- 35,413 -- Subordinated debentures .... 85,000 85,000 85,000 ---------- --------- ---------- Regulatory capital computed .... $ 342,566 377,961 342,566 ========== ========= ========== Risk weighted assets .... $2,833,006 2,833,006 ========== ========= Total average assets .... $3,683,638 ========== Capital as % of defined assets .... 12.09% 13.34% 9.30% Regulatory "well capitalized" requirement ... 6.00% 10.00% 5.00% ---------- --------- ---------- Excess over "well capitalized" requirement .. 6.09% 3.34% 4.30% ========== ========= ========== 16 13) Other Comprehensive Income The Company's only component of other comprehensive income is the unrealized gains and losses on available-for-sale securities. For the three months ended March 31, ------------------- 2006 2005 ------- ------ Dollars in thousands Net earnings .... $13,629 11,520 Unrealized holding loss arising during the period .. (1,137) (9,530) Tax benefit .... 448 3,755 ------- ------ Net after tax .... (689) (5,775) Reclassification adjustment for losses included in net earnings .... -- 30 Tax benefit .... -- (12) ------- ------ Net after tax .... -- 18 Net unrealized loss on securities .... (689) (5,757) ------- ------ Total other comprehensive income .... $12,940 5,763 ======= ====== 14) Segment Information The Company evaluates segment performance internally based on individual bank charters, 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, non-bank units, and eliminations of transactions between segments. Three months ended and as of March 31, 2006 -- Mountain First First Glacier West Security Western National Big Sky -------- -------- -------- ------- -------- ------- (Dollars in thousands) Revenues from external customers $ 12,452 15,924 12,258 6,880 4,102 4,918 Intersegment revenues 52 6 78 17 236 -- Expenses (9,284) (13,063) (9,167) (5,404) (3,526) (3,719) Intercompany eliminations -- -- -- -- -- -- -------- ------- ------- ------- ------- ------- Net Earnings $ 3,220 2,867 3,169 1,493 812 1,199 ======== ======= ======= ======= ======= ======= Total Assets $697,266 809,759 734,092 428,263 284,398 275,158 ======== ======= ======= ======= ======= ======= Total Valley Whitefish Citizens Other Consolidated ------- --------- -------- ------- ----------- Revenues from external customers 4,344 2,996 3,159 75 67,108 Intersegment revenues 33 -- -- 17,374 17,796 Expenses (3,371) (2,306) (2,611) (1,028) (53,479) Intercompany eliminations -- -- -- (17,796) (17,796) ------- ------- ------- ------- --------- Net Earnings 1,006 690 548 (1,375) 13,629 ======= ======= ======= ======= ========= Total Assets 258,165 175,912 153,204 (16,059) 3,800,158 ======= ======= ======= ======= ========= 17 Three months ended and as of March 31, 2005 -- Mountain First First Glacier West Security Western National -------- -------- -------- ------- -------- (Dollars in thousands) Revenues from external customers $ 10,335 12,168 9,075 6,371 1,144 Intersegment revenues 145 -- 5 -- -- Expenses (7,741) (9,572) (6,413) (4,871) (883) Intercompany eliminations -- -- -- -- -- -------- ------- ------- ------- ------- Net Earnings $ 2,739 2,596 2,667 1,500 261 ======== ======= ======= ======= ======= Total Assets $685,498 659,006 617,048 443,633 272,335 ======== ======= ======= ======= ======= Total Big Sky Valley Whitefish Other Consolidated ------- ------- --------- ------- ----------- Revenues from external customers 4,089 3,779 2,953 (299) 49,615 Intersegment revenues -- 34 -- 14,842 15,026 Expenses (3,004) (2,844) (1,999) (768) (38,095) Intercompany eliminations -- -- -- (15,026) (15,026) ------- ------- ------- ------- --------- Net Earnings 1,085 969 954 (1,251) 11,520 ======= ======= ======= ======= ========= Total Assets 257,217 241,496 162,727 (32,520) 3,306,440 ======= ======= ======= ======= ========= 15) 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. Three Months Ended March 31, 2006 vs. 2005 Increase (Decrease) due to: --------------------------- Volume Rate Net ------- ----- ------ (Dollars in Thousands) INTEREST INCOME Real estate loans $ 3,358 1,016 4,374 Commercial loans 5,842 3,159 9,001 Consumer and other loans 1,942 1,193 3,135 Investment securities and other (1,457) 392 (1,065) ------- ----- ------ Total Interest Income 9,685 5,760 15,445 INTEREST EXPENSE NOW accounts 34 287 321 Savings accounts 58 365 423 Money market accounts 191 1,341 1,532 Certificates of deposit 2,224 2,722 4,946 FHLB advances (1,541) 1,094 (447) Other borrowings and repurchase agreements 111 707 818 ------- ----- ------ Total Interest Expense 1,077 6,516 7,593 ------- ----- ------ NET INTEREST INCOME $ 8,608 (756) 7,852 ======= ===== ====== 18 16) Average Balance Sheet The following 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. Non-accrual loans are included in the average balance of the loans. For the Three months ended 3-31-06 --------------------------------- Interest Average Average and Yield/ Balance Dividends Rate ---------- --------- ------- AVERAGE BALANCE SHEET (Dollars in Thousands) ASSETS Residential Real Estate Loans $ 618,852 10,989 7.10% Commercial Loans 1,397,090 25,525 7.41% Consumer and Other Loans 481,298 8,865 7.47% ---------- ------- Total Loans 2,497,240 45,379 7.37% Tax -Exempt Investment Securities (1) 283,715 3,489 4.92% Other Investment Securities 686,956 7,084 4.12% ---------- ------- Total Earning Assets 3,467,911 55,952 6.45% ------- Goodwill and Core Deposit Intangible 87,616 Other Non-Earning Assets 185,313 ---------- TOTAL ASSETS $3,740,840 ========== LIABILITIES AND STOCKHOLDERS' EQUITY NOW Accounts $ 346,930 470 0.55% Savings Accounts 245,928 578 0.95% Money Market Accounts 495,032 2,843 2.33%

Certificates of Deposit 829,390 7,400 3.62% FHLB Advances 522,376 4,796 3.72% Repurchase Agreements and Other Borrowed Funds 294,376 3,557 4.90% ---------- ------- Total Interest Bearing Liabilities 2,734,032 19,644 2.91% ------- Non-interest Bearing Deposits 630,490 Other Liabilities 35,235 ---------- Total Liabilities 3,399,757 ---------- Common Stock 323 Paid-In Capital 263,541 Retained Earnings 75,539 Accumulated Other Comprehensive Income 1,680 ---------- Total Stockholders' Equity 341,083 ---------- TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY $3,740,840 ========== Net Interest Income $36,308 ======= Net Interest Spread 3.54% Net Interest Margin on Average Earning assets 4.25% Return on Average Assets (annualized) 1.48% Return on Average Equity (annualized) 16.21% (1) Excludes tax effect on non-taxable investment security income 19 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Impact of Recently Issued Accounting Standards The Company adopted SFAS No. 123 (Revised) Share-Based Payment, as of January 1, 2006 and, accordingly, has determined compensation cost based on the fair value of the option at the grant date. As a result of the adoption of the standard, net earnings were reduced by $523,488, or $.016 per share, for the quarter ended March 31, 2006. For additional information regarding the standard see Note 6 to the Consolidated Financial Statements. Acquisition announced On April 20, 2006, the signing of a definitive agreement whereby Citizens Development Company a Billings, Montana based five bank holding company with total assets of $430 million will merge into Glacier Bancorp, Inc. was announced. The closing of the transaction is expected to occur in July or August of 2006. The five banks being acquired will remain as independently chartered banks pending their anticipated consolidation with existing Glacier Bancorp, Inc. Montana subsidiaries. Financial Condition This section discusses the changes in the Statement of Financial Condition items from March 31, 2005 and December 31, 2005, to March 31, 2006. March 31, December 31, March 31, $ change from $ change from 2006 2005 2005 December 31, March 31, (unaudited) (audited) (unaudited) 2005 2005 ----------- ----------- ----------- -------------- ------------- ASSETS ($ IN THOUSANDS) Cash on hand and in banks $ 105,474 111,418 82,600 (5,944) 22,874 Investment securities, interest bearing deposits, FHLB stock, FRB stock, and fed funds 953,880 991,246 1,171,112 (37,366) (217,232) Loans: Real estate 638,529 607,627 433,901 30,902 204,628 Commercial 1,435,731 1,357,051 1,087,989 78,680 347,742 Consumer and other 493,023 471,164 387,843 21,859 105,180 ---------- --------- --------- ------- -------- Total loans 2,567,283 2,435,842 1,909,733 131,441 657,550 Allowance for loan losses (39,851) (38,655) (29,801) (1,196) (10,050) ---------- --------- --------- ------- -------- Total loans net of allowance for loan losses 2,527,432 2,397,187 1,879,932 130,245 647,500 ---------- --------- --------- ------- -------- Other assets 213,372 206,493 172,796 6,879 40,576 ---------- --------- --------- ------- -------- Total Assets $3,800,158 3,706,344 3,306,440 93,814 493,718 ========== ========= ========= ======= ======== At March 31, 2006 total assets were $3.800 billion, which is $94 million, or 3 percent, greater than the December 31, 2005 assets of $3.706 billion, and $494 million, or 15 percent, greater than the March 31, 2005 assets of $3.306 billion. Total loans have increased $131 million from December 31, 2005, or 5 percent, with the growth occurring in all loan categories. Commercial loans have increased $79 million, or 6 percent, real estate loans gained $31 million, or 5 percent, and consumer loans grew by $22 million, or 5 percent. Total loans have increased $658 million, or 34 percent, from March 31, 2005, with all loan categories showing increases. Commercial loans grew the most with an increase of $348 million, or 32 percent, followed by real estate loans which increased $205 million, or 47 percent, which was the largest percentage gain, and consumer loans, which are primarily comprised of home equity loans, increasing by $105 million, or 27 percent. Investment securities, including interest bearing deposits in other financial institutions, and federal funds sold have decreased $37 million from December 31, 2005, or 4 percent, and have declined $217 million, or 19 percent, from March 31, 2005. Investment securities at March 31, 2006 represented 25% of total assets versus 35% the prior year. 20 The Company typically sells a majority of long-term mortgage loans originated, retaining servicing only on loans sold to certain lenders. The sale of loans in the secondary mortgage market reduces the Company's risk of holding long-term, fixed rate loans in the loan portfolio. Mortgage loans sold for the three months ended March 31, 2006 and 2005 were $90 million and $59 million, respectively. The Company has also been active in generating commercial SBA loans. A portion of some of those loans is sold to other investors. The amount of loans sold and serviced for others at March 31, 2006 was approximately $166 million. March 31, December 31, March 31, $ change from $ change from 2006 2005 2005 December 31, March 31, (unaudited) (audited) (unaudited) 2005 2005 ----------- ----------- ----------- -------------- ------------- LIABILITIES ($ IN THOUSANDS) Non-interest bearing deposits $ 683,201 667,008 528,038 16,193 155,163 Interest bearing deposits 2,010,198 1,867,704 1,448,643 142,494 561,555 Advances from Federal Home Loan Bank 505,209 402,191 858,961 103,018 (353,752) Securities sold under agreements to repurchase and other borrowed funds 134,981 317,222 84,982 (182,241) 49,999 Other liabilities 37,178 33,980 32,367 3,198 4,811 Subordinated debentures 85,000 85,000 80,000 -- 5,000 ---------- --------- --------- -------- -------- Total liabilities $3,455,767 3,373,105 3,032,991 82,662 422,776 ========== ======== ======== ======== ======== Non-interest bearing deposits have increased $16 million, or 10 percent annualized, since December 31, 2005, and by $155 million, or 29 percent, since March 31, 2005. This continues to be a primary focus of each of our banks. Interest bearing deposits have increased $142 million from December 31, 2005, of which $71 million was in broker originated certificates of deposit, and $53 million in Internet generated National Market CD's. Since March 31, 2005 interest bearing deposits increased $562 million, or 39 percent, with $289 million of that amount from broker and Internet sources. Federal Home Loan Bank (FHLB) advances increased $103 million, and repurchase agreements and other borrowed funds decreased $182 million from December 31, 2005, primarily from the redemption of $179 million in U. S. Treasury Tax and Loan Term Auction funds. FHLB advances are $354 million less than the March 31, 2005 balances due primarily to the above described increases in deposits. Liquidity and Capital Resources The objective of liquidity management is to maintain cash flows adequate to meet current and future needs for credit demand, deposit withdrawals, maturing liabilities and corporate operating expenses. The principal source of the Company's cash revenues is the dividends received from the Company's banking subsidiaries. The payment of dividends is subject to government regulation, in that regulatory authorities may prohibit banks and bank holding companies from paying dividends which would constitute an unsafe or unsound banking practice. The subsidiaries source of funds is generated by deposits, principal and interest payments on loans, sale of loans and securities, short and long-term borrowings, and net earnings. In addition, eight of the nine banking subsidiaries are members of the FHLB. As of March 31, 2006, the Company had $883 million of available FHLB line of which $505 million was utilized. Accordingly, management of the Company has a wide range of versatility in managing the liquidity and asset/liability mix for each individual institution as well as the Company as a whole. Lending Commitments In the normal course of business, there are various outstanding commitments to extend credit, such as letters of credit and un-advanced loan commitments, which are not reflected in the accompanying condensed consolidated financial statements. Management does not anticipate any material losses as a result of these transactions. 21 March 31, December 31, March 31, $ change from $ change from 2006 2005 2005 December 31, March 31, STOCKHOLDERS' EQUITY (UNAUDITED) (unaudited) (audited) (unaudited) 2005 2005 ----------- ------------ ----------- ------------ ------------- ($ IN THOUSANDS EXCEPT PER SHARE DATA) Common equity $344,259 332,418 273,272 11,841 70,987 Accumulated other comprehensive income 132 821 177 (689) (45) -------- ------- ------- ------ ------- Total stockholders' equity 344,391 333,239 273,449 11,152 70,942 Core deposit intangible, net, and goodwill (86,693) (87,114) (67,291) 421 (19,402) -------- ------- ------- ------ ------- $257,698 246,125 206,158 11,573 51,540 ======== ======= ======= ====== ======= Stockholders' equity to total assets 9.06% 8.99% 8.27% Tangible stockholders' equity to total tangible assets 6.94% 6.80% 6.36% Book value per common share $ 10.66 10.36 8.86 0.30 1.80 Market price per share at end of quarter $ 31.05 30.05 24.40 1.00 6.65 Total equity and book value per share amounts have increased $11.152 million and $.30 per share, respectively, from December 31, 2005, the result of earnings retention, and stock options exercised. Accumulated other comprehensive income, representing net unrealized gains on securities available for sale, decreased $689 thousand during the quarter, primarily a function of interest rate changes and the decreased balance of securities. March 31, December 31, March 31, 2006 2005 2005 CREDIT QUALITY INFORMATION ($ IN THOUSANDS) (unaudited) (audited) (unaudited) -- ---------- ----------- ----------- Allowance for loan losses $39,851 $38,655 $29,801 Non-performing assets $10,325 10,089 9,166 Allowance as a percentage of non performing assets 386% 383% 325% Non-performing assets as a percentage of total assets 0.27% 0.26% 0.27% Allowance as a percentage of total loans 1.55% 1.59% 1.56% Net recoveries (charge-offs) as a percentage of loans 0.001% (0.020%) (0.011%) Allowance for Loan Loss and Non-Performing Assets Non-performing assets as a percentage of total assets at March 31, 2006 were at ..27 percent, the same percentage as at March 31, 2005, but increasing slightly from .26 percent at December 31, 2005. The Company ratios compare favorably to the Federal Reserve Bank Peer Group average of .43 percent at December 31, 2005, the most recent information available. The allowance for loan losses was 386 percent of non-performing assets at March 31, 2006, up from 325 percent a year ago. The allowance, including $4.579 million from acquisitions, has increased $10.050 million, or 34 percent, from a year ago. The allowance of $39.851 million, is 1.55 percent of March 31, 2006 total loans outstanding, down slightly from the 1.56 percent a year ago. The first quarter provision for loan losses expense was $1.165 million, a decrease of $325 thousand from the same quarter in

2005, and was also a decrease of $209 thousand from the fourth quarter of 2005. Recovery of previously charged-off loans exceeded amounts charged-off during the quarter by $31,000. Loan growth, average loan size, and credit quality considerations will determine the level of additional provision expense. 22 RESULTS OF OPERATIONS - THE THREE MONTHS ENDED MARCH 31, 2006 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2005. The Company reported net quarterly earnings of $13.629 million, an increase of $2.1 million, or 18 percent, over the $11.520 million for the first quarter of 2005. Diluted earnings per share for the quarter of $.42 is an increase of 14 percent over the per share earnings of $.37 for the same quarter of 2005. Net earnings were reduced by $523,488, or $.016 per share, due to the January 1, 2006 adoption of SFAS 123(R) Share-based Payment which requires recording the estimated fair value of stock options as compensation expense. Annualized return on average assets and return on average equity for the quarter were 1.48 percent and 16.21 percent, respectively, which compares with prior year returns for the first quarter of 1.50 percent and 17.06 percent. Annualized return on average tangible equity, a non-GAAP performance measure, for the first quarter of 2006 was 22.48 percent compared to 20.99 percent in the first quarter of last year. Three months ended March 31, -------------------------------------- REVENUE SUMMARY 2006 2005 $ change % change ------- ------- --------- -------- (UNAUDITED - $ IN THOUSANDS) Net interest income $36,308 $28,456 $7,852 28% Non-interest income Service charges, loan fees, and other fees 8,217 6,482 1,735 27% Gain on sale of loans 2,190 2,092 98 5% Other income 749 534 215 40% ------- ------- ------ --- Total non-interest income 11,156 9,108 2,048 22% ------- ------- ------ --- $47,464 $37,564 $9,900 26% ======= ======= ====== === Tax equivalent net interest margin 4.32% 4.08% ======= ======= Net Interest Income Net interest income for the quarter increased $7.852 million, or 28 percent, over the same period in 2005, and $604 thousand from the fourth quarter of 2005. Total interest income increased $15.445 million from the prior year's quarter, or 38 percent, while total interest expense was $7.593 million, or 63 percent higher. The increase in interest expense is primarily attributable to the volume increase in interest bearing liabilities, and increases in short term interest rates during 2005 continuing into 2006. The Federal Reserve Bank has increased the targeted fed funds rate 10 times, 250 basis points, since January 1, 2005. The net interest margin as a percentage of earning assets, on a tax equivalent basis, was 4.32 percent which was higher than the 4.08 percent result for the first quarter of 2005. The margin for the first quarter of 2006 continued the trend of increases experienced in each quarter of 2005. Non-interest Income Fee income increased $1.735 million, or 27 percent, over the same period last year, driven primarily by an increased number of loan and deposit accounts from internal growth and acquisitions. Gain on sale of loans increased $98 thousand, or 5 percent, from the first quarter of last year. Loan origination activity for housing construction and purchases remains strong in our markets. 23 Three months ended March 31, -------------------------------------- NON-INTEREST EXPENSE SUMMARY 2006 2005 $ change % change ------- ------- -------- -------- (UNAUDITED - $ IN THOUSANDS) Compensation and employee benefits $15,311 $10,944 $4,367 40% Occupancy and equipment expense 3,491 2,855 636 22% Outsourced data processing 724 232 492 212% Core deposit intangibles amortization 420 283 137 48% Other expenses 5,881 4,760 1,121 24% ------- ------- ------ --- Total non-interest expense $25,827 $19,074 $6,753 35% ======= ======= ====== === Non-interest Expense Non-interest expense increased by $6.753 million, or 35 percent, from the same quarter of 2005. Compensation and benefit expense increased $4.367 million, or 40 percent, of which $723 thousand was from expensing stock options with the adoption of SFAS 123(R) in 2006, four acquisitions during 2005, the addition of four new bank branches occurring within the last four months, normal compensation increases for job performance and increased cost for benefits are the reasons for the majority of the increase. The number of full-time-equivalent employees has increased from 952 to 1,147, a 20 percent increase, since March 31, 2005. Occupancy and equipment expense increased $636 thousand, or 22 percent, reflecting the bank acquisitions, cost of additional branch locations and facility upgrades. Other expenses increased $1.121 million, or 24 percent, primarily from acquisitions, additional marketing expenses, and costs associated with new branch offices. The number of new branches coming on-line within a short period of time has resulted in significantly higher expenses in the current quarter. The number of new locations is greater than normal for our company, rapid expansion in the high growth markets of Boise and Coeur d'Alene are expected to have long-term benefits. The efficiency ratio (non-interest expense/net interest income + non-interest income) was 54 percent for the 2006 quarter, up from 51 percent for the 2005 quarter. Critical Accounting Policies Companies apply certain critical accounting policies requiring management to make subjective or complex judgments, often as a result of the need to estimate the effect of matters that are inherently uncertain. The Company considers its only critical accounting policy to be the allowance for loan losses. The allowance for loan losses is established through a provision for loan losses charged against earnings. The balance of allowance for loan loss is maintained at the amount management believes will be adequate to absorb known and inherent losses in the loan portfolio. The appropriate balance of allowance for loan losses is determined by applying estimated loss factors to the credit exposure from outstanding loans. Estimated loss factors are based on subjective measurements including management's assessment of the internal risk classifications, changes in the nature of the loan portfolio, industry concentrations and the impact of current local, regional and national economic factors on the quality of the loan portfolio. Changes in these estimates and assumptions are reasonably possible and may have a material impact on the Company's consolidated financial statements, results of operations and liquidity. Effect of inflation and changing prices Generally accepted accounting principles require the measurement of financial position and operating results in terms of historical dollars, without consideration for change in relative purchasing power over time due to inflation. Virtually all assets of a financial institution are monetary in nature; therefore, interest rates generally have a more significant impact on a company's performance than does the effect of inflation. Forward Looking Statements This Form 10-Q includes forward looking statements, which describe management's expectations regarding future events and developments such as future operating results, growth in loans and deposits, continued success of the Company's style of banking and the strength of the local economies in which it operates. Future 24 events are difficult to predict, and the expectations described above are necessarily subject to risk and uncertainty that may cause actual results to differ materially and adversely. In addition to discussions about risks and uncertainties set forth from time to time in the Company's public filings, factors that may cause actual results to differ materially from those contemplated by such forward looking statements include, among others, the following possibilities: (1) local, national and international economic conditions are less favorable than expected or have a more direct and pronounced effect on the Company than expected and adversely affect the company's ability to continue its internal growth at historical rates and maintain the quality of its earning assets; (2) changes in interest rates reduce interest margins more than expected and negatively affect funding sources; (3) projected business increases following strategic expansion or opening or acquiring new banks and/or branches are lower than expected; (4) costs or difficulties related to the integration of acquisitions are greater than expected; (5) competitive pressure among financial institutions increases significantly; (6) legislation or regulatory requirements or changes adversely affect the businesses in which the Company is engaged. ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK The Company believes that there have not been any material changes in information about the Company's market risk than was provided in the Form 10-K report for the year ended December 31, 2005. ITEM 4. CONTROLS AND PROCEDURES Evaluation of Disclosure Controls and Procedures The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures (as required by Exchange Act Rules 240.13a-15(b) and 15d-14(c)) as of the date of this quarterly report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's current disclosure controls and procedures are effective and timely, providing them with material information relating to the Company required to be disclosed in the reports we file or submit under the Exchange Act. Changes in Internal Controls There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the first quarter 2006, to which this report relates that have materially affected, or are reasonably likely to materially affect the Company's internal controls over financial reporting. 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 1A. RISK FACTORS There have not been any material changes to the Company's risk factors during the first quarter 2006. ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS (a) Not Applicable (b) Not Applicable (c) Not Applicable 25 ITEM 3. DEFAULTS UPON SENIOR SECURITIES (a) Not Applicable (b) Not Applicable ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS (a) None (b) Not Applicable (c) None (d) None ITEM 5. OTHER INFORMATION (a) Not Applicable (b) Not Applicable ITEM 6. EXHIBITS Exhibit 31.1 - Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 Exhibit 31.2 - Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 Exhibit 32 - Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002 26 SIGNATURES Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. GLACIER BANCORP, INC. May 8, 2006 /s/ Michael J. Blodnick -------------------------------------- Michael J. Blodnick President/CEO May 8, 2006 /s/ James H. Strosahl

-- James H. Strosahl Executive Vice President/CFO 27