

PUBLIC DISCLOSURE

September 29, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Glacier Bank
202 Main Street
Kalispell, Montana 59901
RSSD 2634191

**Federal Reserve Bank of Minneapolis
90 Hennepin Avenue, P.O. Box 291
Minneapolis, MN 55480-0291**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a Glossary of Common CRA Terms is attached as Appendix A at the end of this performance evaluation.

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

The Community Reinvestment Act (CRA) performance of Glacier Bank, Kalispell, Montana, demonstrates an excellent responsiveness to the credit and community development needs of its assessment areas.

The bank's performance under the Lending Test is satisfactory based on the following criteria:

- The distribution of loans to borrowers of different income levels and to businesses of different sizes is very good.
- The net loan-to-deposit ratio is very good given the bank's size and financial condition and the credit needs of the assessment areas.
- The geographic distribution of loans is good in one assessment area and reasonable in the other. The bank's lending reflects a reasonable dispersion throughout both assessment areas.
- The bank originated a substantial majority of loans within its assessment areas.

The bank's performance under the Community Development Test is outstanding and based on the following criteria:

- The community development activities demonstrate an excellent responsiveness to community development needs.
- The bank's level of community development investments in the form of donations increased approximated 39.1% in the combined assessment areas since the previous evaluation.
- Bank directors, officers, and employees provide an excellent level of service to numerous community development organizations.
- The bank's level and mix of community development lending, community development services, and qualified investments are excellent.

Glacier Bank was evaluated under the Intermediate Small Bank (ISB) Evaluation Procedures at the August 14, 2006, CRA examination and received an outstanding rating.

SCOPE OF EVALUATION

The bank was evaluated using the ISB Evaluation Procedures. Under the ISB procedures, the following criteria were analyzed to determine the bank's Lending Test rating:

- Net loan-to-deposit ratio.
- Lending inside the assessment area.
- Lending to borrowers of different income levels and to businesses of different revenue sizes.
- Geographic distribution of loans.
- Record of responding to complaints about the bank's CRA performance.

Also under the ISB procedures, the bank's qualified investments, community development services, and community development loans were reviewed to determine the Community Development Test rating. The Lending Test and Community Development Test were combined to determine the bank's overall rating.

This evaluation of the bank's CRA performance is based in part on information provided by bank management and community contacts. Information from these sources as well as economic and demographic characteristics of the assessment areas, competitive factors, and the size and financial condition of the bank were analyzed to understand the bank's performance. The evaluation covers the period from the previous CRA evaluation, dated August 14, 2006, through September 29, 2008.

Glacier Bank operates in three assessment areas for CRA purposes: Kalispell, Butte, and Anaconda, Montana. At the previous evaluation, full-scope reviews were conducted for all three assessment areas. The bank originates the majority of its consumer, residential real estate, small business, and community development loans in the Kalispell assessment area. For this evaluation, full-scope reviews were conducted for all three assessment areas. As before, the Butte and Anaconda assessment areas were combined for the lending analysis because they are geographically adjacent to each other and both have a relatively small percentage of lending activity when compared to the Kalispell assessment area.

The scope of this evaluation includes residential real estate, consumer, and small business loans. The following table shows data for loans originated in 2007, as provided by the bank for this evaluation.

<i>Loan Type</i>	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>
Consumer	1,530	43.6	\$ 14,315,495	5.1
Overdraft and Personal Lines of Credit	244	7.0	\$ 1,987,650	0.7
Home Equity Loans	203	5.8	\$ 11,624,456	4.2
Home Equity Lines of Credit	474	13.5	\$ 53,539,295	19.1
Residential Real Estate	457	13.0	\$111,986,586	40.0
Small Business	590	16.8	\$ 85,275,174	30.4
Small Farm	12	0.3	\$ 1,378,198	0.5
Total	3,510	100.0	\$280,106,854	100.0

Based on the volume and dollar amount for each loan category, the sample includes consumer, residential real estate, and small business loans. The analysis on the following pages is based on a statistical sample of 159 consumer loans, 113 residential real estate loans, and 116 small business loans originated in the six-month period of December 2007 through May 2008.

In addition to the loan activity above, the bank's community development lending, qualified investments and donations, and community development services were reviewed in each of the bank's assessment areas. The review period for community development activity was August 15, 2006, to September 29, 2008.

The bank's CRA performance is weighted as follows to derive the overall, Lending Test, and Community Development Test ratings.

- The Community Development Test received greater weight than the Lending Test due to the bank's high level of community development activities in all assessment areas relative to the bank's overall Lending Test performance. The bank's community development activity level is high given the bank's asset size, the competitiveness of the financial institutions serving the assessment areas, and availability of community development opportunities.

- For the Community Development Test, activity in the Kalispell assessment area received the greatest weight.
- For the Lending Test, the bank's lending activity in the Kalispell assessment area received the greatest weight. The majority of the bank's lending is conducted in this assessment area.
- For the Lending Test, the bank's consumer and residential real estate lending activity received the greatest weight as it represents the largest percentage of the bank's loans in the sample period by volume and dollar amount, respectively.
- For the Lending Test performance criteria, lending to borrowers of different income levels and to businesses of different sizes received the greatest weight. Remaining criteria were weighted equally.

DESCRIPTION OF INSTITUTION

Structure. Glacier Bank is a full-service financial institution with its main office in Kalispell, Montana. The bank is wholly owned by Glacier Bancorp, Inc., Kalispell, Montana (GBCI), a multibank holding company, which also owns the following banks:

- First Security Bank of Missoula, Missoula, Montana
- Valley Bank of Helena, Helena, Montana
- Big Sky Western Bank, Bozeman, Montana
- Western Security Bank, Billings, Montana
- First Bank of Montana, Lewistown, Montana
- 1st Bank, Evanston, Wyoming
- Mountain West Bank, Coeur d'Alene, Idaho
- First National Bank of Morgan, Morgan, Utah
- Citizens Community Bank, Pocatello, Idaho

GBCI is publicly traded over-the-counter on the NASDAQ National Market System.

Offices. The bank operates 14 full-service offices in its assessment areas. Since the previous evaluation, First Citizens Bank, N.A., Columbia Falls, Montana, was merged with and into the bank on January 26, 2007, resulting in a new office located at 490 West Reserve Drive, Kalispell. In addition, Glacier Bank of Whitefish, Whitefish, Montana, was merged with and into the bank on May 1, 2008, resulting in three additional offices located at 319 Second Street and 6195 Highway 93 South in Whitefish and 222 Dewey Avenue, Eureka, Montana. The bank's lobby hours are fairly standard and all but one office offers Saturday drive-up hours.

Alternative delivery methods. The bank operates 39 automated teller machines (ATMs), 13 of which are located at bank offices. The ATM located at the Kalispell drive-up facility at 135 East Center Street is the only deposit-taking ATM. Since the previous evaluation, the bank closed one ATM in the Anaconda assessment area, closed three and opened one in the Butte assessment area, and closed six and opened ten in the Kalispell assessment area, including those associated with the Glacier Bank of Whitefish merger.

In addition to the branch and ATM network, the bank also operates 24-hour telephone banking and Internet web site. Customers are able to conduct transactions such as bill payment, fund transfers, and account inquiries. Customers may access loan applications via the bank's web site. The consumer residential real estate loan application may be submitted electronically. The consumer and commercial loan applications are in printable format and applicants are encouraged to complete the form and visit personally with a lender.

Loan portfolio. According to the June 30, 2008, Report of Condition (ROC), the bank's assets totaled \$1.2 billion, with a loan portfolio of approximately \$953.5 million. The bank's asset size increased 55.2% since the previous evaluation, in part due to the mergers with First Citizens Bank, N.A., and Glacier Bank of Whitefish. The ROC data shows the composition of the bank's loan portfolio is 48.6% commercial, 48.5% residential real estate, 2.4% consumer, and less than 1% of all other loan types. Since the previous evaluation, the commercial, residential real estate, consumer, and agricultural loan portfolios increased by 48.5%, 131.8%, 45.2%, and 61.4%, respectively.

Credit products. The bank offers a wide variety of loan products to serve the credit needs of residents, businesses, and farms in its assessment areas. Consumer loan products include closed-end vehicle loans, personal loans, and other general purpose consumer loans and open-end overdraft, personal, and home equity lines of credit. The bank offers purchase and refinance loans for residential real estate, mobile home loans, home improvement loans, temporary construction loans, and combined temporary construction/permanent loans. In addition to conventional loan programs for consumers, small businesses, and small farms, the bank offers loans through the following agencies: Montana Board of Housing, Federal Housing Administration, Department of Veterans Affairs, Small Business Administration, and U.S. Department of Agriculture Rural Development.

The bank continues to partner with the Glacier Affordable Housing Foundation (GAHF), which provides down payment and closing cost assistance for low- and moderate-income first-time homebuyers. However, GAHF is not as active as in previous evaluation periods, mainly due to diminished funding.

There are no financial constraints, legal impediments, or other factors that obstruct the bank's ability to meet the credit or other community development needs in its assessment areas. Additionally, this evaluation did not reveal any unmet credit needs in the bank's assessment areas.

Assessment areas. Glacier Bank has designated three assessment areas for CRA purposes, all of which are located in nonmetropolitan areas of Montana. The bank has made no changes to its assessment areas since the previous evaluation. All but two of the bank's branches are located in middle-income census tracts. The branch located at 490 West Reserve Drive, Kalispell, is located in an upper-income census tract, and the branch located in Libby, Montana, is located in a moderate-income census tract. Most of the bank's ATMs are also located in middle-income census tracts; however, seven are located in upper-income tracts, and three are located in moderate-income tracts. Refer to Appendix B for maps of the bank's assessment areas.

The Kalispell assessment area is defined as Flathead, Lake, and Lincoln counties. The bank operates the main office and ten branch offices in this assessment area. Census tracts 1.00, 3.00, and 4.00 in Lincoln County were classified as distressed middle-income census tracts for 2006. The list of distressed and/or underserved census tracts is updated annually. For census tracts that no longer meet the requirements to be classified as distressed and/or underserved, there is a 12-month period after removal from the list during which banks will continue to receive credit for qualified community development activity occurring in such census tracts. The Lincoln County tracts were not designated as distressed on the 2007 list. The following table identifies the census tracts and provides the income classifications for each tract in the Kalispell assessment area.

TABLE 2			
Kalispell Assessment Area			
<i>Moderate Income</i>	<i>Middle Income</i>		<i>Upper Income</i>
Flathead County			
9401.00	1.00	9.00	6.00
	2.00	10.00	8.00
	3.00	11.00	
	4.00	12.00	
	5.00	13.00	
	7.00	14.00	
Lake County			
9401.00	1.00	9405.00	
9404.00	2.00	9406.00	
	9402.00	9407.00	
	9403.00		
Lincoln County			
2.00	1.00		
5.00	3.00		
	4.00		

The Butte assessment area is defined as Silver Bow County. The bank operates two branch offices in this assessment area. There are no distressed or underserved census tracts in the assessment area.

The Anaconda assessment area consists of three of the four census tracts in Deer Lodge County. The bank operates one branch office in this assessment area. There are no distressed or underserved census tracts in the assessment area.

The evaluation is based on the bank's performance in all three assessment areas. However, for analysis purposes, the Butte and Anaconda assessment areas were combined. The following table identifies the census tracts and provides the income classifications for each tract in the Butte/Anaconda assessment area.

TABLE 3		
Butte/Anaconda Assessment Area		
<i>Moderate Income</i>	<i>Middle Income</i>	<i>Upper Income</i>
Silver Bow County		
1.00	2.00	5.00
	3.00	7.00
	4.00	8.00
	6.00	
Deer Lodge County		
	2.00	
	3.00	
	4.00	

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's CRA rating is outstanding. The rating is based on a satisfactory rating for the Lending Test and an outstanding rating for the Community Development Test.

The bank's performance is weighted as follows:

- The majority of the bank's activities occur in the Kalispell assessment area. Given the bank's lending and deposit activity and its presence in and the population of the assessment area, the bank's performance in the Kalispell assessment area received the greatest weight for both the Lending Test and the Community Development Test.
- The Community Development Test received greater weight than the Lending Test.

LENDING TEST

The bank's performance under the Lending Test is rated satisfactory based on the following factors:

- The bank's net loan-to-deposit ratio reflects a very good level of lending.
- The bank's origination of residential real estate, consumer, and small business loans to borrowers of different income levels and to businesses of different sizes in its assessment areas is good.
- The geographic distribution of loans is reasonable and the bank's lending reflects reasonable dispersion throughout the assessment areas.
- The bank originated a substantial majority of loans in its assessment area.

Throughout this evaluation, the bank's lending activity is compared to the demographic characteristics obtained from, but not limited to, the 2000 U.S. Census, Dun & Bradstreet, U.S. Department of Labor, and Montana Department of Labor and Industry. Although demographics are used to understand and evaluate that bank's performance, comparisons to the demographic data should not be construed as defining an expected level of lending.

Since the bank has more than one assessment area, a detailed discussion of the bank's lending to borrowers of different income and revenue levels and the geographic distribution of the bank's loans can be found in the individual assessment area sections of this evaluation. However, the net loan-to-deposit ratio and the comparison of lending inside and outside the assessment areas analyses are completed at the bank level. These two criteria are discussed below.

Loan-to-Deposit Ratio Analysis

The bank's net loan-to-deposit ratio is high and represents a very good level of lending given the bank's asset size and financial condition and the credit needs in the assessment areas. Table 4 shows the eight-quarter average net loan-to-deposit ratios for the bank and four commercial banks with offices in the bank's assessment areas. Though smaller in asset size, these banks operate in the assessment area and have similar lending capacity.

<i>Bank Name and Location</i>	<i>Assets as of June 30, 2008 (in thousands)</i>	<i>Average Net Loan-to- Deposit Ratio</i>
Glacier Bank Kalispell, Montana	\$1,155,332	133.9%
Valley Bank of Kalispell Kalispell, Montana	\$ 99,219	74.1%
Mountain West Bank of Kalispell, National Association Kalispell, Montana	\$ 119,843	104.7%
First National Bank of Montana, Inc. Libby, Montana	\$ 283,914	85.8%
First Citizens Bank of Butte Butte, Montana	\$ 64,980	88.7%

The bank is a very active lender in a competitive market. In addition to the banks listed above, larger regional and national banks and credit unions have branches in the Kalispell assessment area. A market share report of institutions insured by the Federal Deposit Insurance Corporation reveals that the bank controls approximately 24.1% of the deposit market throughout the three assessment areas combined. The percentage is slightly higher in the Kalispell assessment area and lower in both the Butte and Anaconda assessment areas.

Since the previous evaluation, the bank's quarterly net loan-to-deposit ratio ranged from 109.4% to 170.2% over eight quarters. At the previous evaluation, the bank's average net loan-to-deposit ratio was 107.3%. The bank's ratios, and those of the competitors, over the last eight quarters show a general increase from the end of 2007 through second quarter 2008, indicating a higher demand for credit during this time.

According to the June 30, 2008, Uniform Bank Performance Report, the bank's net loan-to-deposit ratio is 170.2%. The net loan-to-deposit ratio for its national peer group is 96.6%. The bank's national peer group includes all insured commercial banks having assets between \$1 billion and \$3 billion.

Overall, the bank's net loan-to-deposit ratio is very good given the bank's asset size, financial condition, and level of lending activity. The net loan-to-deposit ratio demonstrates the bank's willingness to fulfill the credit needs throughout its assessment areas. In addition, community contacts did not identify any unmet credit needs in the assessment areas. For these reasons, the bank's net loan-to-deposit ratio is very good.

Comparison of Credit Extended Inside and Outside the Assessment Area

The bank's lending activity within the assessment areas is very good. Table 5 shows the percentages of loans the bank extended inside and outside the assessment areas for each category by total number and dollar amount.

<i>Loan Category</i>	<i>Inside</i>				<i>Outside</i>			
	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>
Consumer	152	95.6	1,527	96.3	7	4.4	59	3.7
Residential Real Estate	105	92.9	26,179	93.2	8	7.1	1,909	6.8
Small Business	114	98.3	13,321	98.8	2	1.7	167	1.2
Total	371	95.6	41,026	95.1	17	4.4	2,134	4.9

Overall, the bank originated a substantial majority of its loans in the assessment areas. The bank originated 95.6% of the loans by volume and 95.1% by dollar amount within the assessment areas. The bank's level of lending by volume for consumer and residential real estate loans originated inside the assessment areas is very similar to the levels at the previous evaluation. The bank's level of lending by volume for small business loans originated inside the assessment areas increased since the previous evaluation. By dollar amount, lending inside the assessment areas has increased in each of the three loan categories since the previous evaluation.

Concentration of lending in the assessment areas is very good. The bank extended a substantial majority of small business, consumer, and residential real estate loans to entities and individuals within the assessment areas. Additionally, community contacts did not identify any unmet credit needs in the assessment areas.

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

Overall, the bank's level of lending to borrowers of different income levels and to businesses of different sizes is good. As previously discussed, the bank's performance in the Kalispell assessment area received greater weight in determining the overall rating for the bank, followed by the Butte/Anaconda assessment area.

In the Kalispell assessment area, the bank's level of consumer lending to borrowers of different income levels is very good, the level of residential real estate lending to borrowers of different income levels is reasonable, and the level of commercial lending to businesses of different sizes is good.

In the Butte/Anaconda assessment area, the bank's level of consumer lending to borrowers of different income levels is very good, the level of residential real estate lending to borrowers of different income levels is good, and the level of commercial lending to businesses of different sizes is good.

Refer to individual assessment area sections for more detailed information on this criterion.

Geographic Distribution of Loans

Overall, the geographic distribution of the bank's loans in its assessment areas is good. There are no low-income census tracts in any of the assessment areas. As previously discussed, the bank's performance in the Kalispell assessment area received greater weight in determining the overall rating for the bank, followed by the Butte/Anaconda assessment area.

The Kalispell assessment area contains five moderate-income census tracts, and the Butte/Anaconda assessment area contains one moderate-income census tract. In the Kalispell assessment area, the

geographic distribution of consumer, residential real estate, and small business loans is good. In the Butte/Anaconda assessment area, the geographic distribution of consumer, residential real estate, and small business loans is reasonable.

Refer to individual assessment area sections for more detailed information on this criterion.

Record of Response to CRA-Related Complaints

The bank did not receive any CRA-related complaints since the previous evaluation.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test is rated outstanding. The bank's community development activity reflects excellent responsiveness to community development needs. As further described, the bank engaged in high levels of community development services and qualified investments in the form of donations and a very good level of community development lending. In addition, although the bank did not purchase any new qualified investments since the previous examination, as a result of the merger with Glacier Bank of Whitefish, the bank holds city of Whitefish tax increment urban renewal bonds.

Community Development Services

The bank has several officers and employees who provide a high level of community development service in all of its assessment areas. More than 59 employees provided financial expertise to more than 35 organizations throughout the assessment areas. Officers and bank staff serve organizations that promote economic development and provide community services and affordable housing to low- and moderate-income people. The focus of the bank's community development services reflects assessment area needs.

Community Development Investments

The bank has not purchased any new qualified investments since the previous evaluation. However, the bank acquired qualified investments as a result of the merger with Glacier Bank of Whitefish. Specifically, the bank now holds city of Whitefish tax increment urban renewal bonds for \$1.5 million purchased in 2004 and \$1.8 million purchased in 2001. The bond proceeds were used for urban renewal including the reconstruction of city streets, demolition of buildings for future development, and improvements to vacant lots. The area targeted for renewal by the city is the Whitefish central business district.

In addition, the bank's level of qualified investments in the form of donations reflects very good responsiveness to community needs. For all assessment areas, donations total \$78,608. In the Kalispell assessment area, since the previous evaluation, the bank increased donations by approximately 51.7% and increased the number and types of community development organizations receiving contributions in the assessment area. Donations in the Kalispell area totaled \$62,798. In the Butte/Anaconda assessment area, the bank's level of qualified donations is reasonable. The bank made \$15,810 in qualified donations in the Butte/Anaconda assessment area, a 4.5% increase from the previous evaluation. In this assessment area, the bank provided donations to ten community organizations that provide a variety of services, primarily to low- and moderate-income individuals. The bank continues to provide donations of radio advertisements that promote fundraising efforts benefiting a variety of community development organizations.

Community Development Loans

The bank originated five community development loans totaling \$3.8 million in its assessment areas during the evaluation period. This is an excellent level of community development lending given the assessment areas' characteristics, competition, and opportunities for community development loans. Community development loans financed affordable housing and revitalized and stabilized moderate-income census tracts by helping to retain existing businesses.

Overall, the bank engaged in a high level of community development activities throughout its assessment areas. The bank acted to address needs through making loans and investments and providing services. The bank's activities demonstrate excellent responsiveness to community needs related to affordable housing, services to low- and moderate-income people, and economic development.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The evaluation did not reveal any violations of antidiscrimination laws or regulations, including Regulation B--Equal Credit Opportunity Act and the Fair Housing Act, or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

NONMETROPOLITAN AREA

DESCRIPTION OF THE KALISPELL, MONTANA, ASSESSMENT AREA

As previously discussed, the Kalispell assessment area consists of all of Flathead, Lake, and Lincoln counties, which combined, contain 29 census tracts. There is one moderate-income census tract in Flathead County; two in Lake County; and two in Lincoln County. There are no low-income census tracts in the assessment area. There are 11 offices, including the main office, and 31 ATMs in the Kalispell assessment area. A majority of the Flathead Indian Reservation is in the southern portion of the assessment area. Three of the five moderate-income census tracts fall within the reservation's borders.

According to the June 30, 2008, Federal Deposit Insurance Corporation Deposit Market Share Report, the bank had deposits of \$446.9 million in the Kalispell assessment area, representing 26.1% of market share. The bank is ranked first in deposit share. The bank operates in a very competitive market with a significant regional and national bank presence as well as larger credit unions.

The following table provides detailed data about the demographic characteristics of the Kalispell assessment area. Assessment area demographics are based on 2000 U.S. Census data and the 2007 small business and small farm data reported to Dun & Bradstreet.

TABLE 6								
Kalispell Assessment Area Demographics								
<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	#	%	#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	6,705	20.1
Moderate Income	5	17.2	2,735	8.2	438	16.0	6,496	19.5
Middle Income	22	75.9	27,284	82.0	3,060	11.2	7,776	23.4
Upper Income	2	6.9	3,274	9.8	236	7.2	12,316	37.0
Total Assessment Area	29	100.0	33,293	100.0	3,734	11.2	33,293	100.0
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		#	%	%	#	%	#	%
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	4,531	2,711	7.8	59.8	1,150	25.4	670	14.8
Middle Income	48,638	28,799	82.5	59.2	10,654	21.9	9,185	18.9
Upper Income	4,528	3,397	9.7	75.0	833	18.4	298	6.6
Total Assessment Area	57,697	34,907	100.0	60.5	12,637	21.9	10,153	17.6
<i>Income Categories</i>	<i>Total Businesses by Tract</i>		<i>Businesses by Tract and Revenue Size</i>					
			<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
			#	%	#	%	#	%
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	493	6.3	447	6.3	30	6.7	16	8.3
Middle Income	6,704	86.0	6,155	86.1	381	84.7	168	87.5
Upper Income	594	7.6	547	7.7	39	8.7	8	4.2
Total Assessment Area	7,791	100.0	7,149	100.0	450	100.0	192	100.0
Percentage of Total Businesses:				91.8	5.8			2.5

TABLE 6
Kalispell Assessment Area Demographics

Income Categories	Total Farms by Tract		Farms by Tract and Revenue Size					
			≤ \$1 Million		> \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	43	6.8	43	6.9	0	0.0	0	0.0
Middle Income	519	82.5	516	82.6	3	75.0	0	0.0
Upper Income	67	10.7	66	10.6	1	25.0	0	0.0
Total Assessment Area	629	100.0	625	100.0	4	100.0	0	0.0
Percentage of Total Farms:				99.4		0.6		0.0

Income. For purposes of classifying borrower incomes, this evaluation uses the Department of Housing and Urban Development’s estimated median family income. For borrowers in nonmetropolitan Montana, the value is \$48,900 for 2007 and \$51,700 for 2008. For purposes of classifying census tract income levels, this evaluation uses the nonmetropolitan Montana’s 2000 median family income, which was \$39,050.

Population. According to 2000 U.S. Census data, the population in the Kalispell assessment area is 119,815. The July 1, 2007, population estimate for the three counties combined is 134,167, representing an increase of approximately 12.0% since 2000. The 2000 census data also indicates approximately 11.2% of the families in the assessment area have incomes below the poverty level.

General economic and housing characteristics. According to bank management and community contacts, the overall economy for the Kalispell assessment area had been growing and stable until recently; however, the economy is in a downturn and growth is more stagnant. The construction industry had been booming in the area and provided good jobs in the labor and service industries. There continues to be commercial development, although it is not as robust as in the past few years. Like national trends, the economic downturn is prompting some layoffs, in particular at two of the area’s largest employers.

Flathead County is a popular tourist destination, with local attractions including Glacier National Park, Whitefish Mountain Resort, Blacktail Mountain Ski Area, Flathead Lake, and the Bob Marshall Wilderness. The main employers include Kalispell Regional Medical Center; Semitool, Inc.; Plum Creek Timber Company, Inc.; Columbia Falls Aluminum Company; and various employment staffing firms. According to the Montana Department of Labor and Industry, the 2007 average annual wage in the county was \$31,345. A community contact indicated local wages in blue-collar industries are averaging \$10 per hour.

In Lincoln County, the economy is largely based on tourism, recreation, mining, and lumber and wood products. The largest employers in the county include St. John’s Lutheran Hospital; Genesis, Inc.; and local food and drug stores. According to the Montana Department of Labor and Industry, the 2007 average annual wage in the county was \$28,177.

The vast majority of Lake County is within the Flathead Indian Reservation, which is home to the Confederated Salish and Kootenai Tribes. The county also contains the National Bison Range, St. Ignatius Mission, the Mission Mountain Range, and part of the Bob Marshall Wilderness. The 2007 average annual wage in the county was \$28,024, according to the Montana Department of Labor and Industry.

Community contacts and bank management indicated the average age of the population is increasing and often younger people leave the area for career opportunities elsewhere.

According to the U.S. Department of Labor, the July 2008 nonseasonally adjusted unemployment rate was 3.7% for Flathead County, 5.0% for Lake County, and 6.6% for Lincoln County. The rates are higher than the statewide rate of 3.5% for the same time period. The Lake and Lincoln county unemployment rates are historically higher than the statewide rates. A community contact indicated the local community-based organizations are beginning to provide services for sectors of the population they historically did not serve, specifically, middle-income families in need of assistance. Another contact stated that while wages had been slowly rising, they are not keeping up with the cost of living.

Affordable housing continues to be a challenge for people in the assessment area. The cost of housing had been increasing for the last six years, which was financially crippling for low- and moderate-income families. A community contact indicated the cost of housing is now slowly decreasing, but there is still an affordability gap. The community contact said the average price of housing stock had been approximately \$185,000, but the average price has dropped to approximately \$170,000. Affordable housing for the area is considered to be homes priced at \$150,000 or less.

Members of local community-based organizations familiar with the characteristics of the area were contacted to provide information on economic conditions as well as to identify community credit needs. Information from these contacts was used in evaluating the bank's performance in the Kalispell assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE KALISPELL ASSESSMENT AREA

The bank demonstrates satisfactory lending performance in the Kalispell assessment area. The bank's level of lending to borrowers of different income levels and to businesses of different sizes is good, as is the geographic distribution of the bank's loans throughout the assessment area. The bank's community development activity level in the assessment area is excellent and very responsive to community needs.

LENDING TEST

The Lending Test for Glacier Bank reflects a good responsiveness to the credit needs in the Kalispell assessment area. A sample of consumer, residential real estate, and small business loans originated in the Kalispell assessment area from December 2007 to May 2008 was evaluated for the Lending Test, as illustrated in Table 7.

<i>Loan Type</i>	<i>Number of Loans</i>		<i>Amount of Loans (in thousands)</i>	
Consumer	123	38.6%	\$ 1,255	3.3%
Residential Real Estate	89	27.9%	\$24,334	63.3%
Small Business	107	33.5%	\$ 12,859	33.4%
Total	319	100.0%	\$38,448	100.0%

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

The bank's performance in providing loans to borrowers of different income levels and to businesses of different sizes is very good in the Kalispell assessment area. For this criterion, emphasis is placed on lending to low- and moderate-income borrowers and to businesses with gross annual revenues of \$1 million or less.

Table 8 reflects the percentages of consumer and residential real estate loans made to borrowers of different income levels during the sample period.

	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>		<i>Unknown Income</i>	
	#	%	#	%	#	%	#	%	#	%
Consumer	33	26.8	32	26.0	34	27.6	20	16.3	4	3.3
Residential Real Estate	2	2.3	13	14.6	22	24.7	51	27.3	1	1.1
Percentage of Families by Income Levels**	20.1%		19.5%		23.4%		37.0%		NA	
Percentage of Households by Income Levels**	23.0%		16.9%		19.8%		40.3%		NA	
*Median family income for the Montana nonmetropolitan area is \$48,900 and \$51,700 for 2007 and 2008, respectively.										
**Based on 2000 census data.										

Consumer lending. The bank's level of lending to low- and moderate-income borrowers is very good. The bank originated 26.8% and 26.0% of its consumer loans to low- and moderate-income borrowers, respectively. This compares very well to demographics, which indicates 20.1% and 19.5% of families in the assessment area are considered low and moderate income, respectively. The level of lending also compares very favorably to the household income demographics, which shows 23.0% of households in the assessment area are low income and 16.9% are moderate income. The bank offers a variety of closed-end and open-end consumer loan products including automobile loans, debt consolidation loans, home equity lines of credit, and unsecured loans, which enables the bank to attain very good penetration among low- and moderate-income borrowers and demonstrate its commitment to meeting credit needs in the assessment area.

Residential real estate lending. The bank's level of residential real estate lending to low- and moderate-income borrowers in this assessment area is relatively low but reasonable. The bank extended 2.2% of the residential real estate loans to low-income borrowers, though the demographics indicate 20.1% of the families in the assessment area are considered low income. The bank extended 14.6% of the residential real estate loans to moderate-income borrowers, also falling slightly below the demographics. As discussed previously, the cost of housing in this assessment area continues to be a challenge. Though average home prices are slowly decreasing, there is still an affordability gap. In 2007, the mean housing price in Kalispell was approximately \$259,000; in Columbia Falls, \$230,000; in Polson, \$201,000; in Eureka, \$124,000; and in Whitefish, \$363,000, based on data published by www.city-data.com. According to the August 2008 National Association of Realtors' Housing Affordability Index, in order to afford the national median priced single-family home of \$201,900, the qualifying income for a loan at 6.53% was \$49,152 based on monthly housing to income expense ratio of 25%. Information provided by

community contacts indicates an affordable home in the assessment area is approximately \$150,000. The average wage in the assessment area in 2007 was \$29,182, according to data published by the Montana Department of Labor and Industry. Given the assessment area characteristics, the bank's level of residential real estate lending to low- and moderate-income borrowers is reasonable.

Small business lending. The bank's level of lending to small businesses is good. Table 9 shows the percentage of small business loans made to businesses of different sizes.

<i>Small Farm and Small Business Loan Originations</i>	\leq \$100,000	$>$ \$100,000 to \leq \$250,000	$>$ \$250,000 to $<$ \$500,000 (Farm) - \$1 Million (Business)	<i>Total Originations</i>
Percentage of All Small Business Loans	65.4%	18.7%	15.9%	100.0%
Percentage of Loans to Businesses with Revenues Less Than or Equal to \$1 Million	69.7%	19.1%	11.2%	83.2%

The bank originated 107 small business loans during the sample period in this assessment area. According to 2007 Dun & Bradstreet data, 91.8% of businesses in the assessment area have revenues of \$1 million or less. The bank extended a majority, 83.2%, of its small business loans to entities with gross annual revenues of \$1 million or less. Though slightly lower than demographics, the level of lending is good given the competitive market in which the bank operates. In addition, the bank originated 69.7% of the loans to small businesses for amounts of \$100,000 or less and 19.1% for amounts between \$100,000 and \$250,000, demonstrating the bank's willingness to meet the credit needs of small business entities in its assessment area.

Overall, the bank's level of lending to borrowers of different income levels and to businesses of different sizes is satisfactory.

Geographic Distribution of Loans

The bank's loan originations demonstrate satisfactory dispersion throughout the Kalispell assessment area. For this criterion, emphasis is placed on the bank's lending in low- and moderate-income census tracts.

The bank originated a majority of the loans in the middle- and upper-income census tracts, which represent 82.8% of the tracts in the assessment area. There are no low-income and only five moderate-income census tracts in the assessment area. Table 10 shows the distribution of loans in the assessment area by census tract income level.

TABLE 10
Geographic Distribution of Loans in the Assessment Area by Census Tract Income Level*

<i>Loan Type Sample</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
	#	\$	#	\$	#	\$	#	\$
Consumer	0.0%	0.0%	4.9%	4.6%	84.6%	71.4%	10.6%	24.0%
Residential Real Estate	0.0%	0.0%	2.2%	1.2%	85.4%	83.6%	12.4%	15.2%
Small Business	0.0%	0.0%	3.7%	0.9%	85.0%	91.1%	11.2%	8.0%
Demographic Data								
Number of Census Tracts	0		5		22		2	
Percentage of Census Tracts	0		17.2		75.9		6.9	
Percentage of Families	0		8.2		82.0		9.8	
Percentage of Owner-Occupied Units	0		7.8		82.5		9.7	
Percentage of Small Business Entities	0		6.3		86.0		7.7	

*Income classification of geographies based on 2000 median family income.

Consumer lending. The distribution of consumer loans in the moderate-income tracts is satisfactory and generally consistent with area demographics. It improved slightly since the previous evaluation. The bank extended 4.9% by number and 4.6% by dollar amount of consumer loans in the moderate-income census tracts. The lower activity in the moderate-income tracts is reasonable given the following factors. Moderate-income census tracts 9401.00 in Lake County and 9401.00 in Flathead County have populations of 426 and 17, respectively. The bank did not extend any consumer loans to borrowers residing in these census tracts. In Lake County, moderate-income census tract 9404.00 is south of Polson, Montana, and closer to Ronan, Montana. There are several financial institutions in this part of the county to meet the credit needs of communities within the census tract. Three of the five moderate-income tracts in the assessment area are located within the Flathead Indian Reservation boundaries. The reservation has its own lending department and extends consumer purpose loans to tribal members. Lincoln County contains moderate-income tracts 2.00 and 5.00, and 19.4% of the consumer loans in Lincoln County were in these census tracts. Finally, census tract 5.00 is more remote from the bank's Libby office and is likely serviced by other financial institutions, particularly in Troy, Montana. Overall, the bank's level of lending to borrowers in moderate-income tracts is satisfactory.

Residential real estate lending. The bank's level of originating residential real estate loans in the moderate-income tracts is less than demographics but reasonable. The bank extended 2.2% of its residential real estate loans in moderate-income tracts, less than the previous evaluation. The bank did not extend any residential real estate loans in Lake County census tract 9401.00, Flathead County census tract 9401.00, or Lincoln County census tract 2.00. As mentioned previously, the Flathead and Lake tracts are sparsely populated. In Lake County, the majority of residential real estate loans originated were to borrowers in middle-income census tract 9403.00, which includes Polson and is the most populous tract in the county. Also, as discussed previously, Lake County moderate-income tract 9404.00 is closer in proximity to Ronan where other financial institutions maintain a physical presence, and therefore the bank's extension of only one residential real estate loan in the tract is explainable. Finally, the percentage of owner-occupied units in the moderate-income census tracts is low, at 7.8%. Overall, the bank's level of residential real estate lending to borrowers in moderate-income tracts is reasonable.

Small business lending. The geographic distribution of the bank's small business loans is reasonable. The bank extended 3.7% of the small business loans to entities in moderate-income census tracts. According to 2007 Dun & Bradstreet data, 6.3% of the assessment area businesses are in the moderate-income census tracts. Though slightly below demographics, the level of small business lending in moderate-income tracts improved since the previous evaluation. The bank did not extend any small business loans in the sample in Lake County tracts 9401.00 and 9404.00 and Flathead County tract

9401.00. As mentioned, competition for commercial loans is strong throughout the assessment area and in particular, in Lake County tract 9404.00, which is geographically closer to Ronan, where the bank does not maintain a physical presence.

Overall, the geographic distribution of loans throughout the assessment area is reasonable.

COMMUNITY DEVELOPMENT TEST

The community development activity in the Kalispell assessment area continues to reflect an excellent responsiveness to community development needs. The bank actively engaged in providing community development loans, services, and investments since the previous evaluation.

Community Development Loans

The bank's level of community development lending in the Kalispell assessment area is excellent. The bank originated a total of \$3.7 million in four community development loans since the previous evaluation. Though this represents a decrease from the previous evaluation, at that time the lending activity included two loans of amounts significant enough to constitute 76.9% of all community development lending in this assessment area. Table 11 reflects the type, number, and dollar amount of qualified community development loans originated in the Kalispell assessment area.

<i>Type of Loans</i>	<i>Number of Loans</i>	<i>Dollar Amount of Loans</i>
Revitalize and Stabilize	2	\$1,500,000
Economic Development	1	\$1,500,000
Affordable Housing	1	\$ 736,053
Total	4	\$3,736,053

The bank originated the affordable housing loan to an organization building a 40-unit, low-income senior housing facility. The population in the assessment area is aging and the project will directly address the need for affordable housing, as a Lake County affordable housing organization maintains only 29 senior housing units in Ronan and St. Ignatius, Montana. The bank also originated an operating loan to a tribal-owned Certified Small Disadvantaged Business, promoting economic development by financing a small business that retains jobs in a moderate-income census tract. In addition, the bank increased the operating line of credit for a critical access hospital facility located in a moderate-income census tract. Finally, the bank originated a dormitory construction loan to a tribal college located on the Flathead Indian Reservation. The college works closely with local technology companies, often tailoring course offerings to increase the labor pool available and, in turn, students often stay in the area after completing studies. This loan helps stabilize a moderate-income census tract.

The bank's level of community development lending is excellent based on the following factors. The bank originated a variety of loan types including affordable housing, economic development, and revitalization and stabilization. The competition for community development loans is vigorous throughout the assessment area, and in particular, a credit union and other financial institutions located in Lake County have been quite active in community development lending. Bank management is active in several community-based development organizations and is kept abreast of new projects. Bank management works diligently to identify opportunities for this type of lending; however, opportunities for qualified community development loans have not been as abundant recently.

Community Development Investments

The level of community development investments and donations in the assessment area is very good. The bank has not purchased any new qualified investments since the previous evaluation; however, it acquired qualified investments through the merger with Glacier Bank of Whitefish. The bank holds city of Whitefish tax increment urban renewal bonds for \$1.5 million, purchased by Glacier Bank of Whitefish in 2004 and \$1.8 million in bonds purchased by Glacier Bank of Whitefish in 2001. The bond proceeds were used for urban renewal including the reconstruction of city streets, demolition of buildings for future development, and improvements to vacant lots. The area targeted for renewal by the city is the Whitefish central business district.

In addition, the bank made several qualified community development investments in the form of donations to organizations in the assessment area. Since the previous evaluation, the bank made over \$62,700 in qualified donations in this assessment area, increasing the donations in this assessment area by approximately 51.7% since the previous evaluation. The bank also increased the number and types of community development organizations receiving contributions in the assessment area. The bank continues to donate time for radio advertisements that promote fundraising efforts benefiting a variety of community development organizations.

Community Development Services

The bank provides a high level of community development services in this assessment area. Fifty-six bank and bank holding company officers and employees contributed financial skills to organizations that provide economic development, affordable housing, and/or community services to low- and moderate-income individuals. Since the previous evaluation, several officers and employees have served on multiple committees of the United Way including citizens review panels to determine funding outlays and finance committees. In addition, officers and employees served nine other community development organizations targeting low- and moderate-income individuals. Bank and bank holding company officers and bank employees also provided services related to affordable housing through activities with 13 organizations. Finally, bank officers provided services related to economic development through activities with three organizations.

Bank officers and employees continue to provide services to GAHF, although the foundation's activities have not been as extensive recently due to reduced third-party funding in response to national economic trends. Bank officers and employees underwrite loans, audit loan files, and serve on the foundation's board of directors.

Of particular note is the community contacts' views that the bank and its officers and employees are leaders in community participation.

In addition to community development services, the bank maintains accessible business hours for area residents and businesses. The bank also offers 24-hour banking services via a toll-free telephone number as well as Internet banking that includes bill-payment services. Finally, the bank provides free checking account products for both consumer and small business customers.

In total, the bank's community development activities are very responsive to assessment area opportunities and needs. The bank's level of community development activities in the Kalispell assessment area is excellent.

NONMETROPOLITAN AREA

DESCRIPTION OF THE BUTTE/ANACONDA, MONTANA, ASSESSMENT AREA

The bank has designated separate assessment areas for Butte and Anaconda and has not changed the assessment areas since the previous evaluation. For analysis purposes, the Butte and Anaconda assessment areas were combined for this evaluation.

The Butte assessment area is defined as Silver Bow County. It consists of eight census tracts, one of which is a moderate-income census tract. There are two offices and seven ATMs in the Butte assessment area. The Anaconda assessment area consists of three census tracts in Deer Lodge County, all of which are middle-income census tracts. There is one office and one ATM in the Anaconda assessment area.

According to the June 30, 2008, Federal Deposit Insurance Corporation Deposit Market Share Report, the bank had deposits of \$105.7 million in the Butte/Anaconda assessment area, representing 18.1% of market share. The bank is ranked third in deposit share, behind two national banks.

The following table provides detailed data about the demographic characteristics of the Butte/Anaconda assessment area. Assessment area demographics are based on 2000 U.S. Census data and the 2007 small business and small farm data reported to Dun & Bradstreet.

TABLE 12								
Butte/Anaconda Assessment Area Demographics								
<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	#	%	#	%	#	%	#	%
Low Income	0	0	0.0	0.0	0	0.0	2,056	18.4
Moderate Income	1	9.1	1,135	10.2	302	26.6	2,117	18.9
Middle Income	7	63.6	6,353	56.8	713	11.2	2,520	22.5
Upper Income	3	27.3	3,693	33.0	221	6.0	4,488	40.1
Total Assessment Area	11	100.0	11,181	100.0	1,236	11.1	11,181	100.0
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>		<i>Rental</i>		<i>Vacant</i>		
		#	%	%	#	%	#	%
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	2,874	1,098	8.6	38.2	1,232	42.9	544	18.9
Middle Income	12,153	7,373	57.9	60.7	3,084	25.4	1,696	14.0
Upper Income	5,538	4,261	33.5	76.9	890	16.1	387	7.0
Total Assessment Area	20,565	12,732	100.0	61.9	5,206	25.3	2,627	12.8
<i>Income Categories</i>	<i>Total Businesses by Tract</i>	<i>Businesses by Tract and Revenue Size</i>						
		<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>		
		#	%	#	%	#	%	
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	461	24.5	414	24.3	36	28.8	11	22.9
Middle Income	869	46.2	807	47.3	43	34.4	19	39.6
Upper Income	549	29.2	485	28.4	46	36.8	18	37.5
Total Assessment Area	1,879	100.0	1,706	100.0	125	100.0	48	100.0
Percentage of Total Businesses:				90.8		6.7		2.6

TABLE 12
Butte/Anaconda Assessment Area Demographics

<i>Income Categories</i>	<i>Total Farms by Tract</i>		<i>Farms by Tract and Revenue Size</i>					
	#	%	<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
			#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	1	2.9	1	2.9	0	0.0	0	0.0
Middle Income	13	37.1	13	37.1	0	0.0	0	0.0
Upper Income	21	60.0	21	60.0	0	0.0	0	0.0
Total Assessment Area	35	100.0	35	100.0	0	0.0	0	0.0
Percentage of Total Farms:			100.0		0.0		0.0	

Income. For purposes of classifying borrower incomes, this evaluation uses the Department of Housing and Urban Development’s estimated median family income. For borrowers in nonmetropolitan Montana, the value is \$48,900 for 2007 and \$51,700 for 2008. For purposes of classifying census tract income levels, this evaluation uses the nonmetropolitan Montana’s 2000 median family income, which was \$39,050.

Population. According to 2000 U.S. Census data, the population in the Butte/Anaconda assessment area is 42,684. The July 1, 2007, population estimate for Deer Lodge and Silver Bow counties is 41,504, representing a decrease of approximately 5.7% since 2000. The estimate includes all of Deer Lodge County; therefore, the estimate for the defined assessment area may be slightly less because the assessment area includes only three of the four census tracts in Deer Lodge County. The 2000 census data also indicates approximately 11.1% of the families in the assessment area have incomes below the poverty level.

General economic and housing characteristics. According to bank management and community contacts, the overall economy for the Butte/Anaconda assessment area had been relatively stable over the last few years but recently started to experience slight declines. The motel that operated the area’s only conference center recently closed and a regional carrier no longer provides passenger air travel service to/from the local airport. The area typically lags behind national trends by six to twelve months. One contact indicated the Butte area has been somewhat sheltered from the housing crisis and other national economic trends, though the expectation remains that the area will experience an economic slowdown. The contact indicated the Butte area is attempting to attract new industries, particularly in the form of a wind turbine company. In addition, the Butte area is being considered as a state supercomputer site. Another contact indicated economic expansion in Deer Lodge County is often governed by the status of the Environmental Protection Agency Superfund cleanup at various old mining sites. The contact also stated the area has experienced some recent expansion at a local foundry and fabrication company.

Community contacts and bank management indicated the average age of the population in the assessment area is increasing. Younger people tend to leave the area for career opportunities elsewhere. Bank management also stated that in the Anaconda area, most of the bank’s customer base is not considered low or moderate income and often has significant savings.

In Silver Bow County, the economy is largely based on the health care, retail, leisure and tourism sectors, and utilities. The area economy is also supported by several technology-based companies. The main employers include St. James Healthcare; NorthWestern Energy; Montana Resources, LLP; Wal-Mart Stores, Inc.; and the local counseling and correctional services industry. According to the Montana Department of Labor and Industry, the 2007 average annual wage in the county was \$33,434. A community contact indicated that mine workers’ salaries are some of the highest in the area due to base salaries and bonuses.

In Deer Lodge County, since the end of local copper mining, the area is mainly a recreational community. The area's natural resources include Montana's largest wildlife management area and the Anaconda mountain range. Major employers include the local hospital and nursing home; Fairmont Hot Springs Resort; AWARE, Inc.; and hospitality and service industry companies. According to the Montana Department of Labor and Industry, the 2007 average annual wage in the county was \$24,716.

According to the U.S. Department of Labor, the July 2008 nonseasonally adjusted unemployment rate was 3.8% for Silver Bow County and 4.8% for Deer Lodge County. The rates are higher than the statewide rate of 3.5% for the same time period.

The cost of housing is slowly increasing in the area, but community contacts indicate housing is still generally affordable and availability has remained stable. The mean home price in 2007 for Butte-Silver Bow was approximately \$158,000 based on data published by www.city-data.com. In Anaconda-Deer Lodge, the mean home price in 2007 was \$164,000 according to the same source. According to the Public Housing Authority of Butte, average rents range from \$439 for a studio unit to \$1,020 for a three-bedroom rental unit. In Butte, there is a waiting list for low-rent public housing; preference is given to working families, veterans, and/or disabled individuals.

Community contacts and bank management indicated a demand for debt consolidation loans, home improvement and home equity loans, and general consumer purpose loans (e.g., automobile and recreational vehicle loans). Contacts also stated area home sales are down; therefore, there is not a great demand for real estate purchase loans.

Members of local community-based organizations familiar with the characteristics of the area were contacted to provide information on economic conditions as well as to identify community credit needs. Information from these contacts was used in evaluating the bank's performance in the Butte/Anaconda assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE BUTTE/ANACONDA ASSESSMENT AREA

The bank demonstrates good lending performance in the Butte/Anaconda assessment area. The bank's level of lending to borrowers of different income levels and to businesses of different sizes is satisfactory. The geographic distribution of lending shows good penetration throughout the assessment area. The bank's community development activity level in the assessment area is good and responsive to community needs.

LENDING TEST

The Lending Test for Glacier Bank reflects a good responsiveness to the credit needs in the Butte/Anaconda assessment area. A sample of consumer, residential real estate, and small business loans originated in the Butte/Anaconda assessment area from December 2007 to May 2008 was evaluated for the Lending Test, as illustrated in Table 13.

<i>Loan Type</i>	<i>Number of Loans</i>		<i>Amount of Loans (in thousands)</i>	
Consumer	29	55.8%	\$ 272	10.6%
Residential Real Estate	16	30.8%	\$1,844	71.5%
Small Business	7	13.4%	\$ 462	17.9%
Total	52	100.0%	\$2,578	100.0%

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

The bank's performance in providing loans to borrowers of different income levels and to businesses of different sizes is satisfactory in this assessment area. For this criterion, emphasis is placed on lending to low- and moderate-income borrowers and to businesses with gross annual revenues of \$1 million or less.

Table 14 reflects the percentages of consumer and residential real estate loans made to borrowers of different income levels during the sample period.

	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>		<i>Unknown Income</i>	
	#	%	#	%	#	%	#	%	#	%
Consumer	3	10.3	7	24.1	5	17.2	12	41.4	2	6.9
Residential Real Estate	0	0.0	2	12.5	6	37.5	8	50.0	0	0.0
Percentage of Families by Income Levels**	18.4%		18.9%		22.5%		40.1%		NA	
Percentage of Households by Income Levels**	25.6%		18.2%		18.5%		37.7%		NA	
*Median family income for the Montana nonmetropolitan area is \$48,900 and \$51,700 for 2007 and 2008, respectively.										
**Based on 2000 census data.										

Consumer lending. The bank's level of lending to low- and moderate-income borrowers is reasonable and meets the standards for satisfactory performance. The bank originated 10.3% and 24.1% of its consumer loans to low- and moderate-income borrowers, respectively. Although the percentage to low-income borrowers is below demographics, the combined percentage of 34.5% is more comparable to the combined demographics of 37.3% for families. According to bank management, competition for consumer loans is strong, especially in the Butte area, where the bank competes with several large credit unions. In addition, management indicated a portion of the bank's customer base traditionally maintains more significant amounts in savings and is unlikely to obtain consumer loans. Finally, the level of lending may be skewed by such small sample sizes. Overall, given the context, the bank's level of consumer lending to low- and moderate-income borrowers is reasonable.

Residential real estate lending. The bank's level of residential real estate lending to low- and moderate-income borrowers in this assessment area is low but reasonable. The bank did not extend any residential real estate loans to low-income borrowers, though the demographics indicate 18.4% of the families in the assessment area are low income. The bank extended 12.5% of the residential real estate loans to

moderate-income borrowers, below the demographics. Community contacts indicated home purchases in the area are down and the residential real estate focus is geared more toward home improvement. The housing situation has not changed significantly since the previous evaluation, although another community contact indicated cost of housing is rising slowly. As stated previously, average wages are \$33,434 in Silver Bow County and \$24,716 in Deer Lodge County, while the average single-family home prices are \$163,000 and \$162,700, respectively, several times annual income levels. Overall, the bank's level of residential real estate lending to low- and moderate-income borrowers is reasonable.

Small business lending. The bank's level of lending to small businesses is reasonable. Table 15 shows the percentage of small business loans made to businesses of different sizes.

<i>Small Farm and Small Business Loan Originations</i>	<i>≤ \$100,000</i>	<i>> \$100,000 to ≤ \$250,000</i>	<i>> \$250,000 to < \$500,000 (Farm) - \$1 Million (Business)</i>	<i>Total Originations</i>
Percentage of All Small Business Loans	85.7%	0.0%	14.3%	100.0%
Percentage of Loans to Businesses with Revenues Less Than or Equal to \$1 Million	100.0%	0.0%	0.0%	57.1%

The bank originated only seven small business loans in the sample period in this assessment area. The bank extended a small majority, 57.1%, of its small business loans to entities with gross annual revenues of \$1 million or less. In addition, all of the loans to small businesses were for amounts of \$100,000 or less, indicating the bank's commitment to providing general operating credit for local small businesses. According to 2007 Dun & Bradstreet data, 90.8% of businesses in the assessment area have revenues of \$1 million or less. Given the small sample size, the percentages may be skewed. The bank's lending to businesses of different sizes is reasonable and meets the standards for satisfactory performance.

Overall, the bank's level of lending to borrowers of different income levels and to businesses of different sizes is satisfactory.

Geographic Distribution of Loans

The bank's loan originations demonstrate satisfactory dispersion throughout the Butte/Anaconda assessment area. For this criterion, emphasis is placed on the bank's lending in low- and moderate-income census tracts.

The bank originated a majority of the loans in the middle- and upper-income census tracts, which represent 90.9% of the tracts in the assessment area. There are no low-income and only one moderate-income census tract in the assessment area. Table 16 shows the distribution of loans in the assessment area by census tract income level.

<i>Loan Type Sample</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
	<i>#</i>	<i>\$</i>	<i>#</i>	<i>\$</i>	<i>#</i>	<i>\$</i>	<i>#</i>	<i>\$</i>
Consumer	0.0%	0.0%	20.7%	25.0%	51.7%	48.6%	27.6%	26.4%
Residential Real Estate	0.0%	0.0%	6.3%	11.7%	68.8%	55.2%	25.0%	33.1%
Small Business	0.0%	0.0%	14.3%	10.9%	28.6%	4.6%	57.1%	84.5%
Demographic Data								
Number of Census Tracts	0		1		7		3	
Percentage of Census Tracts	0		9.1		63.6		27.3	
Percentage of Families	0		10.2		56.8		33.0	
Percentage of Owner-Occupied Units	0		8.6		57.9		33.5	
Percentage of Small Business Entities	0		24.3		47.3		28.4	
*Income classification of geographies based on 2000 median family income.								

Consumer lending. The bank's level of originating consumer loans in the moderate-income tract is very good. The bank extended 20.7% by number and 25.0% by dollar amount of consumer loans in the moderate income census tract, well above the percentage of families in the assessment area that reside in this tract.

Residential real estate lending. The bank's level of originating residential real estate loans in the moderate-income tract is reasonable. The bank extended 6.3% of its residential real estate loans in the moderate-income tract, reflecting a higher percentage than the previous evaluation. The percentage of owner-occupied units in the census tract is low at 8.6%. Finally, 42.9% of the units in the census tract are rental units. For these reasons, the geographic distribution of the bank's residential real estate loans is reasonable.

Small business lending. The geographic distribution of the bank's small business loans is reasonable. The bank's extended 14.3% of the small business loans to entities in the moderate-income census tract. According to 2007 Dun & Bradstreet data, 24.1% of the assessment area businesses are in the moderate-income census tract. Although below demographics, the number of small business loans in the sample is very small, and therefore the percentages may be skewed.

Overall, the geographic distribution of loans throughout the assessment area is reasonable.

COMMUNITY DEVELOPMENT TEST

The community development activity in the Butte/Anaconda assessment area is very good. The bank actively engaged in providing community development services and investments in the form of donations and originated one community development loan. The bank's activities are responsive to the needs of the community.

The bank's strongest performance in this assessment area was its involvement in community development services.

Community Development Services

The bank provides a high level of community development services in this assessment area. Six bank officers and employees contribute financial skills to organizations that provide community services to

low- and/or moderate-income residents, and economic development and affordable housing organizations. Since the previous evaluation, bank employees provided services to five organizations fostering economic development. Bank employees provided services to three community organizations targeting low- or moderate-income individuals. Finally, bank employees provided services to three affordable housing organizations. Bank staff mainly served as board members, treasurers, and loan committee members or provided expertise for first-time homebuyer programs. Community contacts indicated bank officers and employees have a strong presence in the community and are actively engaged in community services. Finally, the branch managers in Butte and Anaconda serve in leadership positions with local economic development corporations.

The bank maintains business hours at branch offices that are accessible to area residents. The bank also offers 24-hour banking services via a toll-free telephone number as well as Internet banking that includes bill-payment services. Finally, the bank provides free checking account products for both consumer and small business customers.

Community Development Investments

The bank has not purchased any qualified investments in the assessment area since the previous evaluation. The level of qualified investments in the form of donations is reasonable. Since the previous evaluation, the bank made more than \$15,800 in qualified donations in this assessment area, an increase of 4.5% from the previous evaluation. The bank donated to 11 community organizations that provide a variety of services, primarily to low- and moderate-income individuals.

Community Development Loans

The bank's level of community development lending is reasonable. The bank originated one loan for \$60,000 in the Butte assessment area. The loan was to a local chapter of a national nonprofit affordable housing organization. Although the level of community development lending has decreased since the previous evaluation, bank management indicated the opportunities for qualified community development lending in the assessment area have not been abundant recently. In addition, community contacts indicated the opportunities for community development loans have been limited and competition can be rigorous, especially in the Butte area. Despite a low level of community development lending at this evaluation, community contacts view the bank as a leader in community involvement.

In total, the bank's community development activities are responsive to assessment area opportunities and needs. The bank's community development activities in the Butte/Anaconda assessment area are good.

Appendix A

Glossary of Common CRA Terms

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan statistical area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 C.F.R. 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation (the Agencies) have adopted the following additional language as part of the revitalize or stabilize definition of community development.

Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Agencies based on:
 - a. Rates of poverty, unemployment, and population loss or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help meet essential community needs, including the needs of low- and moderate-income individuals.

Consumer loan: A loan to one or more individuals for household, family, or other personal expenditures. It does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending and Community Development Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending and Community Development Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

Low-income: Individual income that is less than 50 percent of the area median income or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan statistical area (MSA): An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan to business: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or classified as commercial and industrial loans.

Small loan to farm: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income or a median family income that is more than 120 percent, in the case of geography.

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)