

GLACIER BANCORP INC

Form 424B3

June 01, 2006

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Registration No. 333-134153

**PROSPECTUS OF
OF CITIZENS DEVELOPMENT COMPANY**

GLACIER BANCORP, INC.

PROXY STATEMENT

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Citizens Development Company Shareholders:

The boards of directors of Citizens Development Company and Glacier Bancorp, Inc. have agreed on a merger of Citizens into Glacier. When the merger occurs, the current subsidiary banks of Citizens will operate as subsidiaries of Glacier.

Under the terms of the Plan and Agreement of Merger, dated April 20, 2006, between Glacier and Citizens, Glacier will pay a total of \$77 million (less any specified excess transaction fees, and plus a possible earnings adjustment based on Citizens adjusted after-tax earnings from July 1, 2006 to the effective date of the merger), in cash and in Glacier common stock. The Merger Agreement provides that the portion of the merger consideration payable in Glacier common stock will be fixed at 40% of the total merger consideration and the portion payable in cash will be fixed at 60% of the total merger consideration. However, individual Citizens shareholders will be allowed to choose whether to exchange their Citizens shares entirely for shares of Glacier stock, or for a combination of Glacier stock and cash. Those electing to receive all stock will receive the number of Glacier shares having a market value equal to the value of their Citizens shares, based on the market value of Glacier stock during a five-day trading period shortly before closing. The exact percentage of cash and Glacier common stock to be received by Citizens shareholders electing a combination of cash and stock will not be known until the effective date of the merger. However, under reasonable assumptions, it is anticipated that those electing a combination of stock and cash will receive approximately 35% to 40% of the purchase price in shares of Glacier stock and approximately 60% to 65% of the purchase price in cash. **A form for making your election is enclosed.**

The number of shares of Glacier common stock that will be exchanged for shares of Citizens common stock will not be determined until five days prior to the merger. As explained in more detail in this document, whether you elect to receive Glacier common stock or a combination of stock and cash for your shares, the value of the consideration that you receive as of the completion date will be substantially the same, based on the average Glacier common stock price used to calculate the merger consideration.

In the merger, assuming that the base merger consideration of \$77 million is not decreased by the amount of any excess transaction fees or increased by the amount of any earnings adjustment, Citizens shareholders will receive \$163.32, in cash and/or Glacier common stock, per Citizens share. Based on the same assumptions, Citizens shareholders will own approximately 3.08% of Glacier's outstanding common stock following the merger.

Your board of directors believes that the terms of the merger are fair and in the best interest of Citizens and its shareholders. In reaching this decision, the board considered numerous factors as described in the attached proxy statement/prospectus.

The merger cannot be completed unless you approve it. Approval requires the affirmative vote of at least two thirds (662/3%) of each of the Class A and Class B shares entitled to be cast at a special meeting of Citizens shareholders called to consider the merger. We will hold a special shareholders meeting to vote on the merger proposal. **The Citizens special shareholders meeting will be held on Wednesday, June 28, 2006, at 4:00 p.m.**

local time, at First Citizens Bank of Billings, 2812 First Avenue North, Billings, Montana. Whether or not you plan to attend the special meeting, please take the time to vote by completing and mailing the enclosed form of proxy.

On behalf of the Citizens board of directors, I recommend that you vote FOR approval of the merger.

Dean Comes
President and Chief Executive Officer

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None of the Federal Deposit Insurance Corporation, Securities and Exchange Commission, nor any state securities commission has approved the securities to be issued by Glacier or determined if this proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense. The shares of Glacier common stock to be issued in the merger are not savings or deposit accounts or other obligations of a bank and are not insured by the Federal Deposit Insurance Corporation, the Bank Insurance Fund or any other governmental agency. Such shares are not guaranteed by Glacier or Citizens and are subject to investment risk, including the possible loss of principal.

This proxy statement/prospectus is dated May 25, 2006, and is first being mailed to Citizens shareholders on May 26, 2006.

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**CITIZENS DEVELOPMENT COMPANY
2812 1ST Avenue North, Suite 324
Billings, Montana 59101**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD JUNE 28, 2006**

TO THE SHAREHOLDERS OF CITIZENS DEVELOPMENT COMPANY:

A special meeting of shareholders of Citizens Development Company will be held on June 28, 2006, at 4:00 p.m. local time, at the offices of First Citizens Bank of Billings, 2812 First Avenue North, Billings, Montana. The special meeting is for the following purposes:

1. **MERGER AGREEMENT.** To consider and vote upon a proposal to approve the Plan and Agreement of Merger, dated as of April 20, 2006, among Glacier Bancorp, Inc. and Citizens, under the terms of which Citizens will merge with and into a newly-formed subsidiary of Glacier, as more fully described in the accompanying proxy statement/prospectus. The Merger Agreement is attached as **Appendix A** to the proxy statement/prospectus that accompanies this notice.

2. **OTHER MATTERS.** If necessary, to consider and act upon a proposal to adjourn the meeting to permit us to solicit additional proxies in the event that we do not have sufficient votes to approve the merger as of the date of the meeting.

Holders of record of Citizens common stock at the close of business on May 24, 2006, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting or any adjournments or postponements of it. The affirmative vote of the holders of at least two thirds (662/3%) of each of the Class A and Class B shares entitled to be cast, voting as separate groups, at the Citizens special meeting is required for approval of the Merger Agreement. As of May 24, 2006, there were 43,151.33 shares of Class A common stock and 428,321.82 shares of Class B common stock, outstanding and entitled to vote at the special meeting.

Citizens shareholders have the right to dissent from the merger and obtain payment of the fair value of their Citizens shares under the applicable provisions of Montana law. A copy of the applicable statutes regarding dissenters' rights is attached as **Appendix B** to the accompanying proxy statement/prospectus. For details of your dissenters' rights and how to exercise them, please see the discussion under the heading "The Merger - Dissenters' Rights of Appraisal."

The board of directors of Citizens has determined that the Merger Agreement is fair to and in the best interests of Citizens and its shareholders and recommends that you vote FOR approval of the Merger Agreement.

By Order of the Board of Directors,

Jason Hinch, Secretary

Billings, Montana
May 25, 2006

YOUR VOTE IS IMPORTANT.

Whether or not you plan to attend the special meeting, please complete, sign, date and promptly return the accompanying proxy using the enclosed envelope. If for any reason you should desire to revoke your proxy, you

may do so at any time before it is voted at the meeting. If you do not vote your shares, it will have the same effect as voting against the merger.

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REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Glacier from documents that are not included in or delivered with this document.

You can obtain documents incorporated by reference into this proxy statement/prospectus by requesting them in writing or by telephone from Glacier at the following address:

Glacier Bancorp, Inc.
49 Commons Loop
Kalispell, Montana 59901
ATTN: James H. Strosahl, Corporate Secretary
Telephone: (406) 751-4702

You will not be charged for the documents that you request. If you would like to request documents, please do so by June 13, 2006 in order to receive them before the Citizens special shareholders meeting.

See Where You Can Find More Information About Glacier.

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QUESTIONS AND ANSWERS ABOUT THIS DOCUMENT AND THE MERGER

What is the purpose of this proxy statement/prospectus?

This document serves as both a proxy statement of Citizens Development Company and a prospectus of Glacier Bancorp, Inc. As a proxy statement, it is being provided to you by Citizens because the board of directors of Citizens is soliciting your proxy to vote to approve the proposed merger of Citizens with and into Glacier. After the merger, Glacier will own the subsidiary banks of Citizens, which are referred to in this document as the Citizens Banks. As a prospectus, it is being provided to you by Glacier because Glacier is offering you shares of its common stock as partial consideration for your Citizens shares.

What will Citizens shareholders receive in the merger?

Under the terms of the Plan and Agreement of Merger, dated as of April 20, 2006, by and between Glacier and Citizens, Glacier will pay cash and issue shares of its common stock in exchange for all outstanding shares of Citizens common stock. The Merger Agreement provides that the total merger consideration will be \$77 million, plus a possible earnings adjustment in an amount equal to the amount of Citizens adjusted after tax-earnings from July 1, 2006 to the effective date of the merger. The total merger consideration may be reduced, if applicable, by the amount of any excess Citizens transaction fees as defined in the Merger Agreement. The total amount of stock that Glacier will be required to issue in the merger is fixed at 40% of the total merger consideration.

Based on the 471,473.15 Citizens shares that are currently outstanding, and assuming the \$77 million purchase price is not increased for the earnings adjustment or the decreased for excess transaction fees, the purchase price per Citizens share will be \$163.32.

What will I receive in the merger?

Under the Merger Agreement, unless you provide a notice of dissent, you may elect to receive for your shares either:

all Glacier common stock (a Stock Election), or

a combination of cash and Glacier common stock (a Combination Election).

Both the Stock Election and the Combination Elections are subject to the allocation procedures described in this document. As a result, the mix of cash and Glacier common stock that you receive will not be known until five days prior to the effective date of the merger. See The Merger Allocation for a more detailed discussion of allocation procedures under the Merger Agreement.

What happens if I elect to receive Glacier stock in the merger?

If you make a Stock Election, you will receive shares of Glacier common stock in payment for your shares of Citizens. The exact number of Glacier shares that you will receive for each Citizens share will not be determined until five days prior to the closing of the merger, when the value of the Glacier stock is established as provided in the Merger Agreement.

What happens if I elect to receive a combination of Glacier stock and cash in the merger?

If you make a Combination Election, you will receive Glacier stock for that portion of your shares that will cause the total Glacier shares issued in the merger to equal 40% of the total merger consideration, (after taking into account the shares to be issued to those making Stock Elections), with the balance of your shares paid in cash. The percentage mix of cash and Glacier common stock will not be known until the effective date of the merger. However, under reasonable assumptions, it is anticipated that those making a Combination Election will receive 35% to 40% of the purchase price in shares of Glacier stock and 60% to 65% in cash. See [The Merger Allocation](#).

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What is the amount of cash and/or the number of shares of Glacier common stock that I will receive for my shares of Citizens common stock?

The total merger consideration will not be determined until the effective date of the merger, because such consideration may be subject to the earnings adjustment described in this document, and the amount of any such earnings adjustment cannot be calculated until the effective date. The total merger consideration is also subject to possible reduction in the event of certain excess transaction fees as defined in the Merger Agreement. Additionally, the actual aggregate number of shares of Glacier common stock to be issued in the merger will not be determined until the fifth business day immediately prior to the effective date of the merger. As a result, the actual amount of cash and/or number of shares of Glacier common stock that you will receive for each of your Citizens shares will not be determined until shortly after the effective date of the merger. Those amounts will be determined based on a formula set forth in the Merger Agreement and described in this document, and once they are determined, those amounts will be made available on Glacier's website at www.glacierbancorp.com.

Will the value of the per share consideration that I receive be substantially equivalent regardless of which election I make?

Yes. The formula that will be used to calculate the consideration is intended to substantially equalize the value of the consideration to be received for each share of Citizens common stock in the merger, as measured during the valuation period ending on the determination date, regardless of whether you make a Stock Election or a Combination Election. As the value of Glacier stock fluctuates with its trading price, however, the value of the Glacier stock you receive for a Citizens share likely will not be the exact same as the cash to be paid per share on any given day after the fifth business day preceding the merger (that is, after the Glacier value per share for the merger is established, as described elsewhere in this document).

What are the tax consequences of the merger to me?

We expect that for United States federal income tax purposes, the exchange of shares of Citizens common stock solely for shares of Glacier common stock generally will not cause you to recognize any taxable gain or loss. We also expect that if you receive a combination of cash and stock in exchange for your Citizens shares, you will be required to recognize any gain to the extent cash is received in the merger, and you will not be entitled to recognize any loss realized. If you receive solely cash in the merger, which will occur only if you exercise dissenters' rights, you will recognize any gain or loss realized on the disposition of your Citizens shares. We urge you to consult your tax adviser to fully understand the tax consequences of the merger to you. Tax matters are very complicated and in many cases tax consequences of the merger will depend on your particular facts and circumstances.

Will the shares of Glacier that I receive in the merger be freely transferable?

The Glacier common stock issued in the merger will be transferable free of restrictions under federal and state securities laws, except for shares of Glacier common stock received by persons who are deemed to be affiliates of Citizens as defined under applicable federal securities laws. See [The Merger](#) [Stock Resales by Citizens Affiliates](#).

How do I elect the form of consideration I prefer to receive?

A green election form with instructions for making your election as to the form of consideration you prefer to receive in the merger accompanies this proxy statement/prospectus. To make your election, you must submit a green election form to Glacier's exchange agent before 5:00 p.m. Mountain Time on July 13, 2006, which is the tenth (10th) business day after the date of the Citizens special meeting. The election procedures are described under [The Merger](#) [Election Procedure](#). **Note that you must enclose your Citizens stock certificate(s) with the green election form.**

What is the deadline for receipt of my election form?

The green election forms must be received by the exchange agent by 5:00 p.m., Mountain Time, on July 13, 2006.

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May I change my election once it has been submitted?

Yes. You may change your election so long as your new election is received by the exchange agent prior to 5:00 p.m. on July 13, 2006. To change your election, you must send the exchange agent a written notice revoking any election previously submitted. You may at that time provide a new election.

What happens if I do not make an election prior to the deadline?

If you fail to submit a valid green election form to the exchange agent prior to 5:00 p.m. Mountain Time on July 13, 2006, then you will be deemed to have made a Combination Election.

When and where will the special meeting take place?

Citizens will hold a special meeting of its shareholders on Wednesday, June 28, 2006, at 4:00 p.m., at the offices of First Citizens Bank of Billings, 2812 First Avenue North, Billings, Montana.

How do I vote?

To vote, please indicate on the enclosed proxy card how you want to vote and then sign, date, and mail your proxy card in the enclosed white envelope **as soon as possible** so that your shares will be represented at the special meeting.

Why is my vote important?

If you fail to vote, that will have the same effect as voting against approval of the Merger Agreement. Approval of the Merger Agreement requires the affirmative vote of at least two thirds (66 2/3%) of the Class A and Class B shares of Citizens common stock outstanding and entitled to vote at the special meeting. The directors of Citizens, the Presidents of the Citizens Banks, the John T. Vucurevich Living Trust (the Trust), the John T. Vucurevich Foundation (the Foundation) and the Presidents of the subsidiary banks of Citizens affiliated bank holding companies who are not also Citizens directors (collectively, the Voting Agreement Shareholders), beneficially own and have the right to vote 403,021.40 shares, representing 85.48% of the shares entitled to be voted at the meeting (constituting 79.5% of the outstanding Class A shares, and 86.1% of the outstanding Class B shares), and they have each agreed to vote for the merger.

What happens if I return my proxy but do not indicate how to vote my shares?

If you sign and return your proxy card, but do not provide instructions on how to vote your shares, your shares will be voted FOR approval of the Merger Agreement.

Can I change my vote after I have mailed my signed proxy card?

Yes. You may change your vote at any time before your proxy is voted at the special meeting. If your shares are held in your own name, you may change your vote as follows:

You may send a written notice stating that you would like to revoke your proxy and provide new instructions on how to vote;

You may complete and submit a later-dated proxy card; or

You may attend the meeting and vote in person. If you intend to vote in person and your shares are held by a broker, you should contact your broker for instructions.

If you choose either the first or second method above, you must submit your notice of revocation or your new proxy card to Citizens' secretary prior to the special meeting.

Who may vote at the meeting?

The board of directors of Citizens has set May 24, 2006, as the record date for the meeting. If you were the owner of Citizens common stock at the close of business on May 24, 2006, you may vote at the meeting.

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When will the merger occur?

We presently expect to complete the merger during the third quarter of 2006. The merger will occur after approval of the shareholders of Citizens is obtained and after the merger has received regulatory approval and the other conditions to the merger are satisfied or waived. Glacier and Citizens are working toward completing the merger as quickly as possible.

How soon after the merger is completed can I expect to receive my cash or Glacier common stock?

Glacier will work with its exchange agent to distribute consideration payable in the merger as promptly as practicable following the completion of the merger.

What do I need to do now?

We encourage you to read this proxy statement/prospectus in its entirety. Important information is presented in greater detail elsewhere in this document and documents governing the merger are attached as appendices to this proxy statement/prospectus. In addition, much of the business and financial information about Glacier that may be important to you is incorporated by reference into this document from documents separately filed by Glacier with the Securities and Exchange Commission (SEC). This means that important disclosure obligations to you are satisfied by referring you to one or more documents separately filed with the SEC.

Following review of this proxy statement/prospectus, **please complete, sign, and date the enclosed proxy card and return it in the enclosed white envelope as soon as possible** so that your shares can be voted at Citizens' special meeting of shareholders.

Additionally, **please complete, sign and date the green election form, and return it in the enclosed green envelope**, to Glacier's exchange agent before the close of business on July 13, 2006. **Note that your Citizens stock certificate(s) must be submitted together with the green election form.**

What if I choose not to read the incorporated documents?

Information contained in a document that is incorporated by reference is part of this proxy statement/prospectus, unless it is superseded by information contained directly in this proxy statement/prospectus or in documents filed with the SEC after the date of this proxy statement/prospectus. Information that is incorporated from another document is considered to have been disclosed to you **whether or not you choose to read the document.**

What risks should I consider?

You should review carefully our discussion of Risk Factors. You should also review the factors considered by the Citizens board of directors in approving the Merger Agreement. See The Merger Background of the Merger and Reasons for the Merger Citizens.

Who can help answer my questions?

If you have questions about the merger, the meeting, or your proxy, or if you need additional copies of this document or a proxy card, you should contact:

Marcy Mutch
Citizens Development Company

2812 1st Avenue North, Suite 324
Billings, Montana 59101
(406) 247-4269
e-mail: mmutch@cdc-ubc.com

This proxy statement/prospectus does not cover any resale of the securities to be received by shareholders of Citizens upon consummation of the proposed merger, and no person is authorized to make any use of this proxy statement/prospectus in connection with any such resale.

The date of this proxy statement/prospectus is May 25, 2006.

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SUMMARY

This summary, together with the preceding section entitled Questions and Answers about this Document and the Merger, highlights selected information about this proxy statement/prospectus. We urge you to read carefully the entire proxy statement/prospectus and any other documents to which we refer to fully understand the merger. The Merger Agreement is attached as Appendix A to this proxy statement/prospectus. Each item in the summary refers to the page in this proxy statement/prospectus where that subject is discussed in more detail.

Information About Glacier and Citizens

Glacier Bancorp, Inc.

49 Commons Loop
Kalispell, Montana 59901
(406) 756-4200

Glacier, headquartered in Kalispell, Montana, is a Montana corporation, initially incorporated in Delaware in 1990, and subsequently incorporated under Montana law in 2004. Glacier is a regional multi-bank holding company providing commercial banking services from 71 banking offices throughout Montana, Idaho, Wyoming, Utah and Washington. Glacier offers a wide range of banking products and services, including transaction and savings deposits, commercial, consumer and real estate loans, mortgage origination services, and retail brokerage services. Glacier serves individuals, small to medium-sized businesses, community organizations and public entities.

Glacier is the parent holding company of nine wholly owned subsidiary commercial banks: Glacier Bank; Mountain West Bank; First Security Bank of Missoula; Western Security Bank; First National Bank West; Big Sky Western Bank; Valley Bank of Helena; Glacier Bank of Whitefish; and Citizens Community Bank. Glacier is also the holding company of three financing subsidiaries.

As of March 31, 2006, Glacier had total assets of approximately \$3.8 billion, total net loans receivable and loans held for sale of approximately \$2.5 billion, total deposits of approximately \$2.7 billion and approximately \$344.4 million in shareholders equity. Glacier common stock trades on the Nasdaq National Market under the symbol GBCI.

Financial and other information regarding Glacier is set forth in Glacier's annual report on Form 10-K for the year ending December 31, 2005, and the quarterly report on Form 10-Q for the quarter ending March 31, 2006. Information regarding Glacier's executive officers and directors, as well as additional information, including executive compensation, certain relationships and related transactions, is set forth or incorporated by reference in Glacier's annual report on Form 10-K for the year ending December 31, 2005 and Glacier's proxy statement for its 2006 annual meeting of shareholders, and the Forms 8-K filed by Glacier and incorporated by reference into this proxy statement/prospectus. See Where You Can Find More Information About Glacier.

Citizens Development Company

2812 1st Avenue North, Suite 324
Billings, Montana 59101
(406) 247-4275

Citizens, headquartered in Billings, Montana, is a Montana corporation, initially incorporated in Montana in 1968. Citizens is a multi-bank holding company providing commercial banking services from 11 banking offices throughout Montana. Citizens offers a wide range of banking products and services, including transaction and savings deposits,

commercial, consumer and real estate loans, mortgage origination services, and retail brokerage services. Citizens serves individuals, small to medium-sized businesses, community organizations and public entities. Approximately 82% of the Company is owned by the Trust and related entities, with the balance owned primarily by current and former officers and directors of Citizens and its subsidiary banks.

Citizens is the parent holding company of five subsidiary commercial banks: First Citizens Bank of Billings; First National Bank of Lewistown; Citizens State Bank (Hamilton); First Citizens Bank, N.A. (Columbia Falls) and Western Bank of Chinook, N.A. (collectively, the Citizens Banks.) The Citizens Banks have been in existence from 35 up to 100 years.

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As of March 31, 2006, Citizens had total assets of approximately \$410 million, total net loans receivable and loans held for sale of approximately \$285 million, total deposits of approximately \$360 million and approximately \$36 million in shareholders' equity.

Citizens Will Merge into Glacier

The Merger Agreement provides for the merger of Citizens with and into a newly formed wholly-owned subsidiary of Glacier. When the merger is effective, the Citizens Banks will become subsidiaries of Glacier. Glacier anticipates that following an initial transition period after the merger, the Citizens Banks will be merged into currently existing Glacier banks, based on geographic location.

In the merger, your shares of Citizens common stock will be exchanged for shares of Glacier common stock or a combination of cash and Glacier common stock. After the merger, you will no longer own shares of Citizens.

The Merger Agreement is attached as **Appendix A** to this document. We encourage you to read the Merger Agreement in its entirety.

Citizens Special Meeting

The special meeting of shareholders of Citizens will be held at the offices of First Citizens Bank of Billings, 2812 First Avenue North, Billings, Montana, on Wednesday, June 28, 2006 at 4:00 p.m., local time. At the meeting you will be asked to consider and vote upon a proposal to approve the Merger Agreement and consider and act upon such other matters as may properly come before the meeting or any adjournment of the meeting.

You will be entitled to vote at the Citizens special meeting if you owned Citizens common stock at the close of business on May 24, 2006. As of that date there were 471,473.15 shares of Citizens Class A and Class B common stock entitled to be voted at the special meeting (43,151.33 Class A shares and 428,321.82 Class B shares).

Approval of the Merger Agreement Requires the Affirmative Vote of Two Thirds (66 $\frac{2}{3}$ %) of the Shares of Citizens Common Stock that Are Outstanding and Entitled to Vote

In order to approve the Merger Agreement, at least two thirds (66 $\frac{2}{3}$ %) of the outstanding shares of each of Citizens Class A and Class B common stock outstanding and entitled to vote as of the record date, voting as separate groups, must be voted at the special meeting in favor of approval. Glacier's shareholders do not have to vote on the transaction.

As of the record date for the meeting, the Voting Agreement Shareholders beneficially owned approximately 85.48% of the outstanding shares of Citizens common stock. This amount constitutes 79.5% of the outstanding shares of Class A common stock of Citizens and 86.1% of the outstanding shares of Class B common stock of Citizens. The Voting Agreement Shareholders of Citizens have agreed to vote their shares in favor of approval of the Merger Agreement.

What Citizens Shareholders Will Receive in the Merger

Under the Merger Agreement, Glacier will issue shares of its common stock and pay cash for all shares of Citizens common stock outstanding as of the date of the Merger Agreement. The total merger consideration that Glacier will pay will be \$77 million, less the amount of any specified excess transaction fees and plus the amount of any earnings adjustment. The total merger consideration will be paid in cash and in shares of Glacier common stock. The total dollar value of Glacier common stock that Glacier will issue in the merger is fixed at 40% of the total merger consideration.

If you do not provide notice of dissent, you may elect to receive in exchange for each of your shares of Citizens common stock either (1) all shares of Glacier common stock, or (2) a combination of cash, without interest, and shares of Glacier common stock. In the either case, the percentage of Glacier common stock and cash that you receive will be subject to the allocation procedures described in this document.

The total merger consideration that Glacier will pay for the shares of Citizens shares will be equal to (i) \$77 million, plus (ii) the amount of the earnings adjustment, if applicable. The Merger Agreement provides that

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the base merger consideration of \$77 million will be reduced by the amount that Citizens' transaction fees in connection with the merger exceed \$810,000. Subject to certain conditions set forth in the Merger Agreement, the earnings adjustment is an amount equal to the amount of Citizens' adjusted consolidated after-tax earnings from July 1, 2006 to the effective date of the merger.

The actual aggregate number of shares of Glacier common stock to be issued in the merger cannot be determined until the fifth business day immediately prior to the effective date of the merger. The actual amount of cash and/or Glacier common stock that you will receive for each of your Citizens shares will not be determined until shortly after the effective date of the merger. Those amounts will be determined based on a formula set forth in the Merger Agreement and described under the heading "The Merger - Merger Consideration."

The formula is intended to substantially equalize the value of the consideration to be received for each share of Citizens common stock, as measured during the valuation period ending on the determination date, regardless of whether you make a Stock Election or a Combination Election.

The actual amounts received will depend on (i) the total merger consideration payable by Glacier under the Merger Agreement and (ii) the average closing price of Glacier common stock as of the determination date. Actual values of Glacier common stock received will depend on the market price of Glacier common stock at the time of the merger.

The allocation of cash and Glacier stock that you will receive if you make either the Stock Election or the Combination Election will be subject to the allocation procedures described under the heading "The Merger - Allocation."

You May Elect to Receive Stock Consideration or a Combination of Stock and Cash

In the merger, if you do not provide a notice of dissent, you may elect to receive in exchange for your shares either:

all Glacier common stock (a "Stock Election"), or

a combination of cash and Glacier common stock (a "Combination Election").

If you perfect your dissenters' rights, you will receive cash for your shares as provided under the applicable provisions of Montana law. See "The Merger - Dissenters' Rights of Appraisal" and "The Merger - Allocation."

With this proxy statement/prospectus, you will receive a green election form with instructions for making your election as to the form of consideration that you prefer to receive in the merger. The available elections, election procedures and deadline for making elections are described under the heading "The Merger - Election Procedure." If you fail to submit a valid green election form by the election deadline, you will be deemed to have made a Combination Election. **You must submit your Citizens stock certificates together with the green election form.**

As described under "The Merger - Allocation," because the dollar value of Glacier common stock that will be issued in the merger is fixed at 40% of the total merger consideration, and because the number of Citizens shareholders who will choose to make Stock Elections is not currently known, the percentage of Glacier common stock and cash that you will receive if you make the Combination Election cannot be determined until the effective date of the merger.

Certain Federal Income Tax Consequences

Neither Citizens nor Glacier is required to complete the merger unless each of them receives a legal opinion of Glacier's counsel that the merger will be treated as a reorganization for federal income tax purposes. Assuming such

opinion is received, we expect that for United States federal income tax purposes, Citizens shareholders generally will not recognize any gain or loss on the conversion of shares of Citizens common stock into shares of Glacier common stock (although the receipt of any cash will be a taxable event). This tax treatment may not apply to some Citizens shareholders. Determining the actual tax consequences of the merger to you may be complex. They will depend on your specific situation and on factors not within our control. You should consult your own tax advisor for a full understanding of the merger's tax consequences to you.

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Citizens Shareholders Have Dissenters' Rights

Under Montana law, Citizens shareholders have the right to dissent from the merger and receive cash for the fair value of their shares of Citizens common stock. A shareholder electing to dissent must strictly comply with all the procedures required by Montana law. These procedures are described later in this document, and a copy of the relevant portions of Montana law is attached as **Appendix B**.

The Citizens Board of Directors Recommends Shareholder Approval of the Merger

The Citizens board of directors believes that the merger is in the best interests of the Citizens shareholders and has unanimously approved the Merger Agreement. The Citizens board of directors recommends that Citizens shareholders vote FOR approval of the Merger Agreement.

Citizens Financial Advisor Says the Merger Consideration is Fair to Citizens Shareholders From a Financial Point of View

Hovde Financial, Inc. has served as financial advisor to Citizens in connection with the merger and has given an opinion to Citizens' board of directors that, as of April 18, 2006, the consideration that Citizens shareholders will receive for their Citizens shares in the merger is fair, from a financial point of view, to Citizens shareholders. A copy of the opinion delivered by Hovde is attached to this document as **Appendix C**. Citizens shareholders should read the opinion carefully to understand the assumptions made, matters considered and limitations of the review undertaken by Hovde in providing its opinion. The opinion is more fully described under the heading Opinion of Financial Advisor to Citizens below. Citizens agreed to pay Hovde a fee for its services and indemnify Hovde against certain liabilities arising out of the merger or Hovde's engagement.

Citizens Officers and Directors Have Interests in the Merger that Are Different from or in Addition to Their Interests as Shareholders

Certain members of Citizens management have interests in the merger that are different from, or in addition to, their interests as Citizens shareholders. These interests arise out of existing agreements that they have entered into with Citizens, provisions in the Merger Agreement relating to indemnification of certain directors, and, in the case of the chief executive officers of the Citizens Banks, employment agreements that will take effect upon consummation of the merger. See The Merger Interests of Certain Persons in the Merger.

The Citizens board of directors was aware of these interests and took them into account in its decision to approve the Merger Agreement.

The Merger Is Expected to Occur in the Third Quarter of 2006

Currently, we anticipate that the merger will occur in the third quarter of 2006. However, we cannot assure you when or if the merger will occur.

Completion of the Merger Is Subject to Satisfaction or Waiver of Certain Conditions

Completion of the merger is subject to the satisfaction or waiver of certain conditions including, among others:

approval of the Merger Agreement by shareholders holding at least two thirds (66 $\frac{2}{3}$ %) of the outstanding shares of Citizens Class A and Class B common stock that are outstanding and entitled to vote;

approval of the merger by federal and state regulatory authorities;

accuracy of the other party's representations in the Merger Agreement; and

compliance by the other party with all material terms, covenants and conditions of the Merger Agreement.

The Merger Agreement provides that either Glacier or Citizens may terminate the merger either before or after the Citizens special meeting, under certain circumstances. Among other things, the merger may be terminated under certain circumstances if the average closing price of Glacier common stock during the valuation period either exceeds or is lower than specified amounts. See [The Merger](#) Termination of the Merger Agreement.

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We May Not Complete the Merger Without All Required Regulatory Approvals

The merger must be approved by the Federal Reserve and the Montana banking regulators. We have filed applications with these regulatory bodies seeking such approval. We expect to obtain all such regulatory approvals, although we cannot be certain if or when we will obtain them.

Either Citizens or Glacier, as the Case May Be, Must Pay a Termination Fee Under Certain Circumstances

The Merger Agreement provides that Citizens must pay Glacier a termination fee of \$250,000 if Glacier terminates the Merger Agreement due to a breach by Citizens of its representations or covenants, or if the Citizens board of directors does not recommend approval of the merger to Citizens shareholders.

The Merger Agreement also provides that Glacier must pay Citizens a termination fee of \$250,000 if Citizens terminates the Merger Agreement due to a breach by Glacier of its representations or covenants. See The Merger Agreement Termination Fees.

Citizens Must Pay Glacier a Break-up Fee Under Certain Circumstances

Under the Merger Agreement, Citizens must pay Glacier a break-up fee of \$2.25 million, if the Merger Agreement is terminated due to the failure of the Citizens board of directors to recommend the merger to its shareholders, or due to the receipt of a superior acquisition proposal which is acted upon by Citizens.

Citizens agreed to pay the break-up fee under the circumstances described above in order to induce Glacier to enter into the Merger Agreement. This arrangement could have the effect of discouraging other companies from trying to acquire Citizens. See The Merger Agreement Break-up Fee.

Citizens Shareholders Will Have Different Rights After the Merger

The rights of Citizens shareholders are governed by Montana law, as well as Citizens' articles of incorporation and bylaws. After completion of the merger, the rights of the former Citizens shareholders receiving Glacier common stock in the merger will be continue to be governed by Montana law, and by Glacier's articles of incorporation and bylaws. Although Glacier's articles of incorporation and bylaws are similar in many ways to Citizens' articles of incorporation and bylaws, there are some substantive and procedural differences that will affect the rights of Citizens shareholders. See Comparison of Certain Rights of Holders of Glacier and Citizens Stock.

Glacier intends to conduct an underwritten common stock offering in connection with, but not as a condition to, the Merger

Prior to the closing of the merger, Glacier intends to register and sell, in an underwritten offering, approximately one million shares of its common stock, including any underwriter's over-allotment. The occurrence of this offering is not a condition to the closing of the merger. The proceeds of the offering will strengthen Glacier's tangible and regulatory capital position, particularly in light of the significant amount of cash being paid in connection with the merger. Subject to any earnings adjustment, Citizens shareholders will receive a fixed amount of consideration for their shares, although the number of Glacier shares exchanged for such Citizens shares will fluctuate based on the average closing price of Glacier Common stock, as determined under the Merger Agreement. Since the offering will occur prior to the period during which the average closing price will be determined, any effect of the offering on the trading price of Glacier common stock will be taken into account under the Merger Agreement, and reflected in the number of Glacier shares that Citizens shareholders receive in the merger.

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RISK FACTORS

In addition to the other information contained in or incorporated by reference into this document, including the matters addressed under the caption Cautionary Note Regarding Forward-Looking Statements, you should consider the matters described below carefully in determining whether to approve the Merger Agreement and the transactions contemplated by the Merger Agreement.

The Merger Agreement limits Citizens ability to pursue other transactions and provides for the payment of a break up fee if Citizens does so.

While the Merger Agreement is in effect and subject to very narrow exceptions, Citizens and its directors, officers and agents are prohibited from initiating or encouraging inquiries with respect to alternative acquisition proposals. The prohibition limits Citizens ability to seek offers that may be superior from a financial point of view from other possible acquirers. If Citizens receives an unsolicited proposal from a third party that is superior from a financial point of view to that made by Glacier and the Merger Agreement is terminated, Citizens may be required to pay a \$2.25 million break-up fee. This fee makes it less likely that a third party will make an alternative acquisition proposal.

Under certain conditions, the Merger Agreement requires Citizens to pay a termination fee.

Under certain circumstances, Glacier can terminate the Merger Agreement and require Citizens to pay a termination fee of \$250,000.

Because the market price of Glacier common stock may fluctuate, you cannot be sure of the number of shares of Glacier common stock that you will receive.

At the time of the Citizens special meeting, you will not be able to determine the number of shares of Glacier common stock you would receive upon completion of the merger. Fluctuations in Glacier s stock price will impact how much Glacier common stock you own relative to existing Glacier shareholders. Your relative portion will be less the higher Glacier s stock price, and more the lower Glacier s stock price. We urge you to obtain current market quotations for Glacier common stock.

The percentage mix of stock and cash to be received by Citizens shareholders making Combination Elections will not be determined until closing.

If you make a Combination Election, you will receive Glacier stock for that portion of your shares that will cause the total Glacier shares issued in the merger to equal 40% of the total merger consideration (after taking into account the shares to be issued to those making Stock Elections), with the balance of your shares paid in cash. However, the number of Citizens shareholders who will make Stock Elections are currently unknown. Accordingly, the percentage of Glacier common stock and cash that you will receive if you make a Combination Election cannot be determined until the effectiveness of the merger. For a detailed description of the allocation procedures, please see the discussion under the heading The Merger Allocation

Combining our two companies may be more difficult, costly or time-consuming than we expect.

Glacier and Citizens have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of the ongoing

business of the Citizens Banks or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers and employees or to achieve the anticipated benefits of the merger. As with any merger of banking institutions, there also may be disruptions that cause us to lose customers or cause customers to take their deposits out of former Citizens Banks.

Unanticipated costs relating to the merger could reduce Glacier's future earnings per share.

Glacier believes that it has reasonably estimated the likely costs of integrating the operations of Citizens into Glacier, and the incremental costs of operating as a combined company. However, it is possible that unexpected transaction costs or future operating expenses, as well as other types of unanticipated adverse developments, could

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have a material adverse effect on the results of operations and financial condition of Glacier after the merger. If the merger is completed and unexpected costs are incurred, the merger could have a significant dilutive effect on Glacier's earnings per share, meaning earnings per share could be less than if the merger had not been completed.

Glacier may grow through future acquisitions, which could, in some circumstances, adversely affect net income.

Glacier anticipates engaging in selected acquisitions of financial institutions and assets in the future. There are risks associated with Glacier's acquisition strategy that could adversely impact net income. These risks include, among others, incorrectly assessing the asset quality of a particular institution being acquired, encountering greater than anticipated costs of incorporating acquired businesses into Glacier, and being unable to profitably deploy funds acquired in an acquisition. Furthermore, we can give you no assurance about the extent to which Glacier can continue to grow through acquisitions.

In the future, Glacier may issue capital stock in connection with additional acquisitions. These acquisitions and related issuances of stock may have a dilutive effect on earnings per share and ownership. Glacier does not currently have any definitive understandings or agreements for any acquisitions that involve the issuance of Glacier capital stock. However, as noted above, Glacier anticipates that it will continue to expand by acquisition in the future.

Glacier has various anti-takeover measures that could impede a takeover of Glacier.

Glacier has various anti-takeover measures in place, some of which are listed elsewhere in this document. Any one or more of these measures may impede the takeover of Glacier without the approval of the Glacier board of directors and may prevent you from taking part in a transaction in which you could realize a premium over the current market price of Glacier common stock. See Comparison of Certain Rights of Holders of Glacier and Citizens Common Stock.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document, including information included or incorporated by reference in this document may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, (i) statements about the benefits of the merger, including future financial and operating results, cost savings, enhancements to revenue and accretion to reported earnings that may be realized from the merger; (ii) statements about our respective plans, objectives, expectations and intentions and other statements that are not historical facts; and (iii) other statements identified by words such as expects, anticipates, intends, plans, believes, seeks, estimates, or words of similar meaning. These forward-looking statements are based on current beliefs and expectations of management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond Glacier's and Citizens' control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations in the forward-looking statements:

our business may not be integrated successfully, or such integration may take longer to accomplish than expected;

the anticipated growth opportunities and cost savings from the merger may not be fully realized or may take longer to realize than expected;

operating costs, customer losses and business disruption following the merger, including adverse developments in relationships with employees, may be greater than expected;

adverse governmental or regulatory policies may be enacted;

the interest rate environment may change, causing margins to compress and adversely affecting net interest income;

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the risks associated with continued diversification of assets and potential adverse changes in credit quality;

increased loan delinquency rates;

competition from other financial services companies in our markets; and

the risk of an economic slowdown adversely affecting credit quality and loan originations.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in Glacier's reports filed with the SEC.

All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters attributable to Glacier or Citizens or any person acting on behalf of Glacier or Citizens are expressly qualified in their entirety by the cautionary statements above. Neither Glacier nor Citizens undertake any obligation to update any forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.

Table of Contents**SELECTED HISTORICAL FINANCIAL INFORMATION OF GLACIER**

The following selected financial information for the fiscal years ended December 31, 2005, 2004, 2003, 2002 and 2001 is derived from audited consolidated financial statements of Glacier. The financial information of and for the three months ended March 31, 2006 and 2005 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which Glacier considers necessary for fair presentation of the financial results of operations for such periods. The operating results for the three months ended March 31, 2006 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2006. The financial data below should be read in conjunction with the financial statements and notes thereto, incorporated by reference in this proxy statement/prospectus. See [Where You Can Find More Information About Glacier](#).

GLACIER BANCORP, INC. AND SUBSIDIARIES
SELECTED CONDENSED CONSOLIDATED AND OTHER FINANCIAL INFORMATION

	At or for the Three Months Ended March 31		At or for the Fiscal Years Ended December 31					2001
	2006	2005	2005	2004	2003	2002		
	(\$ in thousands, except per share data)							
Summary of Operations								
Interest income	\$ 55,952	\$ 40,507	\$ 189,985	\$ 147,285	\$ 130,830	\$ 133,989	\$ 137,922	
Interest expense	19,644	12,051	59,978	39,892	38,478	47,522	65,544	
Interest income	36,308	28,456	130,007	107,393	92,352	86,467	72,378	
Provision for loan losses	1,165	1,490	6,023	4,195	3,809	5,745	4,522	
Interest income								
Provision for losses	35,143	26,966	123,984	103,198	88,543	80,722	67,844	
Interest income	11,156	9,108	44,626	34,565	33,562	25,917	23,252	
Interest expenses	25,827	19,074	90,926	72,133	65,944	57,813	57,388	
Income tax net income	20,472	17,000	77,684	65,630	56,161	48,826	33,712	
Income taxes	6,843	5,480	25,311	21,014	18,153	16,424	12,022	
Income	13,629	11,520	52,373	44,616	38,008	32,402	21,690	
Basic earnings per share	\$ 0.42	\$ 0.37	\$ 1.67	\$ 1.46	\$ 1.26	\$ 1.10	\$ 0.88	
Diluted earnings per share	\$ 0.42	\$ 0.37	\$ 1.64	\$ 1.43	\$ 1.24	\$ 1.08	\$ 0.78	
Dividends per share	\$ 0.16	\$ 0.14	\$ 0.60	\$ 0.54	\$ 0.48	\$ 0.39	\$ 0.33	

Statement of Financial Condition:							
Total assets	\$ 3,800,158	\$ 3,306,440	\$ 3,706,344	\$ 3,010,737	\$ 2,739,633	\$ 2,281,344	\$ 2,085,740
Loans receivable							
HLHFS	2,527,432	1,879,932	2,397,187	1,701,805	1,430,365	1,300,653	1,322,320
Total deposits	2,693,399	1,976,681	2,534,712	1,729,708	1,597,625	1,459,923	1,446,060
Total borrowings	640,190	943,943	719,413	900,148	842,280	544,953	399,880
Total shareholder's equity	344,391	273,449	333,239	270,184	237,839	212,249	176,980
Book value per share	\$ 10.66	\$ 8.86	\$ 10.36	\$ 8.80	\$ 7.86	\$ 7.14	\$ 6.10
Operating Ratios:							
Return on average assets	1.48%	1.50%	1.52%	1.54%	1.53%	1.50%	1.10%
Return on average shareholders' equity	16.21%	17.06%	17.62%	17.61%	16.82%	16.57%	13.40%
Return on average equity to assets	9.12%	8.80%	8.61%	8.75%	9.10%	9.08%	8.20%
Interest margin(1)	4.32%	4.08%	4.20%	4.15%	4.20%	4.51%	4.00%
Nonperforming over assets	0.27%	0.27%	0.26%	0.32%	0.48%	0.51%	0.50%
Dividend payout ratio	38.10%	37.84%	35.93%	37.36%	38.07%	35.45%	43.40%

(1) Calculated on a tax equivalent basis.

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The table set below presents the historical earnings, book value and cash dividends per share as of March 31, 2006, and the three months then ended, and as of December 31, 2005, and the year then ended, for Glacier, together with the pro forma amounts after giving effect to the merger. This data should be read in conjunction with the Glacier financial statements and other financial information included elsewhere in this document or incorporated into this document by reference. The pro forma data are not necessarily indicative of future operating results or financial position.

The table below also presents the closing prices per share for Glacier and Citizens common stock, respectively, on the day prior to the announcement of the merger together with the pro forma equivalent market value of Citizens shares after giving effect to the merger. The pro forma equivalent per share data for Citizens is calculated by multiplying the historical per share data for Glacier by the implied exchange ratio of 5.201 used to calculate the merger consideration. The pro forma information provided below assumes that the total merger consideration equals \$77 million, and is not (i) decreased by the amount of any excess transaction fees, or (ii) increased by the amount of any earnings adjustment, both as described elsewhere in this document. See the discussion under the heading Comparative Stock Price and Dividend Information on the next page for important information about the limited trading in stock of Citizens and the effect that may have on the reliability of the share price data. The pro forma combined and pro forma equivalent information provided below does not reflect the effect of the proposed issuance by Glacier of up to 1 million additional shares of common stock in the underwritten public stock offering described under Summary above.

	Glacier		Citizens	
	Historical	Pro Forma Combined	Historical	Pro Forma Equivalent
Basic earnings per share:				
Year ended December 31, 2005	\$ 1.67	\$ 1.77	\$ 10.15	\$ 8.69
Three months ended March 31, 2006	\$ 0.42	\$.41	\$ (0.32)	\$ 2.18
Diluted earnings per share:		\$		\$
Year ended December 31, 2005	\$ 1.64	\$ 1.74	\$ 10.15	\$ 8.53
Three months ended March 31, 2006	\$ 0.42	\$.40	\$ (0.32)	\$ 2.18
Book value per share at:		\$		\$
December 31, 2005	\$ 10.36	\$ 10.98	\$ 77.46	\$ 53.88
March 31, 2006	\$ 10.66	\$ 11.27	\$ 76.14	\$ 55.44
Cash dividends per share declared:		\$		\$
Year ended December 31, 2005	\$.60	\$.65	\$ 1.72	\$ 3.12
Three months ended March 31, 2006	\$.16	\$.19	\$ 1.06	\$.83
Market value per share at April 20, 2006	\$ 31.40	\$ N/A	\$ N/A	\$ 163.32

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Glacier common stock is quoted on the Nasdaq National Market under the symbol GBCI. The following table sets forth for the periods indicated:

the high and low sale prices for Glacier common stock as reported on the Nasdaq National Market, and dividends per share on Glacier common stock.

	High*	Low*	Cash Dividends Declared
2004			
First quarter	\$ 21.63	\$ 18.88	\$ 0.13
Second quarter	\$ 22.60	\$ 19.59	\$ 0.13
Third quarter	\$ 24.28	\$ 20.60	\$ 0.14
Fourth quarter	\$ 28.71	\$ 23.12	\$ 0.14
2005			
First quarter	\$ 27.98	\$ 23.59	\$ 0.14
Second quarter	\$ 26.39	\$ 21.07	\$ 0.15
Third quarter	\$ 31.40	\$ 25.91	\$ 0.15
Fourth quarter	\$ 33.50	\$ 28.00	\$ 0.16
2006			
First quarter	\$ 32.71	\$ 29.58	\$ 0.16
Second quarter (through May 8, 2006)	\$ 31.80	\$ 29.37	\$

* Adjusted for stock splits and stock dividends.

At May 8, 2006, the 32,337,527 outstanding shares of Glacier common stock were held by approximately 10,932 holders of record.

Citizens Common Stock

Citizens common stock is not quoted on a stock exchange or market and no broker makes a market in the stock. Stock transfer records maintained by Citizens indicate that there have been very infrequent transactions in Citizens stock, other than purchases and sales to certain qualified individuals made in accordance with the Citizens Shareholders Agreement. Other sales and purchases of shares of Citizens common stock are privately negotiated, and Citizens is often not aware of the price for those transactions. Citizens is aware of no transfers of Citizens common stock between independent parties (persons not subject to the Citizens Shareholder Agreement) since 1995. Consequently, no trading price date is available which would accurately reflect the actual market value of the shares.

At May 8, 2006, the 471,473.15 outstanding shares of Citizens Class A and Class B common stock were held by approximately 66 holders of record.

CITIZENS DEVELOPMENT COMPANY SPECIAL SHAREHOLDERS MEETING

Date, Time, Place

The Citizens special meeting of shareholders will be held on Wednesday, June 28, 2006, at 4:00 p.m. local time, at the offices of the First Citizens Bank of Billings, 2812 First Avenue North, Billings, Montana.

As described below under **Vote Required**, approval of the Merger Agreement requires the affirmative vote of at least two thirds ($66\frac{2}{3}\%$) of the shares of each of the Citizens Class A and Class B common stock that are outstanding and entitled to vote on the record date, each class voting separately as a group. If there are not sufficient votes represented at

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the special meeting, either in person or by proxy, to approve the Merger Agreement, or if a quorum is not present, Citizens may adjourn or postpone the meeting in order to permit further solicitation of proxies by Citizens. The persons appointed as proxies on the form accompanying this document are authorized to vote to approve such adjournment or postponement, unless the proxy appointing them instructs them to vote against approval of the Merger Agreement.

Purpose

At the special meeting, Citizens shareholders will:

consider and vote on a proposal to approve the merger, and

if necessary, consider and act upon a proposal to adjourn the special meeting to allow additional time to solicit proxies

Record Date; Shares Outstanding and Entitled to Vote

The Citizens board of directors has fixed 5:00 p.m. on May 24, 2006 as the record date for determining the holders of shares of Citizens common stock entitled to notice of and to vote at the special meeting. At the close of business on the Citizens record date, there were 471,473.15 total shares of Class A and Class B common stock issued and outstanding held by approximately 66 holders of record. Holders of record of Citizens common stock on the record date are entitled to one vote per share, and are also entitled to exercise dissenters' rights if certain procedures are followed. See *The Merger Dissenters' Rights of Appraisal* and **Appendix B**.

The Voting Agreement Shareholders have agreed to vote all Citizens shares held or controlled by him or it in favor of approval of the merger. A total of 403,021.40 outstanding shares, or approximately 85.48% of the outstanding shares of Citizens common stock, are covered by this voting agreement. This percentage represents more than the two-thirds (66 $\frac{2}{3}$ %) vote of each of the Class A common stock and the Class B common stock required to approve the merger. See *The Merger Voting Agreement*.

Vote Required

The affirmative vote of at least two thirds (66 $\frac{2}{3}$ %) of the shares of Citizens Class A and Class B common stock outstanding and entitled to vote on the record date, each voting separately as a group, is required to approve the merger. At least fifty percent (50%) of the total outstanding shares of Class A and Class B Citizens common stock must be present, either in person or by proxy, in order to constitute a quorum for the meeting. For this purpose, abstentions and broker nonvotes (that is, proxies from brokers or nominees, indicating that such person has not received instructions from the beneficial owners or other persons entitled to vote shares as to a matter with respect to which the broker or nominees do not have discretionary power to vote) are counted in determining the shares present at a meeting.

For voting purposes, however, only shares actually voted **for** the approval of the Merger Agreement, and neither abstentions nor broker nonvotes, will be counted as favorable votes in determining whether the Merger Agreement is approved by the holders of Citizens common stock. **As a result, abstentions and broker nonvotes will have the same effect as votes against approval of the Merger Agreement.**

Voting, Solicitation, and Revocation of Proxies

If the enclosed proxy card is duly executed and received in time for the special meeting, it will be voted in accordance with the instructions given. If the proxy card is duly executed and received but no instruction is given, it is the intention of the persons named in the proxy to vote the shares represented by the proxy **for the approval of the merger and in the proxy's discretion on any other matter coming before the meeting.** Any proxy given by a shareholder may be revoked before its exercise by:

written notice to the Secretary of Citizens;

a later-dated proxy; or

appearing and voting at the special meeting in person.

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Citizens is soliciting the proxy for the special meeting on behalf of the Citizens board of directors. Citizens will bear the cost of solicitation of proxies from its shareholders. In addition to using the mails, Citizens may solicit proxies by personal interview, telephone, and facsimile. Banks, brokerage houses, other institutions, nominees, and fiduciaries will be requested to forward their proxy soliciting material to their principals and obtain authorization for the execution of proxies. Citizens does not expect to pay any compensation for the solicitation of proxies. However, Citizens will, upon request, pay the standard charges and expenses of banks, brokerage houses, other institutions, nominees, and fiduciaries for forwarding proxy materials to and obtaining proxies from their principals.

BACKGROUND OF AND REASONS FOR THE MERGER

Background of the Merger

Citizens was formed in 1968. In 1976, John T. Vucurevich acquired majority ownership of Citizens. In 1998, Mr. Vucurevich transferred his majority ownership in Citizens, together with his ownership interests in two other bank holding companies, to the Trust. The Trust provided for the transfer at the time of Mr. Vucurevich's death of substantially all of Mr. Vucurevich's banking interests to the Foundation. The trustee of the Trust is advised by a board of advisors with regard to all activities related to bank holding company stock owned by the Trust, including the Trust's ownership of Citizens. Similarly, the trustee of the Foundation is advised by a board of advisors with regard to activities related to bank holding company stocks owned by the Foundation, including Citizens. Subsequent to Mr. Vucurevich's death in June of 2005, the board of advisors of the Trust and of the Foundation reviewed and discussed alternatives relating to the transfer of Trust assets to the Foundation and the disposition and use of those assets. In November of 2005, both the Foundation and the Trust concluded that the most prudent alternative would be to pursue a sale of Citizens in order to realize the full value for the Trust's ownership interest in Citizens and to diversify and enhance the liquidity of the Foundation's overall assets once it had received a final distribution of the Trust's assets.

In November of 2005, the Trust and the Foundation informed the Citizens board of directors of their decision, and the board agreed to move forward with the sale of Citizens. In November of 2005, Citizens solicited proposals from investment banking firms to provide advisory services in connection with the sale process. In December of 2005, Citizens hired D.A. Davidson & Co. (Davidson) to serve as its investment banking advisor.

In January and February of 2006, Davidson conducted due diligence, met with Citizens management, prepared financial analyses, and assisted management in drafting an informational memorandum and identifying and qualifying prospective acquirers.

From February 14 to February 28, 2006, Davidson contacted prospective acquirers, received signed confidentiality agreements from such parties, provided interested parties with the informational memorandum, and assisted Citizens management in providing supplemental information.

On March 10, 2006, the board of directors of Glacier met and authorized management to submit a preliminary proposal for the merger of Citizens into Glacier, substantially on the terms subsequently reflected in the Merger Agreement.

On March 10, 2006, Davidson received preliminary proposals and indications of interest from prospective acquirers, including Glacier. From March 13 to March 15, 2006, Davidson had follow-on discussions with several of the interested parties to discuss and clarify or confirm various aspects of their proposals.

On March 16, 2006, the board of directors and professional advisors and counsel to Citizens and the Trust met to review and consider the various proposals. The Board reviewed and discussed their fiduciary duties to the shareholders and other stakeholders of Citizens, the process undertaken to date, the terms of the various proposals, and in particular, the terms and related considerations of the top three proposals. The board determined that the proposal from Glacier was most favorable to Citizens, and instructed Davidson to contact Glacier to further negotiate the mix of stock and cash (to provide more cash to the Citizens shareholders), and to request that the

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Glacier shares to be delivered in the merger would be registered shares. After discussion and negotiation, Glacier agreed to provide 60% of the merger consideration in cash, and further agreed to register the Glacier shares to be issued to Citizens shareholders in the merger. The Citizens board informed Glacier that the Company would move forward under the revised terms and requested that Glacier provide an updated term sheet reflecting the revised terms. On the morning of March 17, 2006, the board of directors of Citizens and the board of advisors to the trustees of the Trust separately met and adopted resolutions formally approving of entering into the updated term sheet with Glacier.

From March 17 to April 18, 2006, Glacier and its advisors conducted due diligence, performed independent loan reviews at the Citizens Banks, conducted a financial audit of the Citizens balance sheet, and delivered and negotiated drafts of the Merger Agreement and related documents and agreements.

From March 22 to March 28, 2006, Citizens solicited proposals from experienced financial advisory and investment banking firms for the delivery and support of an independent opinion as the fairness of the merger to the Citizens shareholders, from a financial point of view. On March 29, 2006, Citizens selected Hovde Financial, Inc. (Hovde) to provide services related to the support and delivery of the fairness opinion. From March 29 to April 18, 2006, Hovde conducted due diligence reviews, prepared financial analyses, evaluated information related to other bank merger transactions and publicly traded banks, reviewed the Merger Agreement, and prepared a presentation of its findings.

On April 18, 2006, Hovde presented its analyses and findings to the board of directors of Citizens, comparing the value to be received by Citizens shareholders in the merger to valuations under other comparable transactions and valuation methodologies, and providing information concerning the valuation, performance, and trading characteristics of Glacier shares. Hovde advised the board of its opinion that the merger is fair to Citizens shareholders, from a financial point of view, and delivered its formal written opinion to that effect.

On April 19, 2006, the board of directors of Glacier met to consider approval of the merger. Matters discussed included the fiduciary duties of the directors, the results of due diligence reviews, the terms of the Merger Agreement and related documents, the pro forma financial impact and strategic implications of the merger, and the timing and process for consummation of the merger. After due consideration of these matters, the Glacier board approved the merger by unanimous vote.

On the morning of April 19, 2006, the board of advisors to the trustee of the Trust and the board of advisors to the trustee of the Foundation met and adopted resolutions formally approving the proposed merger and approving the execution of the Merger Agreement.

On April 20, 2006, the board of directors of Citizens met to consider approval of the merger with Glacier. Matters discussed included the fiduciary duties of the directors, the process undertaken to date, the terms of the Merger Agreement, the conditions to closing, the termination and break-up fee arrangements, the form of consideration to be received, the analyses and findings of Hovde, the process required before closing, and the implications of the merger to Citizens shareholders, employees, and customers. After due consideration of these matters, the Citizens board approved the merger by unanimous vote.

Glacier and Citizens executed the Merger Agreement and related documents on the afternoon of April 20, 2006. After the close of business on April 20, 2006, the parties issued a joint press release announcing the execution of the Merger Agreement.

Reasons For The Merger Citizens

The Citizens board of directors believes the merger is in the best interests of Citizens and the Citizens shareholders. The Citizens board of directors unanimously recommends that Citizens shareholders vote **for** the approval of the

Merger Agreement and the consummation of the transaction contemplated by that Merger Agreement.

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In reaching its determination to approve the Merger Agreement, the Citizens board of directors consulted with its management and its financial and legal advisors, and considered a number of factors. Following is a description of each of the material factors that Citizens board of directors believes favor the merger:

Terms of the Merger. The terms of the merger, including the total dollar amount of the consideration being paid, the form of consideration, the potential increase in purchase price through the earnings adjustment, and the flexibility allowed Citizens to pay dividends, stay bonuses, and transaction expenses, and to incur other adjustments that will affect closing capital. The fact that the aggregate consideration being paid to Citizens shareholders represented a premium over the value of Citizens established by other recent appraisals and valuation analyses.

Liquidity for Glacier Shares. The expectation that Glacier common stock will provide a high level of liquidity for Citizens shareholders, with an average weekly trading volume during the past ninety days of more than 400,000 Glacier shares.

Confidence to Close. The fact that Glacier has substantial financial resources, with no dependence on outside funding to consummate the merger. The fact that Glacier has a demonstrated and favorable track record of having completed bank acquisitions on the terms and within the timeframes initially agreed upon by the parties.

Fairness Opinion. Hovde's opinion, discussed below in Opinion of Company Financial Advisor to Citizens, stating that, based upon and subject to, the assumptions made, matters considered and qualifications and limitations stated in the opinion, as of April 18, 2006, the merger consideration was fair to Citizens shareholders from a financial point of view.

Products & Services. The fact that Citizens' customers would be afforded new products and services not previously available. For instance, larger credit relationships, additional deposit and loan products, expanded online, and enhanced cash management services will be available.

Corporate Values. The understanding that Glacier and Citizens share a common vision of the importance of customer service and local decision making and that management and employees of the Citizens Banks and Glacier possess complementary skills and expertise.

Competitive Issues. The fact that competition in the Citizens market has increased in the past few years and is expected to increase in the future as other larger banks enter the market.

Future Prospects. The belief that future business and expansion prospects of the Citizens Banks will be stronger on a combined basis.

Employee Matters. The expectation that the merger will generally expand the career opportunities and employee benefits available to many Citizens employees.

Tax Free Reorganization. The expectation that the merger will constitute a tax free reorganization under section 368(a) of the Internal Revenue Code.

Approvals. The likelihood of receiving required regulatory approvals and achieving other conditions to closing in a timely fashion.

In the course of its deliberations regarding the merger, the Citizens board of directors also considered the following information, which the board of directors determined did not outweigh the benefits to Citizens and its shareholders

expected to be generated by the merger:

Consideration Unknown until Closing. Because the market price of Glacier common stock will fluctuate, and because the total merger consideration is payable in cash and in Glacier common stock, Citizens shareholders cannot be sure of the number of shares of Glacier common stock that will be exchanged for shares of Citizens common stock, or the form of merger consideration that they will receive until the completion of the merger.

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