

GLACIER BANCORP INC

Form S-4

January 24, 2005

**Table of Contents**

As filed with the Securities and Exchange Commission on January 24, 2005

Registration No. 333-

---

**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

---

**FORM S-4**

**REGISTRATION STATEMENT  
Under  
THE SECURITIES ACT OF 1933**

---

**GLACIER BANCORP, INC.**

*(Exact name of registrant as specified in its charter)*

**MONTANA**

*(State or other jurisdiction of  
incorporation or organization)*

**6022**

*(Primary standard industrial  
classification code number)*

**81-0579541**

*(I.R.S. employer identification no.)*

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

*(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)*

---

**MICHAEL J. BLODNICK**

President and Chief Executive Officer

49 Commons Loop

Kalispell, Montana 59901

(406) 756-4200

*(Name, address, including zip code, and telephone number, including area code, of agent for service)*

---

Copies of communications to:

KIMBERLY F. STEPHAN, ESQ.  
WILLIAM E. BARTHOLDT, ESQ.  
Graham & Dunn PC  
Pier 70  
2910 Alaskan Way, Suite 300  
Seattle, Washington 98121-1128  
(206) 340-9615

ERNEST J. PANASCI, ESQ.  
Jones & Keller, P.C.  
4600 South Ulster Street  
Suite 880  
Denver, Colorado 80237  
(303) 376-8402

---

**Approximate date of commencement of proposed sale of securities to the public:**

The date of mailing of the enclosed proxy statement/prospectus to shareholders of Citizens Bank Holding Company.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities Being Registered	Amount Being Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(2)
Common Stock, \$0.01 Par Value	323,584	N/A	\$ [569,728.60]	\$0.00

(1) Represents the maximum number of shares of common stock, \$0.01 par value per share estimated to be issuable by Glacier Bancorp, Inc ( Glacier ) upon consummation of the acquisition of Citizens Bank Holding Company ( Citizens Bank ) by Glacier.

(2) Calculated in accordance with Rule 457(f) under the Securities Act of 1933, the proposed maximum offering price of [\$569,728.60] is computed by subtracting \$8,600,000 (the cash to be paid by Glacier) from the product of (A) \$17.22, the per-share book value of the Citizens Bank common stock on December 31, 2004, times (B) 466,334 (the maximum number of shares of Citizens Bank common stock expected to be exchanged for the common stock being registered).

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT WILL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT WILL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, OR UNTIL THIS REGISTRATION STATEMENT WILL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SECTION 8(A), MAY DETERMINE.

Table of Contents

**PROXY STATEMENT  
OF CITIZENS BANK HOLDING COMPANY**

**MERGER PROPOSED - YOUR VOTE IS VERY IMPORTANT**

**PROSPECTUS OF  
GLACIER BANCORP, INC.**

Dear Citizens Bank Holding Company Shareholders:

The boards of directors of Citizens Bank Holding Company and Glacier Bancorp, Inc. ( Glacier ) have agreed on a merger of Citizens Bank Holding Company into Glacier. When the merger occurs, Citizens Community Bank, now the subsidiary of Citizens Bank Holding Company, will operate as a wholly owned subsidiary of Glacier.

If we complete the merger, you will be entitled to elect to receive, in consideration for your Citizens Bank Holding Company shares, either cash, shares of Glacier common stock, or a combination of cash and Glacier common stock. Under the merger agreement, Glacier will pay \$8.6 million of the total merger consideration in cash and the remainder in shares of Glacier common stock with an aggregate value of \$8.6 million plus the amount of cash received by Citizens Bank Holding Company upon the exercise of Citizens Bank Holding Company stock options after the date of the merger agreement and prior to the effective date of the merger. Because the total amount of cash and total value of stock is fixed, you may receive a combination of cash and stock that differs from your election, if too many Citizens Bank Holding Company shareholders elect to receive one form of consideration over the other. If you own 100 or fewer shares, you will be deemed to make a cash election. A form for making your election is enclosed.

**The number of shares of Glacier common stock that will be exchanged for shares of Citizens Bank Holding Company 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 cash or Glacier common stock or a combination 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.**

After completion of the merger, Citizens Bank Holding Company shareholders will own approximately 1% of Glacier's outstanding common stock.

Your board of directors believes that the terms of the merger are fair and in the best interest of Citizens Bank Holding Company and its shareholders. In reaching this decision, the board considered numerous factors as described in the attached proxy statement/prospectus. Glacier intends to operate Citizens Community Bank as a separately chartered Idaho state bank, under the name Citizens Community Bank. The arrangement will allow Citizens Community Bank to continue to deliver high quality banking services to its customers which are a result of timely, local decision making.

**The merger cannot be completed unless you approve it.** Approval requires the affirmative vote of at least a majority of the shares entitled to be cast at a special meeting of Citizens Bank Holding Company shareholders called to consider the merger. We will hold a special shareholders' meeting to vote on the merger proposal. **The Citizens Bank Holding Company special shareholders' meeting will be held on \_\_\_\_\_, 2005, at 5:00 p.m. local time, at Juniper Hills Country Club, 6000 S. Bannock Highway, Pocatello, Idaho 83204.** 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 Bank Holding Company board of directors, I recommend that you vote FOR approval of the merger.

Ralph G. Cottle



**Table of Contents**

**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 Bank Holding Company and are subject to investment risk, including the possible loss of principal.**

This proxy statement/prospectus is dated \_\_\_\_\_, 2005, and is first being mailed to  
Citizens Bank Holding Company shareholders on \_\_\_\_\_, 2005.

---

Table of Contents

**CITIZENS BANK HOLDING COMPANY**  
**280 South Arthur**  
**Pocatello, 83204**  
**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**  
**TO BE HELD \_\_\_\_\_, 2005**

TO THE SHAREHOLDERS OF CITIZENS BANK HOLDING COMPANY:

A special meeting of shareholders of Citizens Bank Holding Company will be held on \_\_\_\_\_, 2005, at 5:00 p.m. local time, at Juniper Hills Country Club, 6000 S. Bannock Highway, Pocatello, Idaho 83204. \_\_\_\_\_. 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 December 15, 2004, among Glacier Bancorp, Inc., Citizens Bank Holding Company and Citizens Community Bank, under the terms of which Citizens Bank Holding Company will merge with and into 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 Bank Holding Company common stock at the close of business on \_\_\_\_\_, 2005, 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 a majority of the shares entitled to be cast at the Citizens Bank Holding Company special meeting is required for approval of the merger agreement. As of \_\_\_\_\_, 2005 [record date], there were [441,034] shares of Citizens Bank Holding Company common stock outstanding and entitled to vote at the special meeting.

Citizens Bank Holding Company shareholders have the right to dissent from the merger and obtain payment of the fair value of their Citizens Bank Holding Company shares under the applicable provisions of Idaho 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."

**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.

**The board of directors of Citizens Bank Holding Company has determined that the plan and agreement of merger is fair to and in the best interests of Citizens Bank Holding Company and its shareholders and recommends that you vote FOR approval of the merger agreement.**

Please do not send any certificates for your stock at this time. You will receive instructions on how to exchange your certificates soon after the merger is consummated.

By Order of the Board of Directors,

\_\_\_\_\_,  
Secretary

Pocatello, Idaho  
\_\_\_\_\_, 2005

---



**Table of Contents**

**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 \_\_\_\_\_, 2005 in order to receive them before the Citizens Bank Holding Company special shareholders meeting.

See [Where You Can Find More Information About Glacier](#).

---

**TABLE OF CONTENTS**

	<b>Page</b>
<u>QUESTIONS AND ANSWERS ABOUT THIS DOCUMENT AND THE MERGER</u>	1
<u>MERGER PROPOSED - YOUR VOTE IS VERY IMPORTANT</u>	2
<u>SUMMARY</u>	6
<u>RISK FACTORS</u>	13
<u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	14
<u>SELECTED HISTORICAL FINANCIAL INFORMATION OF GLACIER</u>	15
<u>HISTORICAL AND PRO FORMA PER SHARE DATA</u>	19
<u>COMPARATIVE STOCK PRICE AND DIVIDEND INFORMATION</u>	20
<u>CITIZENS BANK HOLDING COMPANY SPECIAL SHAREHOLDERS MEETING</u>	22
<u>BACKGROUND OF AND REASONS FOR THE MERGER</u>	23
<u>THE MERGER</u>	37
<u>INFORMATION CONCERNING CITIZENS BANK HOLDING COMPANY</u>	55
<u>DESCRIPTION OF GLACIER S CAPITAL STOCK</u>	62
<u>COMPARISON OF CERTAIN RIGHTS OF HOLDERS OF GLACIER AND CITIZENS BANK</u>	
<u>HOLDING COMPANY COMMON STOCK</u>	62
<u>CERTAIN LEGAL MATTERS</u>	66
<u>EXPERTS</u>	66
<u>WHERE YOU CAN FIND MORE INFORMATION ABOUT GLACIER</u>	66
<u>Appendix A - Plan and Agreement of Merger</u>	
<u>Appendix B - Idaho Statutes Regarding Dissenter s Rights</u>	
<u>Appendix C - Opinion of Financial Advisor to Citizens Bank Holding Company</u>	
<u>EXHIBIT 5</u>	
<u>EXHIBIT 8</u>	

EXHIBIT 10.1  
EXHIBIT 10.2  
EXHIBIT 10.3  
EXHIBIT 23.3  
EXHIBIT 23.4  
EXHIBIT 99.1  
EXHIBIT 99.2

**Table of Contents**

**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 Bank Holding Company and a prospectus of Glacier. As a proxy statement, it is being provided to you by Citizens Bank Holding Company because the board of directors of Citizens Bank Holding Company is soliciting your proxy to vote to approve the proposed merger of Citizens Bank Holding Company with and into Glacier. After the merger, Glacier will own Citizens Community Bank. 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 Bank Holding Company shares.

**What will Citizens Bank Holding Company shareholders receive in the merger?**

Under the merger agreement, Glacier will pay cash and issue shares of its common stock in exchange for all outstanding shares of Citizens Bank Holding Company common stock. The merger agreement provides that the total consideration will be \$8.6 million in cash and the remainder in shares of Glacier common stock with an aggregate value of \$8.6 million plus the amount of cash received by Citizens Bank Holding Company upon the exercise of Citizens Bank Holding Company stock options after the date of the merger agreement and prior to the effective date of the merger (the exact number of shares to be determined prior to the closing of the merger).

**What will I receive in the merger?**

Under the merger agreement, unless you have 100 or fewer shares, vote against the merger, or provide a notice of dissent, you may elect to receive for your shares either:

all cash,

all Glacier common stock, or

a split of cash (50%) and Glacier common stock (50%)

All elections are subject to the election and allocation procedures described in this proxy statement/prospectus, if too many shareholders elect one form of consideration over the other. Due to these limitations, you may not receive the form of merger consideration that you elect, unless you elect to receive a combination of 50% cash and 50% Glacier common stock. See *The Merger -- Allocation* for a more detailed discussion of allocation procedures under the merger agreement.

**What happens if I elect to receive cash in the merger and Citizens Bank Holding Company shareholders elect to receive more cash than is permitted under the merger agreement?**

The total amount of cash to be paid by Glacier in the merger is fixed. If Citizens Bank Holding Company shareholders elect to receive more cash than is permitted by the merger agreement, your election to receive cash may be adjusted so as not to exceed the limitations set forth in the merger agreement. In that event, you may receive some stock despite your cash election. Glacier will first allocate stock in the merger to Citizens Bank Holding Company shares for which no valid election has been received in an effort to both honor elections and not exceed the total cash to be paid by Glacier. However, if there are insufficient amounts of no-electing Citizens Bank Holding Company shares to which excess Glacier common stock may be allocated, it will be necessary to adjust elections. For a detailed description of the allocation procedures, please see the discussion under the heading *The Merger Allocation*.



**Table of Contents**

**What happens if I elect to receive stock in the merger and Citizens Bank Holding Company shareholders elect to receive more stock than is permitted under the merger agreement?**

As in the case of excess cash elections by Citizens Bank Holding Company shareholders, adjustments to shareholder elections may be necessary to ensure that no more than 50% of the total merger consideration is paid in Glacier shares. If you elect to receive all stock and too many other shareholders elect stock, your election may be adjusted so as not to exceed the limitations set forth in the merger agreement and, consequently, you may receive some cash despite your stock election. Again, Glacier will first allocate cash to no-electing shares in an attempt to honor elections made by shareholders. However, there may not be sufficient amounts of no-electing shares to meet applicable limits on the issuance of stock by Glacier. In that case, you may receive cash for some of your shares, which will likely result in the recognition of gain or loss on a portion of your Citizens Bank Holding Company shares and be a taxable event to you. Please see *The Merger Certain Federal Income Tax Consequences* for a discussion of the tax consequences of the receipt of cash in the merger.

**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 Bank Holding Company common stock?**

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. The actual amount of cash and/or number of shares of Glacier common stock that you will receive for each of your Citizens Bank Holding Company 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 proxy statement/prospectus, and once they are determined, those amounts will be made available on Glacier's website at [www.glacierbancorp.com](http://www.glacierbancorp.com).

**Is the value of the per share consideration that I receive expected to be substantially equivalent regardless of which election I make?**

Yes. The formula that will be used to calculate the per share consideration is intended to substantially equalize the value of the consideration to be received for each share of Citizens Bank Holding Company common stock in the merger, as measured during the valuation period ending on the determination date, regardless of whether you elect to receive cash or stock. As the value of Glacier stock fluctuates with its trading price, however, the value of the stock you receive for a Citizens Bank Holding Company share likely will not be the same as the cash to be paid per share on any given day before or after the merger.

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

An 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 \_\_\_\_\_, 2005, which is the 10<sup>th</sup> business day after the date of the Citizens Bank Holding Company special meeting. Your election choices and election procedures are described under *The Merger Election Procedure*.

**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 \_\_\_\_\_, 2005.

**Table of Contents**

**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 \_\_\_\_\_, 2005. 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 \_\_\_\_\_, 2005, then you will be deemed to have made no election and will be issued either shares of Glacier common or cash for your shares, depending on the elections made by other shareholders.

**When should I send in my stock certificates?**

Please **DO NOT** send in your stock certificates with your proxy card or with the green election form. After the effective date of the merger, the exchange agent will send you a letter of transmittal that will provide you with instructions on surrendering your Citizens Bank Holding Company stock certificate(s). You should send the proxy card in the enclosed white envelope and the green election form in the enclosed green envelope.

**When and where will the special meeting take place?**

Citizens Bank Holding Company will hold a special meeting of its shareholders on \_\_\_\_\_, 2005, at 5:00 p.m., at Juniper Hills Country Club, 6000 S. Bannock Highway, Pocatello, Idaho 83204.

**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 a majority of the shares of Citizens Bank Holding Company common stock outstanding and entitled to vote at the special meeting. The directors and executive officers of Citizens Bank Holding Company and their affiliates beneficially own and have the right to vote 49,932 shares, representing 11.2% of the shares entitled to be voted at the meeting, and they have each agreed to vote for the merger.

**If my shares are held in street name by my broker, will my broker vote my shares for me?**

No. Your broker will not vote your shares unless you provide instructions on how to vote. Consequently, it is important that you follow the directions provided by your broker regarding how to instruct your broker to vote your shares. If you fail to instruct your broker on how to vote your shares, the effect will be the same as if you voted against 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.



**Table of Contents**

**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 Bank Holding Company's secretary prior to the special meeting.

If your shares are held in street name by a broker and you have instructed the broker to vote your shares, you must follow instructions received from your broker to change your vote.

**Who may vote at the meeting?**

The board of directors of Citizens Bank Holding Company has set \_\_\_\_\_, 2005, as the record date for the meeting. If you were the owner of Citizens Bank Holding Company common stock at the close of business on \_\_\_\_\_, 2005, you may vote at the meeting.

**When will the merger occur?**

We presently expect to complete the merger during the first quarter of 2005. The merger will occur after approval of the shareholders of Citizens Bank Holding Company is obtained and the other conditions to the merger are satisfied or waived. Glacier and Citizens Bank Holding Company 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 Bank Holding Company's 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 \_\_\_\_\_, 2005.

## **Table of Contents**

### **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 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 Bank Holding Company 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 Bank Holding Company 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, you will recognize any gain or loss realized on the disposition of your Citizens Bank Holding Company 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.

### **What risks should I consider?**

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

### **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:

Ralph G. Cottle, President and CEO  
Citizens Bank Holding Company  
280 South Arthur  
Pocatello, Idaho 83204  
(208) 235-5264  
e-mail: [ralphc@ccb-idaho.com](mailto:ralphc@ccb-idaho.com)

OR

Terrill Schwartz, Treasurer  
Citizens Bank Holding Company  
280 South Arthur  
Pocatello, Idaho 83204  
(208) 235-5266  
email: [terrills@ccb-idaho.com](mailto:terrills@ccb-idaho.com)

This proxy statement/prospectus does not cover any resale of the securities to be received by shareholders of Citizens Bank Holding Company 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 \_\_\_\_\_, 2005.**

**Table of Contents**

**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 Plan and Agreement of Merger 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 Bank Holding Company**

**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. Glacier is a regional multi-bank holding company providing commercial banking services in 56 banking offices throughout Montana, Idaho, Washington and Utah. 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 seven wholly owned subsidiary commercial banks: Glacier Bank, First Security Bank of Missoula, Western Security Bank, Mountain West Bank in Idaho, Big Sky Western Bank, Valley Bank of Helena, and Glacier Bank of Whitefish. In addition, on November 23, 2004, Glacier announced its pending acquisition of First National Bank West, located in Evanston, Wyoming. This transaction is scheduled to close during the first quarter of 2005.

As of September 30, 2004, Glacier had total assets of approximately \$3.0 billion, total net loans receivable and loans held for sale of approximately \$1.66 billion, total deposits of approximately \$1.69 billion and approximately \$263 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, 2003, and the quarterly reports on Form 10-Q for the quarters ending March 31, June 30 and September 30, 2004. 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, 2003 and Glacier's proxy statement for its 2004 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 Bank Holding Company**

280 South Arthur  
Pocatello, Idaho 83204  
(208) 232-5373

Citizens Bank Holding Company is headquartered in Pocatello, Idaho and is a bank holding company registered under the Bank Holding Company Act of 1956, as amended. Citizens Bank Holding Company was incorporated under the laws of the State of Idaho on March 26, 2002 at the direction of the Board of Directors of



**Table of Contents**

Citizens Community Bank (the Bank) for the purpose of adopting a bank holding company structure through which it would exchange its shares of common stock for shares of common stock of Citizens Bank Holding Company. The exchange was approved by the shareholders of Citizens Community Bank on April 29, 2002 and became effective on July 1, 2002. Thereafter, Citizens Community Bank became a wholly owned subsidiary of Citizens Bank Holding Company. At September 30, 2004, Citizens Bank Holding Company had total consolidated assets of approximately \$111.8 million, net loans of approximately \$82.2 million and deposits of approximately \$98.0 million. At September 30, 2004, Citizens Bank Holding Company had approximately 364 shareholders of record owning 441,034 shares of its common stock.

Citizens Community Bank, a wholly owned subsidiary of Citizens Bank Holding Company, was incorporated on April 17, 1996. The Bank is an Idaho state-chartered commercial bank. The Bank is regulated by the Idaho Department of Finance and by the Federal Deposit Insurance Corporation, its primary federal regulator and the insurer of its deposits. The Bank offers full-service community banking through three banking locations serving the southeastern Idaho area. The Bank has its main office in Pocatello, Idaho and one branch located in each of Pocatello and Idaho Falls, Idaho. In addition, the Bank has a loan production office in Rexburg, Idaho.

The Bank is a full service bank offering a wide variety of banking services targeted at all sectors of its community. The Bank offers customary types of demand, savings, time, and individual retirement accounts, installment, commercial and real estate loans, personal and commercial lines of credit, safe deposit, night depository services, automatic teller machine services, cashiers checks, money orders, travelers checks, wire transfers and various other services that may be tailored to fit the needs of a diverse customer base. The Bank does not have a trust department.

**Citizens Bank Holding Company Will Merge into Glacier**

The merger agreement provides for the merger of Citizens Bank Holding Company with and into Glacier, with Glacier as the surviving company. Citizens Community Bank, which is now the subsidiary of Citizens Bank Holding Company, will become a subsidiary of Glacier. In the merger, your shares of Citizens Bank Holding Company common stock will be exchanged for cash, shares of Glacier common stock or a combination of cash and stock. After the merger, you will no longer own shares of Citizens Bank Holding Company. The directors of Citizens Community Bank before the merger will continue to serve as the directors of Citizens Community Bank after the merger, and Mr. Michael Blodnick, President and Chief Executive Officer of Glacier, will be appointed to the board effective upon consummation of the merger.

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

**Citizens Bank Holding Company Special Meeting**

The special meeting of shareholders of Citizens Bank Holding Company will be held at Juniper Hills Country Club, 6000 S. Bannock Highway, Pocatello, Idaho 83204, on \_\_\_\_\_, 2005 at 5:00 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 Bank Holding Company special meeting if you owned Citizens Bank Holding Company common stock at the close of business on \_\_\_\_\_, 2005. As of that date there were \_\_\_\_\_ shares of Citizens Bank Holding Company common stock entitled to be voted at the special meeting.

**Table of Contents**

**Approval of the Merger Agreement Requires the Affirmative Vote of a Majority of the Shares of Citizens Bank Holding Company Common Stock that Are Outstanding and Entitled to Vote**

In order to approve the merger agreement, at least a majority of the outstanding shares of Citizens Bank Holding Company common stock outstanding and entitled to vote as of the record date 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, directors and executive officers of Citizens Bank Holding Company, and their affiliates, beneficially owned approximately 11.2% of the outstanding shares of Citizens Bank Holding Company common stock. The directors of Citizens Bank Holding Company have agreed to vote their shares in favor of approval of the merger agreement.

**What Citizens Bank Holding Company 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 Bank Holding Company common stock outstanding as of the date of the merger agreement. The total merger consideration that Glacier will pay will be \$8.6 million in cash and the remainder in shares of Glacier common stock (the exact number of which will be determined as described below) with an aggregate value of \$8.6 million plus the amount of cash received by Citizens Bank Holding Company upon the exercise of Citizens Bank Holding Company options after the date of the merger agreement and prior to the effective date of the merger.

If you own more than 100 shares and do not vote against the merger or provide notice of dissent, you may elect to receive in exchange for each of your shares of Citizens Bank Holding Company common stock either (1) all cash, without interest, (2) all shares of Glacier common stock, or (3) a combination of 50% cash, without interest, and 50% shares of Glacier common stock, in each case subject to the election and allocation procedures described in this proxy statement/prospectus. Because the total amount of cash and stock to be issued by Glacier in the merger is fixed, you may not receive cash or stock in chosen amounts, unless you elect to receive 50% cash and 50% Glacier common stock, in which case your election will not be affected by the allocation procedures.

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 determination date). The actual amount of cash and/or Glacier common stock that you will receive for each of your Citizens Bank Holding Company 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 Bank Holding Company common stock, as measured during the valuation period ending on the determination date, regardless of whether you elect to receive cash or stock.

For example, if the average closing price of Glacier common stock during the valuation period was \$32.00, Citizens Bank Holding Company shareholders would receive consideration for each of their shares as follows:

A Citizens Bank Holding Company shareholder receiving only cash would receive \$37.47 in cash per Citizens Bank Holding Company share; and

A Citizens Bank Holding Company shareholder receiving only stock would receive 1.171 shares of Glacier common stock per Citizens Bank Holding Company share (with a value, based on such average closing price, of \$37.47 per Citizens Bank Holding Company share).





## **Table of Contents**

In each case consideration received would be subject to the allocation procedures described under the heading **The Merger Allocation**.

Stated differently, assuming a Citizens Bank Holding Company shareholder owns 200 shares of common stock (and based on the \$32.00 assumed average closing price of Glacier common stock set forth previously), if such shareholder made:

an all stock election, such shareholder would receive 234 shares of Glacier common stock (and \$6.40 in cash in lieu of a fractional share) having a total value (based on Glacier's assumed average closing price) of \$7,494.40;

an all cash election, such shareholder would receive \$7,494.00 in cash; or

a mixed (50% stock /50% cash) election, such shareholder would receive 117 shares of Glacier common stock and cash of \$3,750.20 (including \$3.20 in cash in lieu of a fractional share), which together with the stock, would have a total value (based on Glacier's assumed average closing price) of \$7,494.20.

The actual amounts received will depend on the average closing price of Glacier common stock as of the determination date, and the actual allocation of cash and stock will be subject in each case to the allocation procedures described under the heading **The Merger Allocation**. Actual values of Glacier common stock received will depend on the market price of Glacier common stock at the time of the merger.

## **You May Elect to Receive Cash or Stock Consideration**

In the merger, if you own more than 100 shares of Citizens Bank Holding Company common stock and do not vote against the merger or provide a notice of dissent, you may elect to receive in exchange for your shares either:

all cash,

all Glacier common stock, or

a split of cash (50%) and Glacier common stock (50%).

If you own 100 or fewer shares of Citizens Bank Holding Company common stock, you will be treated as if you made an all cash election. If you vote against the merger or provide a notice of dissent, you will receive cash for your shares unless you perfect your dissenters' rights. If you perfect your dissenters' rights, you will receive cash for your shares as provided under the applicable provisions of Idaho 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 issued either Glacier common stock or cash in the merger, depending upon the elections made by other Citizens Bank Holding Company shareholders.

## **Certain Federal Income Tax Consequences**

Neither Citizens Bank Holding Company nor Glacier is required to complete the merger unless each of them receive 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



## **Table of Contents**

purposes, Citizens Bank Holding Company shareholders generally will not recognize any gain or loss on the conversion of shares of Citizens Bank Holding Company 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 Bank Holding Company 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.

### **The Citizens Bank Holding Company Board of Directors Recommends Shareholder Approval of the Merger**

The Citizens Bank Holding Company board of directors believes that the merger is in the best interests of the Citizens Bank Holding Company shareholders and has unanimously approved the merger agreement. The Citizens Bank Holding Company board of directors recommends that Citizens Bank Holding Company shareholders vote FOR approval of the merger agreement.

### **Citizens Bank Holding Company Financial Advisor Says the Merger Consideration is Fair to Citizens Bank Holding Company Shareholders From a Financial Point of View**

Hovde Financial LLC ( Hovde ) has served as financial advisor to Citizens Bank Holding Company in connection with the merger. It has given an opinion to the Citizens Bank Holding Company board of directors that, as of December 15, 2004, the consideration Glacier will pay for the Citizens Bank Holding Company common stock is fair to Citizens Bank Holding Company shareholders from a financial point of view. Hovde has delivered to Citizens Bank Holding Company an updated fairness opinion. Hovde's opinion is expressly based upon and subject to, the assumptions made, matters considered and qualifications and limitations stated in the opinion. A copy of the updated opinion delivered by Hovde is attached to this document as **Appendix C**. You should read the opinion carefully and in its entirety. Citizens Bank Holding Company agreed to pay Hovde a fee for its services in the amount of \$30,000 plus expenses.

### **Citizens Bank Holding Company Officers and Directors Have Interests in the Merger that Are Different from or in Addition to Their Interests as Shareholders**

Certain members of Citizens Bank Holding Company management have interests in the merger that are different from, or in addition to, their interests as Citizens Bank Holding Company shareholders. These interests arise out of existing option agreements that they have entered into with Citizens Bank Holding Company, provisions in the merger agreement relating to indemnification and continuing service of certain directors, and, in the case of Ralph Cottle, an employment agreement that will take effect upon consummation of the merger. See *The Merger Interests of Certain Persons in the Merger*.

The Citizens Bank Holding Company 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 First Quarter of 2005**

Currently, we anticipate that the merger will occur by March 31, 2005. 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:



## **Table of Contents**

approval of the merger agreement by shareholders holding at least a majority of the outstanding shares of Citizens Bank Holding Company 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 Bank Holding Company may terminate the merger either before or after the Citizens Bank Holding Company 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 – Amendment or Termination of the Merger Agreement*.

### **We May Not Complete the Merger Without All Required Regulatory Approvals**

The merger must be approved by the Federal Reserve and the Idaho 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 Bank Holding Company or Glacier, as the Case May Be, Must Pay a Termination Fee Under Certain Circumstances**

The merger agreement provides that Citizens Bank Holding Company must pay Glacier a termination fee of \$170,000 if Glacier terminates the merger agreement due to a breach by Citizens Bank Holding Company of its representations or covenants, or if the Citizens Bank Holding Company board of directors does not recommend approval of the merger to Citizens Bank Holding Company shareholders.

The merger agreement also provides that Glacier must pay Citizens Bank Holding Company a termination fee of \$170,000 if Citizens Bank Holding Company terminates the merger agreement due to a breach by Glacier of its representations or covenants. See *The Merger Agreement – Termination Fees*.

### **Citizens Bank Holding Company Must Pay Glacier a Break-up Fee Under Certain Circumstances**

Under the merger agreement, Citizens Bank Holding Company must pay Glacier a break-up fee of \$860,000, if the merger agreement is terminated due to the failure of the Citizens Bank Holding Company board of directors to recommend the merger to its shareholders, or due to the receipt of a superior acquisition proposal.

Citizens Bank Holding Company agreed to pay a 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 Bank Holding Company. See *The Merger Agreement – Break-up Fee*.

### **Citizens Bank Holding Company Shareholders Will Have Different Rights After the Merger**

The rights of Citizens Bank Holding Company shareholders are governed by Idaho law, as well as Citizens Bank Holding Company's articles of incorporation and bylaws. After completion of the merger, however, the rights of the former Citizens Bank Holding Company shareholders receiving Glacier common stock in the merger will be governed by Montana law, as well as Glacier's articles of incorporation and bylaws. Although Montana law and Glacier's articles of incorporation and bylaws are similar in many ways to Idaho law



**Table of Contents**

and Citizens Bank Holding Company's articles of incorporation and bylaws, there are some substantive and procedural differences that will affect the rights of Citizens Bank Holding Company shareholders. See Comparison of Certain Rights of Holders of Glacier and Citizens Bank Holding Company Stock.

**Citizens Bank Holding Company Shareholders Have Dissenters' Rights**

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

**Table of Contents**

**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 Bank Holding Company ability to pursue other transactions and provides for the payment of a break up fee if we do so.**

While the merger agreement is in effect and subject to very narrow exceptions, Citizens Bank Holding Company and its directors, officers and agents are prohibited from initiating or encouraging inquiries with respect to alternative acquisition proposals. The prohibition limits Citizens Bank Holding Company's ability to seek offers that may be superior from a financial point of view from other possible acquirers. If Citizens Bank Holding Company 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 Bank Holding Company may be required to pay an \$860,000 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 Bank Holding Company to pay a termination fee.**

Under certain circumstances, Glacier can terminate the merger agreement and require Citizens Bank Holding Company to pay a termination fee of \$170,000.

**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 Bank Holding Company 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. While the merger agreement does guarantee you a fixed value for your shares, 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 stock price, and more the lower Glacier's stock price. We urge you to obtain current market quotations for Glacier common stock.

**You may not receive the form of merger consideration that you elect.**

The merger agreement provides that the aggregate consideration to be received by Citizens Bank Holding Company shareholders in the merger will be \$8.6 million in cash and the remainder in shares of Glacier common stock, the exact number determined in accordance with the merger agreement, the aggregate value of which will equal \$8.6 million plus the amount of cash received by Citizens Bank Holding Company upon the exercise of Citizens Bank Holding Company stock options after the date of the merger agreement and prior to the effective date of the merger. If elections are made by Citizens Bank Holding Company shareholders that would result in their receiving more or less cash or Glacier common stock than these amounts, then certain of those shareholders will have the consideration of the form they selected reduced by a pro rata amount and will receive a portion of their consideration in the form that they did not elect. For a detailed description of the allocation procedures, please see the discussion under the heading The Merger Allocation.

Accordingly, there is a risk that you will receive a portion of the merger consideration in the form that you do not elect, which could result in, among other things, tax consequences that differ from those that would





## **Table of Contents**

have resulted had you received the form of consideration you elected (including with respect to the recognition of taxable gain to the extent cash is received). See **The Merger – Federal Income Tax Consequences**.

Because the aggregate merger consideration is divided equally between cash and Glacier common stock, the allocation provisions described above will not apply to Citizens Bank Holding Company shareholders who elect to receive a combination of cash (50%) and Glacier common stock (50%). Such elections will be effective, without change, regardless of the elections made by other Citizens Bank Holding Company shareholders.

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

Glacier and Citizens Bank Holding Company 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 Citizens Community Bank's ongoing business 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 Citizens Community Bank.

### **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 Bank Holding Company 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

**Table of Contents**

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 Bank Holding Company's 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;

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 Bank Holding Company or any person acting on behalf of Glacier or Citizens Bank Holding Company are expressly qualified in their entirety by the cautionary statements above. Neither Glacier nor Citizens Bank Holding Company 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.

**SELECTED HISTORICAL FINANCIAL INFORMATION OF GLACIER**

The following selected financial information for the fiscal years ended December 31, 2003, 2002, 2001, 2000 and 1999 is derived from audited consolidated financial statements of Glacier. The financial information of and for the nine months ended September 30, 2004 and 2003 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 nine months ended September 30, 2004 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2004. The financial data below should be read in conjunction with the financial statements and notes thereto, incorporated by reference in this proxy



**Table of Contents**

statement/prospectus. See [Where You Can Find More Information About Glacier](#).

**Table of Contents**

**GLACIER BANCORP, INC. AND SUBSIDIARIES**  
**SELECTED CONDENSED CONSOLIDATED AND OTHER FINANCIAL INFORMATION**  
**(\$ in thousands, except per share data)**

	At or for the Nine Months		At or for the Fiscal Years Ended December 31				
	Ended September 30						
	2004	2003	2003	2002	2001	2000	1999
<b>Summary of Operations:</b>							
Interest income	\$ 108,546	\$ 96,778	\$ 130,830	\$ 133,989	\$ 137,920	\$ 78,837	\$ 64,719
Interest expense	28,993	29,313	38,478	47,522	65,546	37,357	27,635
Net interest income	79,553	67,465	92,352	86,467	72,374	41,480	37,084
Provision for loan losses	2,995	3,113	3,809	5,745	4,525	1,864	1,723
Net interest income after provision for loan losses	76,558	64,352	88,543	80,722	67,849	39,616	35,361
Noninterest income	25,396	26,239	33,562	25,917	23,251	13,294	12,809
Noninterest expenses	53,423	48,255	65,944	57,813	57,385	31,327	29,096
Income before provision for income taxes	48,531	42,336	56,161	48,826	33,715	21,583	19,074
Provision for income taxes	15,478	13,859	18,153	16,424	12,026	7,580	6,722
Net income	33,053	28,477	38,008	32,402	21,689	14,003	12,352
Basic earnings per share	\$ 1.35	\$ 1.18	\$ 1.58	\$ 1.37	\$ 1.00	\$ 0.89	\$ 0.79
Diluted earnings per share	\$ 1.33	\$ 1.16	\$ 1.55	\$ 1.35	\$ 0.97	\$ 0.88	\$ 0.78
Cash dividends paid per common share	\$ 0.51	\$ 0.44	\$ 0.60	\$ 0.49	\$ 0.44	\$ 0.43	\$ 0.42

	At or for the Nine Months			At or for the Fiscal Years Ended December 31			
	Ended September 30						
	2004	2003	2003	2002	2001	2000	1999
<b>Statement of Financial Condition:</b>							
Total assets	\$ 3,002,699	\$ 2,683,074	\$ 2,739,633	\$ 2,281,344	\$ 2,085,747	\$ 1,056,712	\$ 974,001
Net loans receivable and loans held for sale	1,659,614	1,443,200	1,430,365	1,300,653	1,322,327	733,561	652,208
Total deposits	1,688,121	1,618,399	1,597,625	1,459,923	1,446,064	720,570	644,106
	936,742	773,624	842,280	544,953	399,880	226,320	235,264

Total borrowings								
Shareholders equity	262,978	228,105	237,839	212,249	176,983	98,113	85,056	
Book value per share	\$ 10.73	\$ 9.44	\$ 9.83	\$ 8.93	\$ 7.63	\$ 6.23	\$ 5.41	

**Key  
Operating  
Ratios:**

Return on average assets	1.54%	1.58%	1.53%	1.50%	1.10%	1.39%	1.41%
Return on average shareholders equity	17.74%	17.00%	16.82%	16.57%	13.49%	15.83%	14.60%
Average shareholders equity to average assets	8.69%	9.28%	9.10%	9.08%	8.26%	8.78%	9.73%
Net interest margin	4.15%	4.21%	4.20%	4.51%	4.08%	4.48%	4.67%



**Table of Contents**

Ratio of non-performing assets to total assets	0.41%	0.39%	0.48%	0.51%	0.53%	0.21%	0.23%
Dividend payout ratio	37.78%	37.29%	38.07%	35.45%	43.48%	48.36%	53.70%

**Table of Contents****HISTORICAL AND PRO FORMA PER SHARE DATA**

The table set below presents the historical earnings, book value and cash dividends per share as of September 30, 2004, and the nine months then ended, and as of December 31, 2003, 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. 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 Bank Holding Company common stock, respectively, on the day prior to the announcement of the merger, and as of \_\_\_\_\_, 2005, the most recent practicable trading date prior to the printing of this document, together with the pro forma equivalent market value of Citizens Bank Holding Company shares after giving effect to the merger. The pro forma equivalent per share data for Citizens Bank Holding Company is calculated by multiplying the historical per share data for Glacier by the implied exchange ratio of \_\_\_\_\_ used to calculate the merger consideration. 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 Bank Holding Company and the effect that may have on the reliability of the share price data.

	Glacier		Citizens Bank Holding Company	
	Historical	Pro Forma Combined	Historical	Pro Forma Equivalent
Basic earnings per share:				
Year ended December 31, 2003	\$ 1.58	\$ _____	\$ 2.10	\$ _____
Nine months ended September 30, 2004	\$ 1.35	\$ _____	\$ 1.49	\$ _____
Diluted earnings per share:				
Year ended December 31, 2003	\$ 1.55	\$ _____	\$ 1.99	\$ _____
Nine months ended September 30, 2004	\$ 1.33	\$ _____	\$ 1.41	\$ _____
Book value per share at:				
December 31, 2003	\$ 9.83	\$ _____	\$ 15.25	\$ _____
September 30, 2004	\$ 10.73	\$ _____	\$ 16.74	\$ _____
Cash dividends per share declared <sup>(1)</sup> :				
Year ended December 31, 2003	\$ 0.60	\$ _____	\$ 0	\$ _____
Nine months ended September 30, 2004	\$ 0.51	\$ _____	\$ 0	\$ _____
Market value per share at December 14, 2004 <sup>(2)</sup>	\$ 34.37	\$ _____	\$ 23.00	\$ _____
Market value per share at _____, 2005	\$ _____	\$ _____	\$ _____	\$ _____

(1) Citizens Bank Holding Company has never paid a cash dividend to its shareholders.

(2) The most recent trade of Citizens Bank Holding Company common stock occurred on December 2, 2004; however, the most recent transaction for which management of Citizens Bank Holding Company is aware of the purchase price occurred in the second quarter of 2004.

**Table of Contents****COMPARATIVE STOCK PRICE AND DIVIDEND INFORMATION****Glacier Common Stock**

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.

	<b>High*</b>	<b>Low*</b>	<b>Cash Dividends Declared</b>
2003			
First quarter	\$ 21.59	\$ 17.00	\$0.13
Second quarter	\$ 20.96	\$ 18.36	\$0.15
Third quarter	\$ 23.72	\$ 19.56	\$0.16
Fourth quarter	\$ 26.40	\$ 21.54	\$0.16
2004			
First quarter	\$ 27.04	\$ 23.60	\$0.17
Second quarter	\$ 28.25	\$ 24.49	\$0.17
Third quarter	\$ 30.35	\$ 25.75	\$0.17
Fourth quarter	\$ 34.99	\$ 28.90	\$0.17
2005			
First quarter (through _____, 2005)	\$	\$	\$

\* Adjusted for stock splits and stock dividends.

At \_\_\_\_\_, 2005, the \_\_\_\_\_ outstanding shares of Glacier common stock were held by approximately \_\_\_\_\_ holders of record.

**Citizens Bank Holding Company Common Stock**

Citizens Bank Holding Company 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 Bank Holding Company indicate that there have been relatively infrequent transactions in Citizens Bank Holding Company's stock. Sales and purchases of shares of Citizens Bank Holding Company common stock are privately negotiated, and Citizens Bank Holding Company is often not aware of the price for those transactions. Citizens Bank Holding Company is aware of approximately thirty (30) transfers of Citizens Bank Holding Company common stock since January 2003; however, management of Citizens Bank Holding Company is only aware of the purchase price for two (2) of those transactions. As a result, trading price data is very limited and may not accurately reflect the actual market value of the shares. The table below sets forth the high and low sales prices per share of Citizens Bank Holding Company common stock as reported to Citizens Bank Holding Company, acting as its own transfer agent. There have been no trades of Citizens Bank Holding Company stock in 2005.

**Table of Contents**

	<b>High</b>	<b>Low</b>
2003		
First quarter	N/A	N/A
Second quarter	N/A	N/A
Third quarter	N/A	N/A
Fourth quarter	N/A	N/A
2004		
First quarter	\$ 18.00	\$ 18.00
Second quarter	\$ 23.00	\$ 23.00
Third quarter	N/A	N/A
Fourth quarter	N/A	N/A

At \_\_\_\_\_, 2005, the [441,034] outstanding shares of Citizens Bank Holding Company common stock were held by approximately 364 holders of record.

Citizens Bank Holding Company has never paid a dividend to its shareholders. In the absence of the proposed merger, Citizens Bank Holding Company does not anticipate paying a cash dividend in the foreseeable future. Rather, Citizens Bank Holding Company plans to retain earnings to provide capital to fund its operations.

**Table of Contents**

**CITIZENS BANK HOLDING COMPANY SPECIAL SHAREHOLDERS MEETING**

**Date, Time, Place**

The Citizens Bank Holding Company special meeting of shareholders will be held on \_\_\_\_\_, 2005, at 5:00 p.m.] local time, at Juniper Hills Country Club, 6000 S. Bannock Highway, Pocatello, Idaho 83204.

As described below under **Vote Required**, approval of the merger agreement requires the affirmative vote of at least a majority of the shares of Citizens Bank Holding Company common stock that are outstanding and entitled to vote on the record date. If there are not sufficient votes represented at the special meeting, either in person or by proxy, to approve the merger agreement, or if a quorum is not present, Citizens Bank Holding Company may adjourn or postpone the meeting in order to permit further solicitation of proxies by Citizens Bank Holding Company. 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 Bank Holding Company 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 Bank Holding Company board of directors has fixed 5:00 p.m. on \_\_\_\_\_, 2005 as the record date for determining the holders of shares of Citizens Bank Holding Company common stock entitled to notice of and to vote at the special meeting. At the close of business on the Citizens Bank Holding Company record date, there were [441,034] shares of common stock issued and outstanding held by approximately 364 holders of record. Holders of record of Citizens Bank Holding Company 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**.

Each director of Citizens Bank Holding Company has agreed to vote all Citizens Bank Holding Company shares held or controlled by him in favor of approval of the merger. A total of 47,482 outstanding shares or shares subject to stock options, or approximately 10.6% of the outstanding shares of Citizens Bank Holding Company common stock are covered by this voting agreement. See **The Merger - Voting Agreement**.

**Vote Required**

The affirmative vote of at least a majority of all shares of Citizens Bank Holding Company common stock outstanding and entitled to vote on the record date is required to approve the merger. At least fifty percent (50%) of the outstanding shares of Citizens Bank Holding Company 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.



## **Table of Contents**

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 Bank Holding Company 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 Bank Holding Company;

a later-dated proxy; or

appearing and voting at the special meeting in person.

Citizens Bank Holding Company is soliciting the proxy for the special meeting on behalf of the Citizens Bank Holding Company board of directors. Citizens Bank Holding Company will bear the cost of solicitation of proxies from its shareholders. In addition to using the mails, Citizens Bank Holding Company 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 Bank Holding Company does not expect to pay any compensation for the solicitation of proxies. However, Citizens Bank Holding Company 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**

Glacier, through its Mountain West Bank subsidiary, currently offers community banking services from offices in northern Idaho, the Boise area, and Ketchum/Sun Valley, but does not serve the southeastern Idaho market. Consistent with its historical acquisition strategy, Glacier is interested in partnering with attractive financial institutions in markets that fit within or expand Glacier's existing geographic footprint. In April 2004, D.A. Davidson & Co. (Davidson), as Glacier's investment banking representative, sent a letter to Citizens Bank Holding Company expressing Glacier's interest in expanding its community banking presence to southeastern Idaho through a merger with Citizens Bank Holding Company. In May and June, a representative of Davidson and Ralph Cottle, President of Citizens Bank Holding Company, had several telephone conversations regarding the prospect of arranging a meeting with Glacier to share information and further explore the prospect of a merger.

On July 13, Mick Blodnick, CEO of Glacier, and a representative of Davidson met in Pocatello with Mr. Cottle and with Messrs. James Lee and Gary Blanchard, the chairman and vice chairman, respectively, of Citizens Bank Holding Company. Mr. Blodnick and the Citizens' representatives shared information about their respective companies, discussed market conditions and prospects in southeastern Idaho, shared financial information, reviewed operating practices and corporate strategies, and discussed the potential benefits of a merger to shareholders, employees, and customers. In the course of the meeting, Messrs. Blodnick and Cottle agreed that Glacier and Citizens Bank Holding Company shared similar community banking philosophies and





**Table of Contents**

that the parties should further explore the prospect of a merger.

On August 5, Mr. Blodnick and a representative of Davidson met with Mr. Cottle and the Citizens Bank Holding Company board of directors in Pocatello. Mr. Blodnick presented the board with information about Glacier and answered questions about its financial performance, its operating practices with subsidiary banks, and the experiences of other community banks that chose to merge with Glacier. Davidson shared information and answered questions about the structure and process of a merger transaction, market valuation levels, and Glacier's approach to structuring and valuing merger transactions.

In August and September, Citizens Bank Holding Company shared additional information with Glacier, including management's expectations for financial performance during 2004 and 2005. The parties also engaged in negotiations regarding the value and terms of a merger transaction.

On September 27, following a meeting of its board of directors, Glacier provided Citizens Bank Holding Company a formal proposal setting forth the proposed terms of the merger. On September 29, the board of directors of Citizens Bank Holding Company met to discuss the formal proposal of Glacier with respect to the merger. The board of directors raised several issues with regard to the proposal and directed legal counsel of Citizens Bank Holding Company and Mr. Cottle to communicate the comments of the board of directors to Glacier. The comments of the board of directors of Citizens Bank Holding Company were communicated to Glacier on September 30. On September 30, after receiving comments from Citizens Bank Holding Company and its legal counsel, Glacier submitted a revised written proposal for the merger that was accepted by Citizens Bank Holding Company.

In October and November, the parties and their advisors exchanged additional information, conducted due diligence reviews (with most of Glacier's due diligence review occurring between October 18 and November 12), discussed operating and strategic plans for the Bank post-closing, and drafted and negotiated the terms of the merger agreement and related documents.

On December 14, 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 of the merger, expansion opportunities available to the Bank, 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 December 15, the Board of Directors of Citizens Bank Holding Company met to consider approval of the merger with Glacier. The Board of Directors discussed: their fiduciary duty to the shareholders of Citizens Bank Holding Company, questions about the definitive agreement, the form of consideration to be received by the shareholders, the break-up fee, the current stock price of Glacier and its dividend history, and the implications to Citizens Bank Holding Company, its shareholders, employees and customers. Also discussed were the reasons for completing the merger and the implications to Citizens Bank Holding Company if the Bank continued without an affiliation with Glacier. The Board of Directors took into consideration the presentation made by Hovde and its fairness opinion that was presented and approved by the Board of Directors as written. The Board then voted unanimously to approve the merger.

Glacier and Citizens executed the merger agreement and related documents on the afternoon of December 15. After the close of business on December 15, the parties issued a joint press release announcing the execution of the merger agreement.

**Reasons For The Merger   Citizens Bank Holding Company**

The Citizens Bank Holding Company board of directors believes the merger is in the best interests of

**Table of Contents**

Citizens Bank Holding Company and the Citizens Bank Holding Company shareholders. The Citizens Bank Holding Company board of directors unanimously recommends that Citizens Bank Holding Company shareholders vote **for** the approval of the merger agreement and the consummation of the transaction contemplated by that merger agreement.

In reaching its determination to approve the merger agreement, the Citizens Bank Holding Company 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 Bank Holding Company board of directors believes favor the merger:

*Terms of the Merger.* The terms of the merger, including the consideration being paid and various other documents related to the merger and the structure of the merger. The fact that when the merger was publicly announced, the aggregate consideration being paid to Citizens Bank Holding Company shareholders represented a premium over the last known sales price for shares of Citizens Bank Holding Company.

*Fairness Opinion.* Hovde's opinion, discussed below in Opinion of Bank of Citizens Bank Holding Company Advisor, stating that, based upon and subject to, the assumptions made, matters considered and qualifications and limitations stated in the opinion, as of December 15, 2004, the merger consideration was fair to Citizens Bank Holding Company shareholders from a financial point of view.

*Liquidity.* The expectation that Glacier common stock will provide greater liquidity for Citizens Bank Holding Company shareholders.

*Dividends.* The fact that Glacier's common stock pays dividends, has done so since 1985, and that Citizens Bank Holding Company has never paid a dividend.

*Products & Services.* The fact that Citizens Bank Holding Company customers would be afforded new products and services not previously available. For instance, larger credit relationships, international banking services including letters of credit, and enhanced cash management services will be available.

*Autonomy.* The fact that Glacier intends to operate Citizens Community Bank as a separate subsidiary under the direction and control of the bank's current management team, under the name Citizens Community Bank.

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

*Competitive Issues.* The fact that competition in the Citizens Bank Holding Company 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 Citizens Bank Holding Company board of directors believes that future earnings prospects will be stronger on a combined basis. In addition, affiliations with Glacier will offer expansion opportunities not currently available.

*Other Strategies.* The alternatives to the merger, and the timing and likelihood of success in trying to achieve such alternatives.

*Employee Matters.* The expectation that the merger will generally expand the career opportunities and



**Table of Contents**

employee benefits available to many Citizens Community Bank employees.

*Directors and Executive Officers.* The fact that the current members of the Citizens Community Bank board of directors will continue to serve following the merger.

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

*Risks of Stand Alone.* The Citizens Bank Holding Company board of directors considered the risks and costs associated with remaining a stand alone bank, such as the possible need to raise additional capital.

*Approvals.* The likelihood of receiving required regulatory approvals in a timely fashion and the likelihood that the merger would be completed.

In the course of its deliberations regarding the merger, the Citizens Bank Holding Company board of directors also considered the following information, which the board of directors determined did not outweigh the benefits to Citizens Community Bank 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 \$8.6 million in cash and the remainder in Glacier common stock, Citizens Bank Holding Company shareholders cannot be sure of the number of shares of Glacier common stock that will be exchanged for shares of Citizens Bank common stock, or the form of merger consideration that they will receive until the completion of the merger.

*Business Interruption.* The possible disruption to Citizens Community Bank business that may result from the announcement of the merger and the resulting distraction of its management's attention from the day-to-day operations of Citizens Community Bank's business.

*Integration Issues.* The difficulty inherent in integrating two businesses and the risk that the cost efficiencies, synergies and other benefits expected to be obtained in the merger may not be fully realized.

*Operational Restrictions.* The restrictions contained in the merger agreement on the operation of Citizens Bank Holding Company's business during the period between the signing of the merger agreement and completion of the merger.

*Termination, No-Approval and Break-Up Fees.* Under certain circumstances, Glacier may terminate the merger agreement and require Citizens Bank Holding Company to pay a termination fee of \$170,000. In certain circumstances where the merger agreement is terminated following the receipt of a superior proposal prior to the consummation of the merger and such a superior proposal is accepted within the twelve months following such termination and then subsequently consummated, Citizens Bank Holding Company may be required to pay a break-up fee of \$860,000.

*Risk of Termination.* The possibility that the merger might not be completed and the effect of the resulting public announcement of the termination of the merger agreement on, among other things, the market price of Citizens Bank Holding Company common stock and Citizens Bank Holding Company operating results, particularly in light of the costs incurred in connection with the transaction.

*Other Matters.* Other matters described in the sections entitled Risk Factors and The Merger Interests of Certain Persons in the Merger.



## **Table of Contents**

The foregoing discussion of the information considered by the Citizens Bank Holding Company board of directors is not intended to be exhaustive but includes all of the material factors considered by the board of directors. In reaching its determination to approve and recommend the merger, the Citizens Bank Holding Company board of directors did not assign any relative or specific weights to the factors considered in reaching that determination and individual directors may have given differing weights to different factors. Given the above, the Citizens Bank Holding Company board of directors determined that the merger agreement is in the best interests of Citizens Bank Holding Company and its shareholders and unanimously approved the merger.

## **Opinion of Hovde Financial LLC, Citizens Bank Holding Company Financial Advisor**

Hovde has delivered to the Board of Directors of Citizens Bank Holding Company its opinion that, based upon and subject to the various considerations set forth in its written opinion dated December 15, 2004, the total transaction consideration to be paid to the shareholders of Citizens Bank Holding Company is fair from a financial point of view as of such date. In requesting Hovde's advice and opinion, no limitations were imposed by Citizens Bank Holding Company upon Hovde with respect to the investigations made or procedures followed by it in rendering its opinion. **The full text of the opinion of Hovde, dated December 15, 2004, which describes the procedures followed, assumptions made, matters considered and limitations on the review undertaken, is attached hereto as Appendix C. The shareholders of Citizens Bank Holding Company should read this opinion in its entirety.**

Hovde is a nationally recognized investment banking firm and, as part of its investment banking business, is continually engaged in the valuation of financial institutions in connection with mergers and acquisitions, private placements and valuations for other purposes. As a specialist in securities of financial institutions, Hovde has experience in, and knowledge of, banks, thrifts and bank and thrift holding companies. The Board of Directors of Citizens Bank Holding Company selected Hovde to act as its financial advisor in connection with the merger on the basis of the firm's reputation and expertise in transactions such as the merger.

Hovde received a fee from Citizens Bank Holding Company for performing a financial analysis of the merger and rendering a written opinion to the Board of Directors of Citizens Bank Holding Company as to the fairness, from a financial point of view, of the merger to the shareholders of Citizens Bank Holding Company. Hovde received all of such fee subsequent to Hovde's presentation of its fairness opinion and analysis to the Board of Directors of Citizens Bank Holding Company. Citizens Bank Holding Company has also agreed to indemnify Hovde against any claims, losses and expenses arising out of the merger or Hovde's engagement that did not arise from Hovde's gross negligence or willful misconduct.

**Hovde's opinion is directed only to the fairness, from a financial point of view, of the total transaction consideration, and, as such, does not constitute a recommendation to any shareholder of Citizens Bank Holding Company as to how the shareholder should vote at the Citizens Bank Holding Company shareholder meeting. The summary of the opinion of Hovde set forth in this joint statement/prospectus is qualified in its entirety by reference to the full text of the opinion.**

The following is a summary of the analyses performed by Hovde in connection with its fairness opinion. Certain of these analyses were confirmed in a presentation to the Board of Directors of Citizens Bank Holding Company by Hovde. The summary set forth below does not purport to be a complete description of either the analyses performed by Hovde in rendering its opinion or the presentation delivered by Hovde to the Board of Directors of Citizens Bank Holding Company, but it does summarize all of the material analyses performed and presented by Hovde.

The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analyses and the application of those methods to the particular circumstances. In arriving at its opinion, Hovde did not attribute any particular weight to any analysis and factor considered by it, but





**Table of Contents**

rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Hovde believes that its analyses and the following summary must be considered as a whole and that selecting portions of its analyses, without considering all factors and analyses, could create an incomplete view of the process underlying the analyses set forth in its report to the Board of Directors of Citizens Bank Holding Company and its fairness opinion.

In performing its analyses, Hovde made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Citizens Bank Holding Company and Glacier. The analyses performed by Hovde are not necessarily indicative of actual value or actual future results, which may be significantly more or less favorable than suggested by such analyses. Such analyses were prepared solely as part of Hovde's analysis of the fairness of the transaction consideration, from a financial point of view, to the shareholders of Citizens Bank Holding Company. The analyses do not purport to be an appraisal or to reflect the prices at which a company might actually be sold or the prices at which any securities may trade at the present time or at any time in the future. Hovde's opinion does not address the relative merits of the merger as compared to any other business combination in which Citizens Bank Holding Company might engage. In addition, as described above, Hovde's opinion to the Board of Directors of Citizens Bank Holding Company was one of many factors taken into consideration by the Board of Directors of Citizens Bank Holding Company in making its determination to approve the merger agreement.

During the course of its engagement, and as a basis for arriving at its opinion, Hovde reviewed and analyzed material bearing upon the financial and operating conditions of Citizens Bank Holding Company and Glacier and material prepared in connection with the merger, including, among other things, the following:

the merger agreement;

certain historical publicly available information concerning Citizens Bank Holding Company and Glacier;

certain internal financial statements and other financial and operating data concerning Citizens Bank Holding Company and Glacier;

certain financial projections prepared by the managements of Citizens Bank Holding Company and Glacier;

certain other information provided to Hovde by members of the senior managements of Citizens Bank Holding Company and Glacier for the purpose of reviewing the future prospects of Citizens Bank Holding Company and Glacier, including financial forecasts related to the respective businesses, earnings, assets, liabilities and the amount and timing of cost savings expected to be achieved as a result of the merger;

historical market prices and trading volumes for Glacier common stock;

the nature and terms of recent merger and acquisition transactions to the extent publicly available, involving banks, thrifts and bank and thrift holding companies that we considered relevant;

the pro forma ownership of Glacier's common stock by the shareholders of Citizens Bank Holding Company relative to the pro forma contribution of Citizens Bank Holding Company's assets, liabilities, equity and earnings to the combined company;

the pro forma impact of the merger on the combined company's earnings per share, consolidated capitalization and financial ratios; and

such other information and factors as it has deemed appropriate.

**Table of Contents**

Hovde also took into account its assessment of general economic, market and financial conditions and its experience in other transactions, as well as its knowledge of the commercial banking industry and its general experience in securities valuations.

In rendering its opinion, Hovde assumed, without independent verification, the accuracy and completeness of the financial and other information and relied upon the accuracy of the representations of the parties contained in the merger agreement. Hovde also assumed that the financial forecasts furnished to or discussed with Hovde by Citizens Bank Holding Company and Glacier were reasonably prepared and reflected the best currently available estimates and judgments of senior management of Citizens Bank Holding Company and Glacier as to the future financial performance of Citizens Bank Holding Company, Glacier, or the combined company, as the case may be. Hovde has not made any independent evaluation or appraisal of any properties, assets or liabilities of Citizens Bank Holding Company or Glacier. Hovde assumed and relied upon the accuracy and completeness of the publicly available and other non-public financial information provided to it by Citizens Bank Holding Company and Glacier, relied upon the representations and warranties of Citizens Bank Holding Company and Glacier made pursuant to the merger agreement, and did not independently attempt to verify any of such information.

**Analysis of Selected Mergers.** As part of its analysis, Hovde reviewed two groups of comparable merger transactions. The first peer group included transactions, which have occurred since January 1, 2002, that involved target banks in the Northwestern United States (ID, OR, WA, MT, WY) that had total assets under \$400 million (the Northwest Merger Group ). This Northwest Merger Group consisted of the following 11 transactions:

<b>Buyer</b>	<b>Seller</b>
Glacier Bancorp Inc. (MT)	First National Banks-West Co. (WY)
Intermountain Community Bncp (ID)	Snake River Bancorp (ID)
Heartland Financial USA Inc. (IA)	Rocky Mountain Bancorp. Inc. (MT)
Pacific Financial Corp. (WA)	BNW Bancorp Inc. (WA)
Washington Federal Inc. (WA)	United S&L Bank (WA)
Glacier Bancorp Inc. (MT)	Pend Oreille Bancorp (ID)
Riverview Bancorp Inc. (WA)	Today s Bancorp Inc. (WA)
Sterling Financial Corp. (WA)	Empire Federal Bancorp Inc. (MT)
First Community Financial (WA)	Harbor Bank N.A. (WA)
Pacific Northwest Bancorp (WA)	Bank of the Northwest (OR)
AmericanWest Bancorporation (WA)	Latah Bancorporation, Inc. (WA)

Hovde also reviewed comparable mergers involving banks headquartered in the Western United States announced since January 1, 2003, in which the total assets of the seller were between \$50 million and \$150 million (the West Merger Group ). This West Merger Group consisted of the following 33 transactions:

<b>Buyer</b>	<b>Seller</b>
Riverview Bancorp Inc. (WA)	American Pacific Bank (OR)
First Financial Bankshares (TX)	Clyde Financial Corporation (TX)
IB Bancshares Inc. (TX)	First Celina Corporation (TX)
IB Bancshares Inc. (TX)	Coupland State Bank Of Couplan (TX)
Franklin Bank Corp. (TX)	Cedar Creek Bancshares Inc. (TX)
Intermountain Community Bncp (ID)	Snake River Bancorp (ID)

First Federal Bank of LA (LA)  
MidSouth Bancorp Inc. (LA)  
Prosperity Bancshares Inc. (TX)

First Allen Parish Bancorp (LA)  
Lamar Bancshares Inc. (TX)  
Village Bank & Trust S.S.B. (TX)

**Table of Contents**

<b>Buyer</b>	<b>Seller</b>
Pinnacle Bancorp Inc. (NE)	Fnc'l. Svcs. the Rockies Inc (CO)
First Financial Bankshares (TX)	Liberty National Bank (TX)
Teche Holding Co. (LA)	St. Landry Financial Corp. (LA)
Central Banccompany (MO)	Community Bancs of Oklahoma (OK)
Cascade Financial Corp. (WA)	Issaquah Bancshares Inc. (WA)
Summit Bancshares Inc. (TX)	ANB Financial Corporation (TX)
HGroup Acquisition Co. (TX)	Heritage Bancshares (TX)
Happy Bancshares Inc. (TX)	Sun Banc Corporation (TX)
IBERIABANK Corp. (LA)	Alliance Bank of Baton Rouge (LA)
Pacific Financial Corp. (WA)	BNW Bancorp Inc. (WA)
Prosperity Bancshares Inc. (TX)	First State Bk North TX (TX)
Investor group (TX)	Snyder National Bank (TX)
First Community Capital Corp. (TX)	Grimes County Capital Corp. (TX)
North American Bcschs Inc. (TX)	Pioneer Bankshares Inc. (TX)
BancFirst Corp. (OK)	Lincoln National Bancorp. (OK)
Industry Bancshares Inc. (TX)	Fayetteville Bancshares Inc. (TX)
Marquette Financial Companies (MN)	Valley Bancorp, Inc. (AZ)
Southeast Texas Bcschs Inc. (TX)	Secured Trust Bank (TX)
Glacier Bancorp Inc. (MT)	Pend Oreille Bancorp (ID)
Franklin Bank Corp. (TX)	Highland Lakes Bank (TX)
Riverview Bancorp Inc. (WA)	Today s Bancorp Inc. (WA)
Doss Ltd. (TX)	Northwest NB of Arlington (TX)
Prosperity Bancshares Inc. (TX)	Abrams Centre Bancshares Inc. (TX)
Premier Bcschs Inc. (TX)	Synergy Bank, SSB (TX)

Hovde calculated the medians and averages of the following relevant transaction ratios in the Northwest Merger Group and the West Merger Group: the percentage of the offer value to the acquired company's total assets, the multiple of the offer value to the acquired company's earnings for the twelve months preceding the announcement date of the transaction; the multiple of the offer value to the acquired company's tangible book value; and the tangible book value premium to core deposits. Hovde compared these multiples with the corresponding multiples for the merger, valuing the total consideration that would be received pursuant to the merger agreement at approximately \$17.3 million (\$8.6 million in consideration in the form of Glacier's stock, \$8.6 million in cash, and \$88,970 in qualified options consideration), or \$37.47 per Citizens Bank Holding Company diluted share. In calculating the multiples for the merger, Hovde used Citizens Bank Holding Company's earnings for the twelve months ended September 30, 2004, and Citizens Bank Holding Company's tangible book value per share, total assets, and total deposits as of September 30, 2004. The results of this analysis are as follows:

	Offer Value to			Ratio of
	12			Tangible
	months			Book Value
	Total	Tangible	Preceding	Premium to
	Assets	Book	Earnings	Core
	(%)	Value	(x)	Deposits
		(x)	(x)	(%)

Edgar Filing: GLACIER BANCORP INC - Form S-4

Citizens Bank Holding Company	15.7	2.34	18.9	14.1
Northwest Merger Group median	16.0	1.90	19.4	13.0

**Table of Contents**

	Total Assets (%)	Offer Value to Tangible Book Value (x)	12 months Preceding Earnings (x)	Ratio of Tangible Book Value Premium to Core Deposits (%)
Northwest Merger Group average	16.5	2.13	20.3	13.3
West Merger Group median	17.4	1.90	22.2	12.2
West Merger Group average	18.1	2.06	25.7	13.1

31

**Table of Contents**

**Discounted Cash Flow Analysis.** Hovde estimated the present value of all shares of Citizens Bank Holding Company common stock by estimating the value of Citizens Bank Holding Company's estimated future earnings stream beginning in 2005. Reflecting Citizens Bank Holding Company's internal projections and Hovde estimates, Hovde assumed net income in 2005, 2006, 2007, 2008, and 2009 of \$0.99 million, \$1.14 million, \$1.31 million, \$1.51 million, and \$1.74 million, respectively. The present value of these earnings was calculated based on a range of discount rates of 11.0%, 12.0%, 13.0%, 14.0%, and 15.0%, respectively. In order to derive the terminal value of Citizens Bank Holding Company's earnings stream beyond 2009, Hovde assumed a terminal value based on a multiple of between 16.0x and 20.0x applied to free cash flows in 2009. The present value of this terminal amount was then calculated based on the range of discount rates mentioned above. These rates and values were chosen to reflect different assumptions regarding the required rates of return of holders or prospective buyers of Citizens Bank Holding Company common stock. This analysis and its underlying assumptions yielded a range of value for all the shares of Citizens Bank Holding Company stock of approximately \$13.82 million (at a 15.0% discount rate and a 16.0x terminal multiple) to \$20.61 million (at a 11.0% discount rate and a 20.0x terminal multiple) with a midpoint of \$16.97 (using a 13.0% discount rate and a 18.0x terminal multiple), compared to total merger consideration of \$17.29 million.

**Contribution Analysis.** Hovde Financial prepared a contribution analysis showing percentages of total assets, total net loans, total deposits, and total common equity and tangible equity at September 30, 2004 for Citizens Bank Holding Company and for Glacier, and actual twelve months preceding earnings and estimated fiscal year 2004 earnings that would be contributed to the combined company on a pro-forma basis by Citizens Bank Holding Company and Glacier. This analysis indicated that holders of Citizens Bank Holding Company common stock would own approximately 1.0% of the pro forma common shares outstanding of Glacier, assuming an exchange ratio of 1.129 for the stock consideration portion, while contributing a median of 3.2% of the financial components listed above. This pro forma ownership is based on the total consideration being paid to Citizens Bank Holding Company consisting of 50.3% of Glacier common stock and 49.7% in cash, therefore if pro forma ownership of 1.0% is divided by the percentage of stock (50.3%), the resulting value is 2.0%.

	Citizens Bank Holding Company Contribution To Glacier
Total assets	3.5%
Total net loans	5.0%
Total deposits	5.5%
Total equity	2.7%
Total tangible equity	3.2%
Net income LTM	2.1%
Net income estimated fiscal year 2004	1.8%
Median Citizens Bank Holding Company Contribution Percentage	3.2%
Actual Citizens Bank Holding Company Pro Forma Ownership	1.0%
Citizens Bank Holding Company Pro Forma Ownership adjusted for cash component	2.0%

**Financial Implications to Citizens Bank Holding Company Shareholders.** Hovde prepared an analysis of the financial implications of Glacier's offer to a holder of Citizens Bank Holding Company common stock who elects to receive 100% Glacier common stock. This analysis indicated that on a pro forma equivalent basis,





**Table of Contents**

assuming the exchange ratio of 1.129 for the stock consideration portion of the total consideration and excluding any potential revenue enhancement opportunities, a stockholder of Citizens Bank Holding Company would achieve approximately 7.06% accretion in GAAP earnings per share, approximately 9.48% accretion in cash earnings per share, a decrease in tangible book value per share of approximately 43.12%, and a decrease in total book value per share of approximately 29.07% as a result of the consummation of the merger. The table below summarizes the results discussed above:

	<i>Per Share:</i>			
	2004E GAAP Earnings	2004E Cash Earnings	Book Value	Tangible Book Value
Citizens Bank Holding Company standalone	\$ 2.25	\$ 2.25	\$ 16.74	\$ 16.74
Citizens Bank Holding Company Pro Forma*	\$ 2.41	\$ 2.46	\$ 11.87	\$ 9.52
% Accretion Dilution	7.06%	9.48%	-29.07%	-43.12%

\*Based on an exchange ratio of 1.129

**Comparable Company Analysis.** Using publicly available information, Hovde compared the financial performance and stock market valuation of Glacier with the following Northwest United States publicly traded banking institutions with assets as of September 30, 2004 between \$500 million and \$5 billion:

<b>Company Name (Ticker)</b>	<b>Assets (\$mm)</b>
AmericanWest Bancorporation (AWBC)	1,146,984
Banner Corporation (BANR)	2,830,162
Cascade Bancorp (CACB)	969,021
Cascade Financial Corporation (CASB)	1,074,616
City Bank (CTBK)	672,854
Columbia Bancorp (CBBO)	720,536
Columbia Banking System, Inc. (COLB)	1,936,048
Frontier Financial Corporation (FTBK)	2,233,050
Heritage Financial Corporation (HFWA)	680,701
PremierWest Bancorp (PRWT)	769,256
Umpqua Holdings Corporation (UMPQ)	4,946,461
W.T.B. Financial Corporation (WTBFB)	2,438,883
Washington Banking Company (WBCO)	663,030
West Coast Bancorp (WCBO)	1,744,235

Indications of such financial performance and stock market valuation included profitability measures, earnings composition, operating and performance metrics, loan portfolio compositions, deposit compositions, yield and cost analysis, capital adequacy, asset quality, and reserve adequacy, all based on financial information as of September 30, 2004 and, where relevant, closing stock market information as of December 12, 2004. Selected market information for Glacier and the group of comparable companies that was analyzed is provided below.



**Table of Contents**

	<b>Stock</b>	<b>Price/ TBV</b>	<b>Price/ LTM EPS</b>	<b>Div. Yield</b>	<b>Mkt. Cap</b>	<b>Inside Ownership</b>
	<b>Price</b>	<b>(%)</b>	<b>(x)</b>	<b>(%)</b>	<b>(\$m)</b>	<b>(%)</b>
Glacier	\$ 34.05	378.64	19.91	2.0	835	8.10
Comparable Company Average	\$ 30.53	274.54	18.58	1.6	347	12.33

---

**Table of Contents**

	<b>ROAE</b>	<b>ROAA</b>	<b>Tangible Equity Ratio</b>	<b>Net Interest Margin</b>	<b>Efficiency Ratio</b>	<b>NPA/ Average Assets</b>	<b>Reserves/ NPAs</b>
	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Glacier	17.40	1.58	7.45	3.95	51.03	0.41	211.85
Comparable Company Average	13.70	1.47	9.04	5.01	59.30	0.64	222.33

In addition, Hovde compared the financial performance and stock market valuation of Glacier with a second comparable company group consisting of the following United States publicly traded banking institutions with assets as of September 30, 2004 between \$500 million and \$5 billion, a price-to-earnings ratio over 18x, and a price-to-book value above 300%:

<b>Company Name (Ticker)</b>	<b>Assets (\$mm)</b>
Bank of the Ozarks, Inc. (OZRK)	1,630,096
Bridge Bancorp, Inc. (BDGE)	568,767
Cascade Bancorp (CACB)	969,021
Center Financial Corporation (CLFC)	1,261,345
CoBiz Inc. (COBZ)	1,650,374
Colony Bankcorp, Inc. (CBAN)	971,278
Commercial Bankshares, Inc. (CLBK)	869,880
CVB Financial Corp. (CVBF)	4,352,741
First Busey Corporation (BUSE)	1,965,498
First National Community Bancorp, Inc. (FNCB)	898,548
Great Southern Bancorp, Inc. (GSBC)	1,786,225
Nara Bancorp, Inc. (NARA)	1,419,032
NSD Bancorp, Inc. (NSDB)	517,317
Old Second Bancorp, Inc. (OSBC)	2,074,659
Orrstown Financial Services, Inc. (ORRF)	519,403
Pinnacle Financial Partners, Inc. (PNFP)	685,408
PrivateBancorp, Inc. (PVTB)	2,352,366
Redwood Empire Bancorp (REBC)	523,025
Seacoast Banking Corporation of Florida (SBCF)	1,397,965
Smithtown Bancorp, Incorporated (SMTB)	662,086
Sterling Bancorp (STL)	1,809,879
Suffolk Bancorp (SUBK)	1,364,204
Vineyard National Bancorp (VNBC)	1,298,635
Virginia Commerce Bancorp, Inc. (VCBI)	1,106,544
Westamerica Bancorporation (WABC)	4,636,071
Wilshire Bancorp Inc. (WIBC)	1,211,901

Indications of such financial performance and stock market valuation included profitability measures, earnings composition, operating and performance metrics, loan portfolio compositions, deposit compositions, yield and cost analysis, capital adequacy, asset quality, and reserve adequacy, all based on financial information as of

**Table of Contents**

September 30, 2004 and, where relevant, closing stock market information as of December 12, 2004. Selected market information for Glacier and the group of comparable companies that was analyzed is provided below.

	<b>Stock Price</b>	<b>Price/TBV (%)</b>	<b>Price/LTM EPS (x)</b>	<b>Div. Yield (%)</b>	<b>Mkt. Cap (\$m)</b>	<b>Inside Ownership (%)</b>
Glacier	\$ 34.05	378.64	19.91	2.0	835	8.10
Comparable Company Average	\$ 30.34	412.19	24.17	1.4	434	21.84

  

	<b>ROAE (%)</b>	<b>ROAA (%)</b>	<b>Tangible Equity Ratio (%)</b>	<b>Net Interest Margin (%)</b>	<b>Efficiency Ratio (%)</b>	<b>NPAs/Average Assets (%)</b>	<b>Reserves/NPAs (%)</b>
Glacier	17.40	1.58	7.45	3.95	51.03	0.41	211.85
Comparable Company Average	18.97	1.40	7.00	4.22	53.15	0.21	421.00

**Based upon the foregoing analyses and other investigations and assumptions set forth in its opinion, without giving specific weightings to any one factor or comparison, Hovde determined that the transaction consideration was fair from a financial point of view to the shareholders of Citizens Bank Holding Company.**

**Recommendation of the Citizens Bank Holding Company Board**

The Citizens Bank Holding Company board of directors unanimously recommends that its shareholders vote for approval of the merger agreement.

**Table of Contents**

**THE MERGER**

The following is a brief description of the material aspects of the merger. There are other aspects of the merger that are not discussed below, but that are contained in the merger agreement. You are being asked to approve the merger in accordance with the terms of the merger agreement, and you are urged to read the merger agreement carefully. The merger agreement is attached to this proxy statement/prospectus as **Appendix A**.

**Basic Terms of the Merger**

The merger agreement provides for the merger of Citizens Bank Holding Company with and into Glacier, with Glacier as the surviving company. Following the merger, Citizens Community Bank will be a wholly owned subsidiary of Glacier and will operate under the Citizens Community Bank name, with the same offices as Citizens Community Bank before the merger.

In the merger, Citizens Bank Holding Company shareholders will receive cash, Glacier common stock, or a combination of cash and Glacier common stock for their Citizens Bank Holding Company common stock, as described below. While Glacier and Citizens Bank Holding Company believe that they will receive the necessary regulatory approvals for the merger, there can be no assurance that such approvals will be received or, if received, as to the timing of such approvals or as to the ability to obtain such approvals on satisfactory terms. See Conditions to the Completion of the Merger and Regulatory Requirements.

**Merger Consideration**

The merger agreement provides that as of the effective date of the merger, each share of Citizens Bank Holding Company common stock issued and outstanding immediately prior to the effective date will be converted into the right to receive either Glacier common stock, cash, or a combination of Glacier common stock and cash, in each case as described below. Under the merger agreement, Glacier will pay \$8.6 million of the total merger consideration in cash and the remainder in shares of Glacier common stock (the number to be determined as described below) with an aggregate value of \$8.6 million plus the amount of cash received by Citizens Bank Holding Company upon the exercise of Citizens Bank Holding Company stock options after the date of the merger agreement and prior to the effective date of the merger.

Subject to allocation procedures described below, a Citizens Bank Holding Company shareholder will have the right to elect to convert such shareholder's Citizens Bank Holding Company common stock into (i) cash; (ii) shares of Glacier common stock, or (iii) 50% cash and 50% Glacier common stock. See Election Procedure. In our discussion, we refer to the number of shares of Glacier common stock to be received for each share of Citizens Bank Holding Company common stock being converted into Glacier stock as the per share stock consideration, and we refer to the amount of cash to be received for each share of Citizens Bank Holding Company common stock being converted into cash as the per share cash consideration.

The per share cash consideration payable under the merger agreement is \$37.47 per Citizens Bank Holding Company share. The actual per share stock consideration to be paid to Citizens Bank Holding Company shareholders cannot be determined until the fifth day immediately prior to the effective date of the merger (the determination date). These amounts will be made available promptly after the determination date on Glacier's website at [www.glacierbancorp.com](http://www.glacierbancorp.com) and on Citizens Community Bank's website at [www.ccb-idaho.com](http://www.ccb-idaho.com).

The per share stock consideration is defined in the merger agreement as the number of Glacier shares (rounded to the nearest thousandth) obtained by dividing the per share cash consideration (\$37.47) by the Glacier average closing price. The average closing price is the average of the closing sale prices of Glacier common





**Table of Contents**

stock as reported on Nasdaq during the 10 consecutive trading days ending on the determination date. We refer to this 10 trading day period as the valuation period.

The formula described above is intended to substantially equalize the value of the consideration to be received for each share of Citizens Bank Holding Company common stock in the merger as measured during the valuation period, regardless of whether a Citizens Bank Holding Company shareholder elects to receive all Glacier common stock, all cash, or a combination of the two. This equalization mechanism was deemed to be desirable because, while the aggregate amount of cash to be received by Citizens Bank Holding Company shareholders is fixed, the value of the Glacier common stock will fluctuate. In order to best ensure that the value of the consideration for each share of Citizens Bank Holding Company common stock is as equal as possible upon receipt by Citizens Bank Holding Company shareholders, regardless of the form of the consideration, the per share stock consideration is based on the average closing price.

For example, if the average closing price of Glacier common stock for the applicable 10 trading day period was \$\_\_\_\_\_, a Citizens Bank Holding Company shareholder receiving only stock would receive \_\_\_\_\_ shares of Glacier common stock per share of Citizens Bank Holding Company common stock having a value, based upon such average closing price, of approximately \$37.47 per share of Citizens Bank Holding Company common stock, and a Citizens Bank Holding Company shareholder receiving only cash would receive \$37.47 in cash per share of Citizens Bank Holding Company common stock, subject in each case to the allocation procedures described under the heading "The Merger Allocation" below.

If the price of Glacier common stock (based on the average closing price) increases, then the number of shares of Glacier common stock received for each share of Citizens Bank Holding Company would decrease. If the price of Glacier common stock decreases, the number of shares being exchanged for Glacier common stock would increase. For example, if the average closing price during the valuation period is \$\_\_\_\_\_ (approximately 10% higher than \_\_\_\_\_, the price of Glacier's common stock on \_\_\_\_\_, 2005, the most recent practicable date prior to the mailing of this proxy statement/prospectus), then a Citizens Bank Holding Company shareholder receiving only stock would receive \_\_\_\_\_ shares of Glacier common stock per Citizens Bank Holding Company share, although the value per share of Citizens Bank Holding Company common stock would remain at \$37.47 per share. Similarly, if the average closing price during the valuation period is \$\_\_\_\_\_ (approximately 10% lower than \$\_\_\_\_\_), then a Citizens Bank Holding Company shareholder receiving only stock would receive \_\_\_\_\_ shares of Glacier common stock per Citizens Bank Holding Company share, although the value per share of Citizens Bank Holding Company common stock would remain at \$37.47 per share. Each of these examples is subject to the allocation procedures described below.

**No assurance can be given that the current fair market value of Glacier common stock will be equivalent to the fair market value of Glacier common stock on the date that stock is received by a Citizens Bank Holding Company shareholder or at any other time. The fair market value of Glacier common stock received by a Citizens Bank Holding Company shareholder may be greater or less than the current fair market value of Glacier common stock due to numerous market factors.**

Citizens Bank Holding Company may terminate the merger agreement if the Glacier average closing price is greater than \$37.00 per share, unless Glacier elects to adjust the per share stock consideration. Glacier may terminate the merger agreement if the Glacier average closing price is less than \$27.00 per share, unless Citizens Bank Holding Company agrees to accept an adjustment in the per share stock consideration. See "Termination of the Merger Agreement."

No fractional shares of Glacier common stock will be issued to any holder of Citizens Bank Holding Company common stock in the merger. For each fractional share that would otherwise be issued, Glacier will pay cash in an amount equal to the fraction multiplied by the average closing price of Glacier common stock



## **Table of Contents**

during the valuation period. No interest will be paid or accrued on cash payable in lieu of fractional shares of Glacier common stock.

The terms of the merger were determined by Glacier and Citizens Bank Holding Company on the basis of arms-length negotiations.

## **Election Procedure**

Subject to the allocation mechanism described in the next section, each Citizens Bank Holding Company shareholder holding more than 100 shares will have the right to elect to receive with respect to such shareholder's shares of Citizens Bank Holdings Company common stock:

all cash;

all Glacier common stock; or

50% cash and 50% Glacier common stock.

**All Cash Election.** Shareholders who elect the all cash election or who hold 100 or fewer Citizens Bank Holding Company common shares will receive the per share cash consideration in respect of all their shares of Citizens Bank Holding Company common stock, subject to the allocation mechanism described below in the event shareholders elect to receive too much cash. In our discussion we refer to the shares held by a shareholder who owns 100 or fewer shares or who has made an all cash election as cash election shares.

**All Stock Election.** Shareholders who elect the all stock election will receive the per share stock consideration in respect of all their shares of Citizens Bank Holding Company common stock, subject to the allocation mechanism described below in the event shareholders elect to receive too much stock. In our discussion we refer to the shares held by a shareholder who has made an all stock election as stock election shares.

**Combination Election.** A shareholder who elects the combination election will receive 50% cash (based on the per share cash consideration amount of \$37.47 per Citizens Bank Holding Company share) and 50% Glacier common stock (based on the per share stock consideration determined as described above).

**No-Election Shares.** Shareholders who indicate that they have no preference as to whether they receive cash or Glacier common stock, and shareholders who do not make a valid election, will be deemed to have made a no-election (no-election shares). Shareholders who are deemed to have made a no-election will receive (i) the per share stock consideration if there is an oversubscription of the cash consideration, or (ii) the per share cash consideration if there is an oversubscription of the stock consideration. See Allocation below.

**Proposed Dissenting Shares.** To the extent a Citizens Bank Holding Company shareholder provides notice of dissent to Citizens Bank Holding Company in accordance with the Idaho Business Corporation Act, such shareholder will be deemed to hold cash election shares for purposes of determining the allocation of cash and Glacier common stock among Citizens Bank Holding Company shareholders. Such shareholders will be deemed to have proposed dissenting shares. See "Allocation" below.

For example, assuming a Citizens shareholder holds 200 shares of Citizens Bank Holding Company common stock (and that the average closing price of Glacier common stock for the valuation period was \$32.00), if such shareholder made:



**Table of Contents**

an all stock election, such shareholder would receive 234 shares of Glacier common stock (and \$6.40 in cash in lieu of a fractional share) having a total value (based on Glacier's average closing price) of \$7,494.40;

an all cash election, such shareholder would receive \$7,494 cash;

a combination election, such shareholder would receive 117 shares of Glacier common stock and cash of \$3,750.20 (including \$3.20 cash in lieu of a fractional share), which together with the stock, would have a total value of \$7,494.20.

The merger agreement provides that the total merger consideration to be paid by Glacier will be split as equally as possible between cash and Glacier common stock. Accordingly, there is no assurance that a holder of Citizens Bank Holding Company common stock will receive the form of consideration that the holder elects with respect to all shares of Citizens Bank Holding Company common stock held by that holder. If the elections result in an oversubscription with respect to shares of Citizens Bank Holding Company common stock which would otherwise receive either the per share stock consideration or the per share cash consideration, the exchange agent will follow the procedures for allocating Glacier common stock and cash described below under Allocation.

**Election Form.** A green election form accompanies this proxy statement/prospectus. Each green election form allows the holder to make the all cash election, the all stock election, or the combination election, or to indicate that the holder makes no election assuming such holder owns more than 100 shares. Citizens Bank Holding Company and Glacier will make available election forms to persons who become holders of Citizens Bank Holding Company common stock between the record date for the Citizens Bank Holding Company special meeting and the close of business on the day prior to the election deadline.

Holders of Citizens Bank Holding Company common stock who wish to elect the type of merger consideration they will receive in the merger should carefully review and follow the instructions set forth in the green election form. Shares of Citizens Bank Holding Company common stock as to which the holder has not made a valid election prior to the election deadline, which is 5:00 p.m., Mountain Time, on \_\_\_\_\_, 2005, will be deemed no-election shares.

To make an election, a holder of Citizens Bank Holding Company common stock must submit a properly completed election form so that it is actually received by the exchange agent at or prior to the election deadline in accordance with the instructions on the election form.

An election may be revoked or changed by the person submitting the election form prior to the election deadline. The exchange agent will have reasonable discretion to determine whether any election, revocation or change has been properly or timely made and to disregard immaterial defects in the election forms, and any good faith decisions of Glacier regarding these matters will be binding and conclusive. Neither Glacier or Citizens Bank Holding Company nor the exchange agent will be under any obligation to notify any person of any defects in an election form.

**Letter of Transmittal.** Soon after the completion of the merger, the exchange agent will send a letter of transmittal to each person who was a Citizens Bank Holding Company shareholder at the effective time of the merger. This mailing will contain instructions on how to surrender shares of Citizens Bank Holding Company common stock in exchange for the merger consideration the holder is entitled to receive under the merger agreement.

All shares of Glacier common stock issued to the holders of Citizens Bank Holding Company common stock pursuant to the merger will be deemed issued as of the effective date. Until you surrender your Citizens Bank Holding Company stock certificates for exchange, you will accrue, but will not be paid, any dividends or



## **Table of Contents**

other distributions declared after the effective date with respect to Glacier common stock into which any of your shares may have been converted. When you surrender your certificates, Glacier will pay any unpaid dividends or other distributions, as well as any merger consideration payable in cash, without interest. After the effective time, there will be no transfers on the stock transfer books of Citizens Bank Holding Company of any shares of Citizens Bank Holding Company common stock. If certificates representing shares of Citizens Bank Holding Company common stock are presented for transfer after the completion of the merger, they will be cancelled and exchanged for the merger consideration into which the shares of Citizens Bank Holding Company common stock represented by those certificates shall have been converted.

If a certificate for Citizens Bank Holding Company common stock has been lost, stolen or destroyed, the exchange agent will issue the consideration properly payable under the merger agreement upon receipt of appropriate evidence as to that loss, theft or destruction, appropriate evidence as to the ownership of that certificate by the claimant, and reasonable assurances, such as a bond or indemnity, satisfactory to Glacier in consultation with Citizens Bank Holding Company, and appropriate and customary identification.

## **Allocation**

Pursuant to the terms of the merger agreement, Glacier will pay \$8.6 million of the total merger consideration in cash and the remainder in shares of Glacier common stock with an aggregate value of \$8.6 million plus the amount of cash received by Citizens Bank Holding Company upon the exercise of Citizens Bank Holding Company stock options after the date of the merger agreement and prior to the effective date of the merger. Therefore, all cash elections and stock elections (but not combination elections) are subject to adjustment to preserve these limitations on the amount of cash to be paid and the number of shares of Glacier common stock to be issued in the merger. As a result, even if you make the all cash election or the all stock election, you may nevertheless receive a mix of cash and stock.

**Combination Elections.** In any event, Citizens Bank Holding Company shareholders who elect to receive 50% cash and 50% Glacier common stock are guaranteed to receive this combination, and will not be subject to the allocation procedures described below.

**Oversubscription of the Cash Consideration.** If the total amount of cash that would be payable to Citizens Bank Holding Company shareholders who make all cash elections and combination elections would be greater than \$8.6 million, the following allocation mechanism will be used:

all stock election shares and no-election shares will be converted into the right to receive the per share stock consideration;

the exchange agent will then select from among the cash election shares (excluding shares held by a record holder holding 100 or fewer Citizens Bank Holding Company shares), on a pro rata basis, a sufficient number of shares such that the aggregate cash amount that will be paid in the merger equals as closely as possible \$8.6 million; and

all shares selected by the exchange agent through the pro rata selection process will be converted into the right to receive the per share stock consideration.

**Oversubscription of the Stock Consideration.** If the total shares of Glacier common stock that would be issued to Citizens Bank Holding Company shareholders who make all stock elections and combination elections would be greater than the maximum total stock consideration, the following allocation mechanism will be used:

all cash election shares, no-election shares and shares held by a record holder holding 100 or fewer shares of Citizens Bank Holding Company shares will be converted into the right to receive the per

41

---



## **Table of Contents**

share cash consideration;

the exchange agent will then select from the stock election shares (excluding the former company qualified shares See Exercised Citizens Bank Holding Company Qualified Options ), on a pro rata basis, a sufficient number of shares such that the aggregate shares of Glacier common stock that will be issued equals as closely as possible the maximum total stock consideration; and

all shares selected by the exchange agent through the pro rata selection process will be converted into the per share cash consideration.

The allocation described above will be computed by the exchange agent as soon as practicable after the election deadline and may, if necessary, be computed after the completion of the merger in accordance with the merger agreement.

Because the federal income tax consequences of receiving cash, Glacier common stock, or both cash and Glacier common stock will differ, Citizens Bank Holding Company shareholders are urged to read carefully the information set forth under the caption Certain Federal Income Tax Consequences and to consult their own tax advisors for a full understanding of the merger's tax consequences to them. In addition, because the stock consideration can fluctuate in value from the final stock price calculated during the valuation period, the economic value per share received by Citizens Bank Holding Company shareholders who receive the stock consideration may, as of the date of receipt by them, be more or less than the amount of cash consideration per share received by Citizens Bank Holding Company shareholders who receive cash consideration.

### **Exercised Citizens Bank Holding Company Qualified Options**

The merger agreement provides that each share of Citizens Bank Holding Company common stock issued and outstanding as of the effective date of the merger as a result of the exercise of Citizens Bank Holding Company qualified options between the date of the execution of the merger agreement and the effective date of the merger (defined in the merger agreement as former company qualified options ) will be converted into and will be exchangeable for the per share stock consideration.

### **Unexercised Citizens Bank Holding Company Nonqualified Options**

The merger agreement provides that each Citizens Bank Holding Company nonqualified option (as defined in the merger agreement) that is outstanding as of the effective date of the merger will be converted into the right to receive \$26.62 per option, which is the difference between the per share cash consideration payable in the merger and the option exercise price applicable to such nonqualified options.

### **Fractional Shares**

Glacier will not issue fractional shares in the merger. Instead, a cash payment will be paid in an amount equal to the product of (i) the fractional part of a share of Glacier common stock multiplied by (ii) the average closing price of Glacier common stock for the valuation period.

### **Effective Date of the Merger**

Subject to the conditions to the obligations of the parties to complete the merger as set forth in the merger agreement, the effective date of the merger will occur as soon as practicable after such conditions have been satisfied or waived. Subject to the foregoing, it is currently anticipated that the merger will be consummated during the first quarter of 2005. Either Glacier or Citizens Bank Holding Company may, subject to certain conditions, terminate the

merger agreement if the effective date does not occur on or before May 15, 2005.

## **Table of Contents**

### **Federal Income Tax Consequences of the Merger**

The following is a discussion of the material federal income tax consequences of the merger that are generally applicable to holders of Citizens Bank Holding Company common stock who are citizens of, reside in or are organized under the laws of the United States. This discussion is based on currently existing provisions of the Internal Revenue Code of 1986, as amended (the Code), existing regulations thereunder (including final, temporary or proposed regulations) and current administrative rulings and court decisions, all of which are subject to change. Any such change, which may or may not be retroactive, could alter the tax consequences described herein. The following discussion is intended only as a general summary of the material federal income tax consequences of the merger and is not a complete analysis or listing of all potential tax effects relevant to a decision on whether to vote in favor of approval of the merger agreement.

This discussion assumes that the Citizens Bank Holding Company shareholders hold their shares of Citizens Bank Holding Company common stock as a capital asset within the meaning of section 1221 of the Code. Further, the discussion does not address all aspects of federal income taxation that may be relevant to Citizens Bank Holding Company shareholders in light of their particular circumstances or that may be applicable to them if they are subject to special treatment under the Code, including, without limitation, shareholders who are subject to such special treatment because they are:

financial institutions, mutual funds, dealers in securities or insurance companies;

tax-exempt organizations;

S corporations or other pass-through entities;

non-United States persons;

Citizens Bank Holding Company shareholders whose shares are qualified small business stock for purposes of section 1202 of the Code or who may be subject to the alternative minimum tax provisions of the Code; or

Citizens Bank Holding Company shareholders who received their Citizens Bank Holding Company common stock through the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan.

Consummation of the merger is conditioned upon the receipt by Citizens Bank Holding Company of the opinion of Graham & Dunn PC, counsel to Glacier, dated as of the effective date of the merger, substantially to the effect that, on the basis of facts, representations and assumptions set forth or referred to in the opinion, which are consistent with the state of facts existing as of the effective date of the merger, the merger will be treated for United States federal income tax purposes as a reorganization within the meaning of section 368(a) of the Code. The tax opinions to be delivered in connection with the merger are not binding on the Internal Revenue Service (IRS) or the courts, and neither Citizens Bank Holding Company nor Glacier intends to request a ruling from the IRS with respect to the United States federal income tax consequences of the merger.

Assuming consummation of the merger on the basis of facts, representations and assumptions as set forth in the opinion referred to above, the United States federal income tax consequences of the merger to a holder generally will depend on whether the holder exchanges such shareholder's Citizens Bank Holding Company common stock for cash, Glacier common stock or a combination of cash and Glacier common stock.

**Exchange Solely for Cash.** In general, if pursuant to the merger a holder exchanges all of its shares of Citizens Bank Holding Company common stock solely for cash, the holder will recognize gain or loss equal to



**Table of Contents**

the difference between the amount of cash received and its adjusted tax basis in the shares of Citizens Bank Holding Company common stock surrendered, which gain or loss will be long-term capital gain or loss if the holder's holding period with respect to the Citizens Bank Holding Company common stock surrendered is more than one year. Notwithstanding the foregoing, if a holder exchanges all of its shares of Citizens Bank Holding Company common stock solely for cash and either (1) is deemed to constructively own shares of Glacier common stock that were exchanged for shares of Citizens Bank Holding Company common stock or (2) actually owns shares of Glacier common stock, cash received by the holder may be taxed as a dividend rather than as a capital gain. The consequence to such holders may be similar to the consequences described below under the heading " Exchange for Glacier Common Stock and Cash.

**Exchange Solely for Glacier Common Stock.** If pursuant to the merger a holder exchanges all of its shares of Citizens Bank Holding Company common stock solely for shares of Glacier common stock, the holder will not recognize any gain or loss except in respect of cash received in lieu of any fractional share of Glacier common stock (as discussed below). The aggregate adjusted tax basis of the shares of Glacier common stock received in the merger will be equal to the aggregate adjusted tax basis of the shares of Citizens Bank Holding Company common stock surrendered for the Glacier common stock (reduced by the tax basis allocable to any fractional share of Glacier common stock for which cash is received), and the holding period of the Glacier common stock will include the period during which the shares of Citizens Bank Holding Bank common stock were held. If a holder has differing bases or holding periods in respect of its shares of Citizens Bank Holding Company common stock, the holder should consult its tax advisor prior to the exchange with regard to identifying the bases or holding periods of the particular shares of Glacier common stock received in the exchange.

**Exchange for Glacier Common Stock and Cash.** If pursuant to the merger a holder exchanges all of its shares of Citizens Bank Holding Company common stock for a combination of Glacier common stock and cash, the holder will generally recognize gain (but not loss) in an amount equal to the lesser of (1) the amount of gain realized (i.e., the excess of the sum of the amount of cash and the fair market value of the Glacier common stock received pursuant to the merger over the holder's adjusted tax basis in its shares of Citizens Bank Holding Company common stock surrendered) and (2) the amount of cash received pursuant to the merger. For this purpose, gain or loss must be calculated separately for each identifiable block of shares surrendered in the exchange, and a loss realized on one block of shares may not be used to offset a gain realized on another block of shares. Any recognized gain will generally be long-term capital gain if the holder's holding period with respect to the Citizens Bank Holding Company common stock surrendered is more than one year. If, however, the cash received has the effect of the distribution of a dividend, the gain would be treated as a dividend to the extent of the holder's ratable share of accumulated earnings and profits as calculated for federal income tax purposes. See Possible Treatment of Cash as a Dividend below.

The aggregate tax basis of Glacier common stock received by a holder that exchanges its shares of Citizens Bank Holding Company common stock for a combination of Glacier common stock and cash pursuant to the merger will be equal to the aggregate adjusted tax basis of the shares of Citizens Bank Holding Company common stock surrendered for Glacier common stock and cash, reduced by the amount of cash received by the holder pursuant to the merger, and increased by the amount of gain (including any portion of the gain that is treated as a dividend as described below), if any, recognized by the holder on the exchange. The holding period of the Glacier common stock will include the holding period of the shares of Citizens Bank Holding Company common stock surrendered. If a holder has differing bases or holding periods in respect of its shares of Citizens Bank Holding Company common stock, the holder should consult its tax advisor prior to the exchange with regard to identifying the bases or holding periods of the particular shares of Glacier common stock received in the exchange.

**Possible Treatment of Cash as a Dividend.** In general, the determination of whether the gain recognized in the exchange will be treated as capital gain or has the effect of a distribution of a dividend depends upon



**Table of Contents**

whether and to what extent the exchange reduces the holder's deemed percentage stock ownership of Glacier. For purposes of this determination, the holder is treated as if it first exchanged all of its shares of Citizens Bank Holding Company common stock solely for Glacier common stock and Glacier then immediately redeemed (the deemed redemption) a portion of the Glacier common stock in exchange for the cash the holder actually received. The gain recognized in the exchange followed by a deemed redemption will be treated as capital gain if the deemed redemption is (1) substantially disproportionate with respect to the holder, or (2) not essentially equivalent to a dividend.

The deemed redemption, generally, will be substantially disproportionate with respect to a holder if the percentage described in (2) below is less than 80% of the percentage described in (1) below. Whether the deemed redemption is not essentially equivalent to a dividend with respect to a holder will depend upon the particular circumstances of the holder. At a minimum, however, in order for the deemed redemption to be not essentially equivalent to a dividend, the deemed redemption must result in a meaningful reduction in the holder's actual and constructive percentage stock ownership of Glacier. In general, that determination requires a comparison of (1) the percentage of the outstanding stock of Glacier the holder is deemed to actually and constructively own immediately before the deemed redemption and (2) the percentage of the outstanding stock of Glacier the holder actually and constructively owns immediately after the deemed redemption. In applying the foregoing tests, a holder is deemed to own stock owned and, in some cases, constructively owned, by certain family members, by certain estates and trusts of which the holder is a beneficiary, and by certain affiliated entities. As these rules are complex, each holder that may be subject to these rules should consult its tax advisor. The Internal Revenue Service has ruled that a relatively minor reduction in the percentage stock ownership of a minority shareholder in a publicly held corporation whose relative stock interest is minimal and who exercises no control with respect to corporate affairs is a meaningful reduction.

**Cash Received in Lieu of a Fractional Share.** Cash received by a holder of Citizens Bank Holding Company common stock in lieu of a fractional share of Glacier common stock generally will be treated as received in redemption of the fractional share, and gain or loss generally will be recognized based on the difference between the amount of cash received in lieu of the fractional share and the portion of the holder's aggregate adjusted tax basis of the share of Citizens Bank Holding Company common stock surrendered allocable to the fractional share. Such gain or loss generally will be long-term capital gain or loss if the holding period for such shares of Citizens Bank Holding Company common stock is more than one year.

**Dissenting Shareholders.** Holders of Citizens Bank Holding Company common stock who dissent with respect to the merger, as discussed in Dissenters' Rights, and who receive cash in respect of their shares of Citizens Bank Holding Company common stock will be treated, generally, in the same manner as holders who exchange their shares of Citizens Bank Holding Company common stock solely for cash in accordance with the discussion above.

**Backup Withholding.** Non-corporate shareholders of Citizens Bank Holding Company may be subject to information reporting and backup withholding on any cash payments they receive. Shareholders will not be subject to backup withholding, however, if they:

furnish a correct taxpayer identification number and certify that they are not subject to backup withholding on the substitute Form W-9 or successor form included in the election form/letter of transmittal they will receive; or

are otherwise exempt from backup withholding.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a shareholder's federal income tax liability, provided he or she furnishes the required information to the IRS.

## Table of Contents

**Reporting Requirements.** Shareholders who receive Glacier common stock as a result of the merger will be required to retain records pertaining to the merger and each shareholder will be required to file with such holder's federal income tax return for the year in which the merger takes place a statement setting forth certain facts relating to the merger. Citizens Bank Holding Company shareholders will be responsible for the preparation of their own tax returns.

Graham & Dunn PC has delivered an opinion to the foregoing effect to Glacier. The opinion has been filed as an exhibit to the registration statement of which this proxy statement/prospectus is a part. The foregoing is only a summary of the tax consequences of the merger as described in the opinion. The opinion is based on assumptions, representations made by officers of Glacier and Citizens Bank Holding Company to Graham & Dunn PC, and contains qualifications appropriate to the subject matter.

An opinion of counsel only represents counsel's best legal judgment, and has no binding effect or official status of any kind. No assurance can be given that contrary positions will not be taken by the Internal Revenue Service or a court considering the issues. Neither Citizens Bank Holding Company nor Glacier has requested or will request a ruling from the IRS with regard to the federal income tax consequences of the merger.

**The foregoing is a general summary of the material federal income tax consequences of the merger to Citizens Bank Holding Company shareholders, without regard to the particular facts and circumstances of each shareholder's tax situation and status. In addition, there may be relevant state, local, foreign or other tax consequences, none of which is described above. Because certain tax consequences of the merger may vary depending on the particular circumstances of each shareholder, each Citizens Bank Holding Company shareholder should consult its own tax advisor regarding its specific tax situation and status, including the specific application of state, local and foreign laws to such shareholder and the possible effect of changes in federal and other tax laws.**

## **Voting Agreements**

The directors of Citizens Bank Holding Company have entered into a voting agreement, dated as of December 15, 2004. In the voting agreement, each director agrees, among other things, to vote the shares of Citizens Bank Holding Company common stock that he owns or controls in favor of the merger. The persons who have entered into this agreement are entitled to vote a total of 47,482 outstanding shares of Citizens Bank Holding Company common stock or shares of Citizens Bank Holding Company common stock subject to stock options, which is approximately 10.6% of the total shares outstanding.

## **Dissenters' Rights of Appraisal**

Under Idaho law, Citizens Bank Holding Company shareholders have the right to dissent from the merger and to receive payment in cash for the fair value of their shares of Citizens Bank Holding Company common stock.

Citizens Bank Holding Company shareholders electing to exercise dissenters' rights must comply with the provisions of the Idaho appraisal laws in order to perfect their rights. The following is intended as a brief summary of the material provisions of the procedures that a Citizens Bank Holding Company shareholder must follow in order to dissent from the merger and perfect dissenters' rights. **This summary, however, is not a complete statement of all applicable requirements and is qualified in its entirety by reference to the Idaho appraisal laws, the full text of which is set forth in Appendix B to this document.**

A shareholder who wishes to assert dissenters' rights must:



deliver to Citizens Bank Holding Company before the special meeting written notice of the

**Table of Contents**

shareholder's intent to demand payment for the shareholder's shares if the merger is completed, and not vote the shares in favor of the merger.

A shareholder wishing to deliver a notice asserting dissenters' rights should hand deliver or mail the notice to the following address:

Citizens Bank Holding Company  
280 South Arthur  
Pocatello, Idaho 83204  
Attention: Ralph G. Cottle, President

A shareholder who wishes to exercise dissenters' rights generally must dissent with respect to all of the shares the shareholder owns or over which the shareholder has the power to direct the vote. However, if a record shareholder is a nominee for several beneficial shareholders, some of whom wish to dissent and some of whom do not, then the record holder may dissent with respect to all the shares beneficially owned by any one person by notifying Citizens Bank Holding Company in writing of the name and address of each person on whose behalf the record shareholder asserts dissenters' rights. A beneficial shareholder may assert dissenters' rights directly by submitting to Citizens Bank Holding Company the record shareholder's written consent and by dissenting with respect to all the shares of which the shareholder is the beneficial shareholder or over which the shareholder has power to direct the vote.

**A shareholder who does not, prior to the special shareholders meeting, deliver to Citizens Bank Holding Company a written notice of the shareholder's intent to demand payment for the fair value of the shares will lose the right to exercise dissenters' rights. In addition, any shareholder electing to exercise dissenters' rights must either vote against the merger or abstain from voting.**

If the merger is completed, Glacier (as the surviving corporation) will, within 10 days after the effective date of the merger, deliver a written notice to all Citizens Bank Holding Company shareholders who properly gave notice of their intent to exercise dissenters' rights. The notice will, among other things:

- state where the payment demand must be sent and where and when certificates for shares must be deposited;
  - supply a form for demanding payment;
  - set a date by which Glacier must receive the payment demand, which date will be between 40 and 60 days after notice is delivered;
  - state Glacier's estimate of the fair value for the shares and the date by which any notice to withdraw (discussed below) must be received; and
  - state that within 10 days of the date by which demands for payment are due, if requested in writing, Glacier will provide to the requesting shareholder the number of shareholders who returned forms demanding payment and the total number of shares owned by such shareholders.
- A shareholder wishing to exercise dissenters' rights must at that time file the payment demand and deliver share certificates as required in the notice. Failure to do so will cause that person to lose their dissenters' rights.

## **Table of Contents**

A shareholder who has complied with the requirements summarized in the previous paragraph may nevertheless decline to exercise dissenters' rights and withdraw from the appraisal process by notifying Glacier by the date set forth in the written notice provided by Glacier following consummation of the merger. If the shareholder does not withdraw from the appraisal process by the specified date, he or she may not do so thereafter unless Glacier consents to such withdrawal in writing.

Within 30 days after the merger occurs or receipt of the payment demand, whichever is later, Glacier will pay each dissenter with properly perfected dissenters' rights Glacier's estimate of the fair value of the shareholder's shares, plus accrued interest from the effective date of the merger. With respect to a dissenter who did not beneficially own shares of Citizens Bank Holding Company prior to the public announcement of the merger, Glacier is not required to make the payment until the dissenter has agreed to accept the payment in full satisfaction of the dissenter's demands. Fair value means the value of the shares immediately before the effective date of the merger. The rate of interest is required to be the rate on judgments in the state of Idaho.

Within 30 days of Glacier's payment (or offer of payment in the case of shares acquired after public announcement of the merger) to a dissenting shareholder, a dissenter dissatisfied with Glacier's estimate of the fair value may notify Glacier of the dissenter's own estimate of the fair value and demand payment of that amount. If Glacier does not accept the dissenter's estimate and the parties do not otherwise settle on a fair value, then Glacier must, within 60 days of receiving the estimate and demand, petition a court to determine the fair value.

In view of the complexity of the Idaho statutes governing dissenters' rights of appraisal, Citizens Bank Holding Company shareholders who wish to dissent from the merger and pursue appraisal rights should consult their legal advisors.

**The failure of a Citizens Bank Holding Company shareholder to comply strictly with the Idaho statutory requirements will result in a loss of dissenters' rights. A copy of the relevant statutory provisions is attached as Appendix B. You should refer to this appendix for a complete statement concerning dissenters' rights and the foregoing summary of such rights is qualified in its entirety by reference to that appendix.**

## **Conditions to the Merger; Regulatory Approvals**

Consummation of the merger is subject to various conditions. No assurance can be provided as to whether these conditions will be satisfied or waived by the appropriate party. Accordingly, there can be no assurance that the merger will be completed.

Certain conditions must be satisfied or events must occur before the parties will be obligated to complete the merger. Each party's obligations under the merger agreement are conditioned on satisfaction by the other party of conditions applicable to them. Some of these conditions, applicable to the respective obligations of both Glacier and Citizens Bank Holding Company, are as follows:

approval of the merger by Citizens Bank Holding Company shareholders;

accuracy of the other party's representations in the merger agreement and any certificate or other instrument delivered in connection with the merger agreement;

compliance by the other party of all material terms, covenants, and conditions of the merger agreement;

that there shall have been no damage, destruction, or loss, or other event or sequence of events, that has had or potentially may have a material adverse effect with respect to the other party;



## **Table of Contents**

that no action or proceeding has been commenced or threatened by any governmental agency to restrain or prohibit or invalidate the merger;

Citizens Bank Holding Company's receipt of a fairness opinion from Hovde Financial LLC;

Glacier's receipt of a tax opinion from Graham & Dunn PC; and

the registration statement filed with the SEC, required to register the Glacier common stock to be issued to shareholders of Citizens Bank Holding Company in the merger has become effective, and no stop-order suspending such effectiveness has been issued and no proceedings for that purpose have been initiated or threatened by the SEC.

In addition to the above, the obligations of Glacier under the merger agreement are subject to conditions that include the following:

Citizens Bank Holding Company's transaction fees (as defined in the merger agreement) have not exceeded specified levels;

Citizens Community Bank's allowance for loan and lease losses will be adequate to absorb anticipated loan losses; and

The aggregate amount of the cash to be paid to proposed dissenting shares will not exceed 10% of the cash value of the merger consideration.

Additionally, either Glacier or Citizens Bank Holding Company may terminate the merger if certain conditions applicable to the other party are not satisfied or waived. Those conditions are discussed below under - Amendment or Termination of the Merger Agreement.

Either Glacier or Citizens Bank Holding Company may waive any of the other party's conditions, except those that are required by law (such as receipt of regulatory and Citizens Bank Holding Company shareholder approval). Either Glacier or Citizens Bank Holding Company may also grant extended time to the other party to complete an obligation or condition.

## **Amendment or Termination of the Merger Agreement**

The merger agreement may be amended or supplemented at any time by written agreement of the parties, whether before or after the Citizens Bank Holding Company special meeting. To the extent permitted under applicable law, the parties may make any amendment or supplement without further approval of Citizens Bank Holding Company shareholders. However, after shareholder approval, any amendments that would reduce the amount or change the form of consideration Citizens Bank Holding Company shareholders will receive in the merger or the allocation of the cash percentage and stock percentage would require further Citizens Bank Holding Company shareholder approval.

The merger agreement contains several provisions entitling either Glacier or Citizens Bank Holding Company to terminate the merger agreement under certain circumstances. The following briefly describes these provisions:

**Lapse of Time.** If the merger has not closed by May 15, 2005, then at any time after that date, the board of directors of either Glacier or Citizens Bank Holding Company may terminate the merger agreement.

**Glacier Average Closing Price Greater than \$37.00.** Citizens Bank Holding Company may terminate the merger agreement if the Glacier average closing price (as defined in the merger agreement) is greater than \$37.00.



**Table of Contents**

If Citizens Bank Holding Company provides written notice of its intent to terminate the merger agreement because the Glacier average closing price is greater than \$37.00, Glacier may elect, within one business day of its receipt of such notice, to adjust the per share stock consideration through the issuance of additional shares of Glacier common stock, such that the per share stock consideration equals the number of share of Glacier common stock that a Citizens Bank Holding Company shareholder would have received if the Glacier average closing price had been \$37.00. If this election is made by Glacier, no termination of the merger agreement will occur and the merger agreement will remain in effect according to its terms, except that the per share stock consideration will have been adjusted.

Glacier Average Closing Price Less than \$27.00. Glacier may terminate the merger agreement in the Glacier average closing price (as defined in the merger agreement) is less than \$27.00.

If Glacier provides written notice of its intent to terminate the merger agreement because the Glacier average closing price is less than \$27.00, Citizens Bank Holding Company may elect, within one business day of its receipt of such notice, to accept an adjustment to the per share stock consideration through the issuance of fewer shares of Glacier common stock, such that the per share stock consideration equals the number of shares of Glacier common stock that a Citizens Bank Holding Company shareholder would have received in the Glacier average closing price had been \$27.00. If this election is made by Citizens Bank Holding Company, no termination of the merger agreement will occur and the merger agreement will remain in effect according to its terms, except that that the per share stock consideration will have been adjusted.

Mutual Consent. The parties may terminate the merger agreement at any time before closing, whether before or after approval by Citizens Bank Holding Company shareholders, by mutual consent.

No Regulatory Approvals. Either party may terminate the merger agreement if the regulatory approvals required to be obtained are denied, or if any such approval is conditioned on a substantial deviation from the transactions contemplated by the merger agreement, subject to certain rights granted in the merger agreement to appeal the denial of such regulatory approval.

Breach of Warranty. Either party may terminate the merger agreement (so long as the terminating party is not then in material breach of any of its representations, warranties, covenants or other agreements in the merger agreement) if there has been a material breach of any of the representations or warranties set forth in the merger agreement on the part of the other party, which breach is not cured within 30 days following written notice to such party, or which breach cannot, by its nature, be cured prior to the closing of the merger.

Breach of Covenant. Either party may terminate the merger agreement (so long as the terminating party is not then in material breach of any of its representations, warranties, covenants or agreements in the merger agreement) if there has been a material breach of any covenants or agreements set forth in the merger agreement by the other party, which is not cured within 30 days following written notice to the party committing such breach, or which breach, by its nature, cannot be cured prior to the closing of the merger.

Citizens Bank Holding Company Fails to Recommend Shareholder Approval. Glacier may terminate the merger agreement (so long as it is not then in material breach of any of its representations, warranties, covenants or agreements in the merger agreement) before Citizens Bank Holding Company's shareholders approve the merger, if the Citizens Bank Holding Company board of directors fails to recommend to its shareholders approval of the merger, or modifies, withdraws or changes in a manner adverse to Glacier its recommendation.

Citizens Bank Holding Company Shareholders Fail to Approve Merger. Either party may terminate the merger agreement (so long as such party is not then in material breach of any of its representations, warranties, covenants or agreements in the merger agreement) if the required vote of Citizens Bank Holding Company





## **Table of Contents**

shareholders required for the consummation of the merger is not obtained, regardless of whether the Citizens Bank Holding Company board of directors recommends such approval.

**Impracticability.** Either party may terminate the merger agreement upon written notice to the other party if the board of directors of the party seeking termination has determined in its sole judgment, made in good faith and after due consideration and consultation with counsel, that the merger has become inadvisable or impracticable by reason of the institution of litigation by the federal government or the government of the State of Idaho to restrain or invalidate the merger.

**Potential Dissenting Shares.** Glacier may terminate the merger agreement if holders of 10% or more of the outstanding shares of Citizens Bank Holding Company common stock are proposed dissenting shares (as defined in the merger agreement).

**Superior Proposal.** Citizens Bank Holding Company may terminate the merger agreement if its board of directors determines in good faith that Citizens Bank Holding Company has received a Superior Proposal as defined in the merger agreement. This right is subject to the requirement that Citizens Bank Holding Company may terminate the merger agreement only if Citizens Bank Holding Company delivers notice to Glacier that, subsequent to delivering such notice it intends to enter into a letter of intent, acquisition agreement or similar agreement relating to such Superior Proposal, and that has provided Glacier with an opportunity, if Glacier so elects, to amend the terms of the merger agreement (negotiated in good faith between Glacier and Citizens Bank Holding Company) in such a manner as would enable Citizens Bank Holding Company to proceed with the merger.

## **Termination Fees**

Subject to certain exceptions, Citizens Bank Holding Company will pay Glacier a termination fee of \$170,000 if Glacier terminates the merger agreement based on a Citizens Bank Holding Company breach of its representations or breach of its covenants. Glacier will pay Citizens Bank Holding Company a termination fee of \$170,000 if Citizens Bank Holding Company terminates the merger agreement based on a Glacier breach of its representations or breach of its warranties.

## **Break-Up Fee**

If the merger agreement is terminated (i) because the Citizens Bank Holding Company board of directors fails to recommend shareholder approval of the merger agreement; or (ii) Glacier terminates the merger agreement after Citizens Bank Holding Company's receipt of a Superior Proposal followed by an immediate acquisition event (as defined in the merger agreement), then Citizens Bank Holding Company will immediately pay Glacier a break-up fee of \$860,000. If the merger agreement is terminated by Glacier due to Citizens Bank Holding Company's receipt of a Superior Proposal and prior to or within six months after such termination, Citizens Bank Holding Company or Citizens Community Bank enter into an agreement, or publicly announce an intention, to engage in an acquisition event, or within 12 months after such termination an acquisition event has occurred, then Citizens Bank Holding Company will promptly pay to Glacier the break-up fee in the amount of \$860,000.

## **Allocation of Costs Upon Termination**

If the merger agreement is terminated (except under circumstances that would require the payment of a termination fee or break-up fee) Glacier and Citizens Bank Holding Company will each pay their own out-of-pocket expenses incurred in connection with the transaction and, except for any applicable termination or break-up fees, will have no other liability to the other party.



**Table of Contents**

**Conduct Pending the Merger**

The merger agreement provides that, until the merger is effective, Citizens Bank Holding Company and Citizens Community Bank will conduct their respective businesses only in the ordinary and usual course. The merger agreement also provides that, unless Glacier otherwise consents in writing, Citizens Bank Holding Company and Citizens Community Bank will refrain from engaging in various activities such as:

effecting any stock split or other recapitalization with respect to Citizens Bank Holding Company or the shares of Citizens Community Bank, or pledge or encumber any shares of such stock or grant any options for such stock;

declaring or paying dividends or other distributions;

acquiring, selling, transferring assigning or encumbering or otherwise disposing of assets or making any commitment other than in the ordinary course of business;

soliciting or accepting deposit accounts of a different type than previously accepted by Citizens Community Bank or at rates materially in excess of prevailing interest rates, or incurring any indebtedness for borrowed money;

offering or making loans or other extensions of credit of a different type, or applying different underwriting standards, from those previously offered or applied by Citizens Community Bank, or offering or making a loan or extension of credit in an amount greater than \$750,000 without prior consultation with Glacier;

with specified exceptions, acquiring an ownership or leasehold interest in real property without conducting an appropriate environmental evaluation;

with specified exceptions, entering into, renewing, amending or terminating any contracts calling for a payment of more than \$10,000 with a term of one year or more;

with certain exceptions, entering into or amending any contract calling for a payment of more than \$10,000, unless the contract may be terminated without cause or penalty upon 30 days notice or less;

with specified exceptions, entering into any personal services contract;

selling any securities other than in the ordinary course of business, or selling any securities even in the ordinary course of business if the aggregate gain realized from all sales after the date of execution of the merger agreement would exceed \$25,000, or transferring investment securities between portfolios;

amending or materially changing its operations, policies or procedures;

with specified exceptions, making capital expenditures in excess of \$10,000 per project or \$25,000 in the aggregate;

entering into transactions or making any expenditures other than in the ordinary course of business.

**Citizens Community Bank Management and Operations After the Merger**

Following the merger, the Citizens Community Bank board of directors will consist of the Citizens Community Bank directors immediately before the merger, with the addition of Michael Blodnick, the President and Chief Executive Officer of Glacier.



## **Table of Contents**

Citizens Community Bank's executive officers immediately before the merger will remain unchanged immediately following the merger.

Although Citizens Community Bank will be a wholly-owned subsidiary of Glacier after the merger, Glacier intends to operate it independently, under the name Citizens Community Bank.

## **Employee Benefit Plans**

The merger agreement confirms Glacier's intent that Glacier's current personnel policies will apply to any members of Citizens Bank Holding Company and Citizens Community Bank who are retained in the service of Glacier following the closing of the merger. Such retained employees will be eligible to participate in all of the benefit plans of Glacier that are generally available to similarly situated employee of Glacier. For purposes of participation in such plans, service with Citizens Bank Holding Company or Citizens Community Bank will constitute prior service with Glacier for purposes of determining eligibility and vesting. If any persons who are Citizens Community Bank employees are terminated within three months of the closing of the merger as a result of the consolidation of staff functions, such persons will be entitled to receive the severance payment specified in Glacier's severance plan for employees as then in effect.

## **Interests of Certain Persons in the Merger**

Certain members of the Citizens Bank Holding Company board of directors and management may be deemed to have interests in the merger, in addition to their interests as shareholders of Citizens Bank Holding Company generally. The Citizens Bank Holding Company board of directors was aware of these factors and considered them, among other things, in approving the merger agreement.

*Stock Ownership.* The directors, executive officers and principal shareholders of Citizens Bank Holding Company, together with their affiliates, beneficially owned, as of the record date for the special meeting, a total number of shares of Citizens Bank Holding Company common stock representing approximately 24% of all outstanding Citizens Bank Holding Company shares and options. The directors and executive officers of Citizens Bank Holding Company will receive the same consideration in the merger for their shares as other shareholders of Citizens Bank Holding Company.

*Voting Agreements.* The directors of Citizens Bank Holding Company have entered into a voting agreement, dated as of the same date as the merger agreement. Pursuant to this agreement, each director agrees to vote the shares of Citizens Bank Holding Company common stock that he owns or controls in favor of the merger. The persons who have entered into this agreement are entitled to vote a total of 47,482 outstanding shares of Citizens Bank Holding Company common stock or shares of Citizens Bank Holding Company common stock that are subject to outstanding stock options, which is approximately 10.6% of the total shares outstanding.

*Stock Options.* The merger agreement provides that as a condition to the closing of the merger, all Citizens Bank Holding Company qualified options (as defined in the merger agreement) will have been exercised and the exercise price paid to Citizens Bank Holding Company. The merger agreement also provides that any Citizens Bank Holding Company nonqualified options (as defined in the merger agreement) that are outstanding at the closing of the merger will be converted, without further action, into the right to receive, on a per-share basis, an amount equal to the difference between the per-share cash consideration payable by Glacier in the merger and the nonqualified option exercise price. As of the date of this proxy statement/prospectus, directors and executive officers of Citizens Bank Holding Company hold nonqualified options to acquire a total of 800 shares of Citizens Bank Holding Company common stock and qualified options to acquire a total of 8,200 shares of Citizens Bank Holding Company common stock. In addition, former directors and executive officers of Citizens Bank Holding Company and Citizens

Community Bank hold nonqualified stock options to acquire a total of 16,300 shares of Citizens Bank Holding Company common stock.

**Table of Contents**

*Citizens Community Bank Employment Agreement – Ralph Cottle.* Citizens Community Bank entered into an employment agreement with Ralph G. Cottle, the President and Chief Executive Officer of Citizens Community Bank, dated as of December 15, 2004. The employment agreement commences on the date of the closing of the merger, and is for a term of three years. The agreement provides that initially, Mr. Cottle will receive the annual salary that he is receiving from Citizens Community Bank on the effective date of the merger, with subsequent salary increases subject to Citizens Community Bank's annual review of his compensation and performance. The agreement also provides for an annual incentive bonus, the amount to be determined by the board of directors of Citizens Community Bank based on performance. Under the terms of the agreement, if Mr. Cottle's employment is terminated by Citizens Community Bank during the term of the agreement without cause (as defined in the agreement) or by Mr. Cottle for good reason (as defined in the agreement), Citizens Community Bank will pay him a lump sum payment equal to the amount of his annual base salary at the time of termination. If Mr. Cottle's employment is terminated for cause or without good reason, Mr. Cottle is only entitled to base compensation earned through the termination date. The merger will trigger the provisions of this employment agreement.

*Citizens Community Bank Board of Directors.* The merger agreement provides that the Citizens Community Bank board of directors (with the addition of Mr. Michael Blodnick, President and Chief Executive Officer of Glacier) will continue to serve following closing of the merger.

*Director Non-competition Agreements.* All members of the Citizens Community Bank board of directors except Mr. Cottle have entered into a non-competition agreement with Glacier. Except under certain limited circumstances, the noncompetition agreement prohibits directors of Citizens Community Bank from competing with Glacier and/or Citizens Community Bank within a 90-mile radius of Citizens Community Bank's office in Pocatello, Idaho. The term of the non-competition agreement commences upon consummation of the merger and continues for the longer of (i) two years after closing of the merger or (ii) one year after the director's service as a director of Citizens Community Bank is terminated.

*Indemnification of Directors and Officers; Insurance.* The merger agreement provides that Glacier will, for a period of six years following the closing of the merger, indemnify the present and former directors and officers of Citizens Bank Holding Company and Citizens Community Bank against liabilities or costs that may arise in the future, incurred in connection with claims or actions arising out of or pertaining to matters that existed or occurred prior to the effective date of the merger. The scope of this indemnification is to the same extent that such persons would have been entitled to indemnification under Idaho law or the articles of incorporation or bylaws of Citizens Bank Holding Company and/or Citizens Community Bank.

The merger agreement also provides that for a period of six years following the closing of the merger, Glacier will use reasonable efforts to cause to be maintained in effect, director and officer liability insurance substantially similar to that maintained by Glacier with respect to claims arising from facts or events that occurred before the effective date of the merger.

**Accounting Treatment of the Merger**

The acquisition of Citizens Bank Holding Company will be accounted for using the purchase method of accounting by Glacier under generally accepted accounting principles. Accordingly, using the purchase method of accounting, the assets and liabilities of Citizens Bank Holding Company will be recorded by Glacier at their respective fair values at the time of the merger. The excess of Glacier's purchase price over the net fair value of assets acquired including identifiable intangible assets and liabilities assumed is recorded as goodwill. Goodwill will be periodically assessed for impairment but no less frequently than on an annual basis. Prior period financial statements are not restated and results of operation of Citizens Bank Holding Company will be included in Glacier's consolidated statement of operations after the date of the merger. The intangible assets will be amortized against the combined company's

earnings following completion of the merger.



## **Table of Contents**

### **Stock Resales by Citizens Bank Holding Company Affiliates**

The Glacier common stock to be issued in the merger will be transferable free of restrictions under the Securities Act of 1933 ( 1933 Act ), except for shares received by persons, including directors and executive officers of Citizens Bank Holding Company, who may be deemed to be affiliates of Citizens Bank Holding Company, as that term is defined in the rules under the 1933 Act. Affiliates may not sell their shares of Glacier common stock acquired in the merger, except (a) pursuant to an effective registration statement under the 1933 Act covering those shares, (b) in compliance with Rule 145, or (c) in accordance with an opinion of counsel reasonably satisfactory to Glacier, under other applicable exemptions from the registration requirements of the 1933 Act. Glacier will obtain customary agreements with all Citizens Bank Holding Company directors, officers, and affiliates of Citizens Bank Holding Company, under which such persons will represent that they will not dispose of their shares of Glacier received in the merger or the shares of capital stock of Citizens Bank Holding Company or Glacier held by them before the merger, except in compliance with the 1933 Act and the rules and regulations promulgated under the 1933 Act. This proxy statement/prospectus does not cover any resales of the Glacier common stock received by affiliates of Citizens Bank Holding Company.

## **INFORMATION CONCERNING CITIZENS BANK HOLDING COMPANY**

### **Business**

Citizens Bank Holding Company is headquartered in Pocatello, Idaho and is a bank holding company registered under the Bank Holding Company Act of 1956, as amended. Citizens Bank Holding Company was incorporated under the laws of the State of Idaho on March 26, 2002 at the direction of the Board of Directors of Citizens Community Bank (the Bank ) for the purpose of adopting a bank holding company structure through which it would exchange its shares of common stock for shares of common stock of Citizens Bank Holding Company. The exchange was approved by the shareholders of Citizens Community Bank on April 29, 2002 and became effective on July 1, 2002. Thereafter, Citizens Community Bank became a wholly owned subsidiary of Citizens Bank Holding Company. At September 30, 2004, Citizens Bank Holding Company had total consolidated assets of approximately \$111.8 million, net loans of approximately \$82.2 million and deposits of approximately \$98.0 million. At September 30, 2004, Citizens Bank Holding Company had approximately 364 shareholders of record owning 441,034 shares of its common stock.

Citizens Community Bank, a wholly owned subsidiary of Citizens Bank Holding Company, was incorporated on April 17, 1996. The Bank is an Idaho state-chartered commercial bank. The Bank is regulated by the Idaho Department of Finance and by the Federal Deposit Insurance Corporation, its primary federal regulator and the insurer of its deposits. The Bank offers full-service community banking through three banking locations serving the southeastern Idaho area. The Bank has its main office in Pocatello, Idaho and one branch located in each of Pocatello and Idaho Falls, Idaho. In addition, the Bank has a loan production office in Rexburg, Idaho.

### **Products and Services**

*Real Estate Loans.* These loans include various types of loans for which the Bank holds real property as collateral. Interest rates on these loans typically adjust annually, or more frequently. Real estate construction loans include both commercial and residential, but are principally made to builders to construct single family residences of which many are sold to purchasers prior to construction. Real estate construction loans typically have maturities of 12 months, and charge origination fees. Terms may vary depending upon many factors, including location, type of project and financial condition of the borrower. The primary risks of real estate mortgage loans include the borrower's inability to pay and deterioration in value of real estate that is held as collateral.



## **Table of Contents**

*Commercial Loans.* These loans consist primarily of loans to businesses for various purposes, including revolving lines of credit and equipment financing. These loans are secured by collateral other than real estate, such as inventory, accounts receivable, machinery, government guarantees, or other commercial assets, and they generally mature within one year and have adjustable interest rates. Revolving lines of credit are generally for business purposes, mature annually and have adjustable interest rates. It is the Bank's standard practice in making commercial loans to receive real estate as collateral in addition to other appropriate collateral. The primary repayment risk of commercial loans is the failure of the borrower's business due to economic or financial factors.

*Agricultural Loans.* The Bank originates a variety of agricultural loans. These loans relate to equipment, livestock, crops and farmland. The primary risks of agricultural loans include the prices of crops and livestock, as well as weather conditions. The Bank generally requires collateral, such as crops, livestock, equipment and/or real estate, in connection with agricultural loans.

*Installment Loans.* Installment loans are primarily to individuals, are typically secured by the financed assets, generally have terms of two to five years and bear interest at fixed rates. These loans usually are secured by motor vehicles or other personal assets and in some instances are unsecured. The primary risk of consumer lending relates to the personal circumstances of the borrower.

*Letters of Credit.* The Bank issues letters of credit in the ordinary course of its business. It applies the same credit standards to these commitments as it does to all of our lending activities and includes these commitments in its lending risk evaluations. The Bank's exposure to credit loss under letters of credit is represented by the amount of these commitments. The Bank generally seeks collateral, such as real estate, inventory, accounts receivable or other business assets, when issuing letters of credit.

The Board of Directors of the Bank has approved specific lending policies and procedures for the Bank and is responsible for implementation of the policies. The lending policies and procedures include guidelines for loan term, loan-to-value ratios, collateral appraisals and interest rates. The loan policies also vest varying levels of loan authority in management, the Bank's loan committee and the Board of Directors of the Bank. Management of the Bank monitors lending activities through regular loan committee meetings, monthly reporting and periodic review of loans.

## **Products Offered**

The Bank also offers personal and commercial banking services, mortgage origination, and Internet banking. The Bank offers a range of banking products and services, including the following: checking accounts, ATM's, checking accounts with interest, savings accounts, money market accounts, certificates of deposit, NOW accounts, Individual Retirement Accounts, residential mortgage services, branch banking, and debit cards.

**Table of Contents****Deposit Services**

The Bank offers the full range of deposit services that are typically available in most banks and savings and loan associations, including checking accounts, savings accounts, money market accounts and various types of certificates of deposit. The transaction accounts and certificates of deposit are tailored to the Bank's primary market area at rates competitive with those offered in the area. All deposit accounts are insured by the FDIC to the maximum amount permitted by law.

**Other Services**

Other services the Bank provides include automated teller machines ( ATMs ), ATM access cards, point-of-sale ( POS ) debit cards, safe deposit boxes, merchant credit card services, travelers cheques, savings bonds, direct deposit, night deposit, and cash management services.

**Competition**

The Bank faces a high degree of competition. In its market areas, there are numerous small banks and several larger national and regional financial banking groups. The Bank also competes with insurance companies, savings and loan associations, credit unions, leasing companies, mortgage companies, and other financial service providers. Many of these competitors have capital resources and legal lending limits substantially in excess of our capital resources and legal lending limits.

The Bank competes for loans and deposits principally based on the availability and quality of services provided, responsiveness to customers, interest rates, loan fees and office locations. The Bank actively solicits deposit customers and compete by offering them high quality customer service and a complete product line. The Bank believes its personalized customer service, broad product line and community banking philosophy enable it to compete effectively in its market area.

The adoption of the Gramm-Leach-Bliley Act of 1999 (the Financial Services Modernization Act) eliminated many of the barriers to affiliation among providers of financial services and further opened the door to business combinations involving banks, insurance companies, securities or brokerage firms, and others. This regulatory change has led to further consolidation in the financial services industry and the creation of financial conglomerates which frequently offer multiple financial services, including deposit services, brokerage and others. When combined with technological developments such as the Internet that have reduced barriers to entry faced by companies physically located outside Citizens Bank Holding Company's market area, changes in the market have resulted in increased competition and can be expected to result in further increases in competition in the future.

**Facilities**

In addition to the main office in Pocatello, Idaho, Citizens Bank Holding Company has one branch located in each of Pocatello and Idaho Falls, Idaho. It also has a loan production office in Rexburg, Idaho. The following is a description of the facilities:

<b>Location</b>	<b>Square Feet</b>	<b>Date opened or Acquired</b>	<b>Occupancy status (own/lease)</b>
Main Office 280 S. Arthur	7,200	Branch opened June 26, 1997	Own

Pocatello, ID 83204

The property was leased from  
CCB Properties, LLC (an LLC  
made up of members of the board

**Table of Contents**

of directors), and was purchased  
by Citizens Community Bank on  
December 30, 2004.

58

---

**Table of Contents****Branches:**

2000 Flandro Pocatello, ID 83201	3,412	Branch opened January 16, 2001	Own
2797 S. 25 <sup>th</sup> E. Ammon, ID 83406	8,500	Branch opened January 2004. The building was purchased by Citizens Bank Holding Company in June 2003. The property was transferred from Citizens Bank Holding Company to Citizens Community Bank on December 30, 2004.	Own

**Loan Production Office:**

220 E. 2 <sup>nd</sup> North, Suite 5 Rexburg, ID 83440	780	Production Office opened in December, 2004. Lease effective September 14, 2004.	Lease from R & S Peterson, Rexburg, Idaho
--	-----	---	---

**Employees.** As of December 31, 2004, Citizens Bank Holding Company and the Bank had 51 employees, of which 47 are full-time equivalent employees. None of the employees are covered by a collective bargaining agreement. Management believes relations with its employees are good.

**Legal Proceedings.** Citizens Bank Holding Company and the Bank currently are, and from time to time may continue to be, parties to various legal actions arising in the normal course of business. The Bank currently is a defendant in one case alleging that the Bank failed to honor a pre-judgment writ of attachment and notice of continuing garnishment. The Bank intends to defend itself vigorously. Management currently believes that resolving this matter will not have a material adverse impact on its financial position or its results of operations, however, litigation is inherently uncertain and there can be no assurances as to the ultimate outcome or effect of this action.

**Security Ownership of Management and Certain Beneficial Owners**

The following tables set forth information as of January 1, 2005, regarding the shares of Citizens Bank Holding Company common stock beneficially owned by (i) each person (other than executive officers or directors whose stock ownership is listed below), known by Citizens Bank Holding Company to own beneficially more than 5% of Citizens Bank Holding Company's common stock, (ii) each director of Citizens Bank Holding Company (including one executive officer of the Bank), (iii) each executive officer of the Bank, and (iv) all directors and executive officers of Citizens Bank Holding Company as a group. Except as noted below, each holder has sole voting and investment power with respect to shares of Citizens Bank Holding Company common stock listed as owned by such person or entity.

**Table of Contents****Principal Shareholders (5% Owners Exclusive of Directors and Officers)**

Name	Address	Number of Shares of Common Stock Owned	Percentage of Outstanding Common Stock
Robert H. Ballard, Jr.	c/o Citizens Bank Holding Company 280 S. Arthur Pocatello, ID 83204	32,000	7.3%
W. James Johnson	c/o Citizens Bank Holding Company 280 S. Arthur Pocatello, ID 83204	25,579 <sup>(1)</sup>	5.8%

(1) Held in a revocable trust for the benefit of Mr. Johnston and his spouse.

**Directors and Named Executive Officers**

Name and Position	Number of Shares of Common Stock Owned	Percentage of Outstanding Common Stock
Ralph G. Cottle, <i>Director, President and CEO</i>	9,420 <sup>(1)</sup>	2.1%
Kenneth E. Safferfield, <i>Director and Secretary</i>	6,300 <sup>(2)</sup>	1.4%
James E. Lee, <i>Chairman</i>	8,583 <sup>(3)</sup>	1.9%
Gary N. Blanchard, <i>1<sup>st</sup> Vice Chairman</i>	11,179 <sup>(4)</sup>	2.5%
Alan E. Stanek, <i>2<sup>nd</sup> Vice Chairman</i>	12,000 <sup>(5)</sup>	2.7%

(1) Includes 4,300 shares of common stock held in a profit sharing plan account for the benefit of Mr. Cottle, 4,320 shares of common stock subject to qualified stock options which are exercisable within 60 days of January 1, 2005 and 800 shares of common stock subject to nonqualified stock options which are exercisable within 60 days of January 1, 2005.

(2) Held jointly with spouse.

(3) Held jointly with spouse.

(4) Held jointly with spouse.

(5) Held jointly with spouse.

**Executive Officers**



Name and Position	Number of Shares of Common Stock Owned	Percentage of Outstanding Common Stock
Terrill R. Schwartz, <i>Treasurer</i>	2,450 <sup>(1)</sup>	0.5%
Officers & Directors as a Group (6 Individuals)	49,932	11.2%

(1) Includes 1,450 shares held in a profit sharing plan account for the benefit of Mr. Schwartz and 1,000 shares of common stock subject to qualified stock options which are exercisable within 60 days of January 1, 2005.

**Table of Contents**

**Table of Contents**

**DESCRIPTION OF GLACIER S CAPITAL STOCK**

Glacier s authorized capital stock consists of 62,500,000 shares of common stock, \$0.01 par value per share, and 1,000,000 shares of preferred stock, \$0.01 par value per share. As of the date of this proxy statement/prospectus, Glacier had no shares of preferred stock issued. The Glacier board of directors is authorized, without further shareholder action, to issue preferred stock shares with such designations, preferences and rights as the Glacier board of directors may determine.

Glacier common stock is listed for trading on the Nasdaq National Market under the symbol GBCI.

Glacier s shareholders do not have preemptive rights to subscribe to any additional securities that may be issued. Each share of Glacier common stock has the same relative rights and is identical in all respects to every other share of Glacier common stock. If Glacier is liquidated, the holders of Glacier common stock are entitled to share, on a pro rata basis, Glacier s remaining assets after provision for liabilities.

For additional information concerning Glacier s capital stock, see Comparison Of Certain Rights Of Holders Of Glacier And Citizens Bank Holding Company Common Stock.

**COMPARISON OF CERTAIN RIGHTS OF HOLDERS OF  
GLACIER AND CITIZENS BANK HOLDING COMPANY COMMON STOCK**

Montana law and Glacier s Articles of Incorporation and Bylaws govern the rights of Glacier shareholders and will govern the rights of Citizens Bank Holding Company shareholders who become shareholders of Glacier as a result of the merger. The rights of Citizens Bank Holding Company shareholders are currently governed by Idaho law and by Citizens Bank Holding Company s Articles of Incorporation and Bylaws. The following is a brief summary of certain differences between the rights of Glacier and Citizens Bank Holding Company shareholders. This summary does not purport to be complete and is qualified by the documents and statutes referenced and by other applicable law. See also Where You Can Find More Information About Glacier.

**General**

Under its Articles of Incorporation, Glacier s authorized capital stock consists of 62,500,000 of common stock, \$0.01 par value per share, and 1,000,000 shares of preferred stock, \$0.01 par value per share. No shares of preferred stock are currently outstanding.

Under its Articles of Incorporation, Citizens Bank Holding Company s authorized capital consists of 5,000,000 shares of common stock, \$5.00 par value per share, and 1,000,000 shares of preferred stock, \$5.00 par value per share.

The following is a more detailed description of Glacier s and Citizens Bank Holding Company s capital stock.

**Common Stock**

As of December 31 2004, there were 24,549,410 shares of Glacier common stock issued and outstanding, in addition to options for the purchase of 1,208,505 shares of Glacier common stock under Glacier s employee and director stock option plans.

As of December 31, 2004, there were 441,034 shares of Citizens Bank Holding Company common stock issued and outstanding. Additionally, 25,300 shares of Citizens Bank Holding Company common stock were subject to outstanding options under Citizens Bank Holding Company employee and director stock option plans.



## **Table of Contents**

### **Preferred Stock**

As of the date of this proxy statement/prospectus, neither Glacier nor Citizens Bank Holding Company had shares of preferred stock issued. The Glacier board of directors is authorized, without further shareholder action, to issue preferred stock shares with such designations, preferences and rights as the Glacier board of directors may determine. The Citizens Bank Holding Company board of directors is similarly authorized to issue preferred stock shares.

### **Dividend Rights**

Dividends may be paid on Glacier common stock as and when declared by the Glacier board of directors out of funds legally available for the payment of dividends. The Glacier board of directors may issue preferred stock that is entitled to such dividend rights as the board of directors may determine, including priority over the common stock in the payment of dividends. The ability of Glacier to pay dividends basically depends on the amount of dividends paid to it by its subsidiaries. The payment of dividends is subject to government regulation, in that regulatory authorities may prohibit banks and bank holding companies from paying dividends in a manner that would constitute an unsafe or unsound banking practice. In addition, a bank may not pay cash dividends if doing so would reduce the amount of its capital below that necessary to meet minimum applicable regulatory capital requirements. State laws also limit a bank's ability to pay dividends. Accordingly, the dividend restrictions imposed on the subsidiaries by statute or regulation effectively may limit the amount of dividends Glacier can pay.

Dividends may be paid on Citizens Bank Holding Company common stock as and when declared by the Citizens Bank Holding Company board of directors out of funds legally available for the payment of dividends. The ability of Citizens Bank Holding Company to pay dividends is essentially subject to the same factors applicable to Glacier, as discussed above.

### **Voting Rights**

All voting rights are currently vested in the holders of Glacier common stock and Citizens Bank Holding Company common stock, with each share being entitled to one vote.

The Articles of Incorporation of Glacier provide that shareholders do not have cumulative voting rights in the election of directors. Citizens Bank Holding Company shareholders do not have cumulative voting rights for the election of directors.

### **Preemptive Rights**

Glacier's and Citizens Bank Holding Company shareholders do not have preemptive rights to subscribe to any additional securities that may be issued.

### **Liquidation Rights**

If Glacier is liquidated, the holders of Glacier common stock are entitled to share, on a pro rata basis, Glacier's remaining assets after provision for liabilities. The Glacier board of directors is authorized to determine the liquidation rights of any preferred stock that may be issued.

If Citizens Bank Holding Company is liquidated, the holders of Citizens Bank Holding Company common stock are entitled to share, on a pro rata basis, Citizens Bank Holding Company's remaining assets after provision for liabilities.



## **Table of Contents**

All outstanding shares of both Glacier and Citizens Bank Holding Company common stock are, and the shares to be issued in the merger will be, fully paid and nonassessable.

### **Amendment of Articles of Incorporation and Bylaws**

The Montana Business Corporation Act ( MBCA ) authorizes a corporation s board of directors to make various changes of an administrative nature to its articles of incorporation, including increasing the number of outstanding shares in proportion to a stock split or stock divided in the corporation s own shares. Other amendments to a corporation s articles of incorporation must be recommended to the shareholders by the board of directors, unless the board determines that because of a conflict of interest or other special circumstances it should make no recommendation, and must be approved by a majority of all votes entitled to be cast by each voting group that has a right to vote on the amendment. The Glacier board of directors may, by a majority vote, amend Glacier s bylaws.

The Idaho Business Corporation Act ( IBCA ) is similar to the MBCA with respect to provisions regarding the amendment of a corporation s articles of incorporation and bylaws.

### **Approval of Certain Transactions**

The MBCA does not contain any anti-takeover provisions imposing specific requirements or restrictions on transactions between a corporation and significant shareholders. Glacier s articles of incorporation contain a provision requiring that specified transactions with an interested shareholder be approved by 80% of the voting power of the then outstanding shares unless it is (i) approved by Glacier s board of directors, or (ii) certain price and procedural requirements are satisfied. An interested shareholder is broadly defined to include the right, directly or indirectly, to acquire or to control the voting or disposition of 10% or more of Glacier s voting stock.

Citizens Bank Holding Company s articles of incorporation do not contain any anti-takeover provisions. However, Idaho corporate law does set forth additional requirements for board approval of certain transactions with substantial shareholders for a period of five years following their acquisition of 10% or more of the corporation s outstanding shares. These requirements of Idaho law could make it more difficult for a substantial shareholder to gain control of the corporation.

**Under Idaho corporate law, a merger in which the corporation will not be the surviving corporation, share exchange, or sale of substantially all of a corporation s assets must be approved by a majority of the corporation s shares entitled to vote.**

### **Board of Directors - Number of Directors and Staggered Board**

Glacier s articles of incorporation provide that the number of directors may not be less than seven (7) or more than seventeen (17). The articles further provide that the board must generally be staggered if there are nine (9) or more members. Glacier s board currently consists of nine (9) members, each of whom has a staggered three-year term.

Citizen Bank Holding Company s bylaws provide that the number of directors may not be less than five (5) or more than fifteen (15). Citizen Bank Holding Company s articles of incorporation provide that the board must generally be staggered if there are nine (9) or more members. The board of directors for Citizens Bank Holding Company currently consists of five (5) members, each of whom is currently serving an annual term.

## **Table of Contents**

### **Indemnification and Limitation of Liability**

Under the MBCA, indemnification of directors and officers is authorized to cover judgments, amounts paid in settlement, and expenses arising out of actions where the director or officer acted in good faith and in or not opposed to the best interests of the corporation, and in criminal cases, where the director or officer had no reasonable cause to believe that his or her conduct was unlawful. Unless limited by the corporation's articles of incorporation, Montana law requires indemnification if the director or officer is wholly successful on the merits of the action. Glacier's bylaws provide that Glacier shall indemnify its directors and officers to the fullest extent not prohibited by law, including indemnification for payments in settlement of actions brought against a director or officer in the name of the corporation, commonly referred to as a derivative action. Under the MBCA, any indemnification of a director in a derivative action must be reported to shareholders in writing prior to the next annual meeting of shareholders.

The provisions of the IBCA regarding indemnification and director liability are similar to those of the MBCA. The articles of Citizens Bank Holding Company provide that directors of the corporation will not be held liable to the corporation except in cases involving participation in a transaction from which the director receives a benefit to which the director is not legally entitled, breaches of the duty of loyalty to the corporation or its shareholders, act or omissions not in good faith, involving intentional misconduct or knowing violations of the law, or payments of unlawful dividend, stock purchases or redemptions. The articles of Citizens Bank Holding Company provide for indemnification to the fullest extent allowed by the IBCA, for certain expenses and costs in suits to which such person is made or threatened to be made a party because such person was a director of the corporation.

### **Restriction of Transfer of Shares**

Glacier's articles and bylaws do not provide any specific limitations on its ability to transfer shares, nor require the company's shares to bear a restrictive legend.

Citizens Bank Holding Company's articles and bylaws provide that its shareholders are limited to fewer than 500 at all times. To enforce this limitation, consent by Citizens Bank Holding Company is required for any proposed stock transfer, or to approve any transferee, if the result of the stock transfer is to increase the number of shareholders to 500 or more. Citizens Bank Holding Company will not recognize or register on its stock ledger any stock transfer that would violate this restriction. In addition, all stock certificates are required to bear a restrictive legend.

### **Potential Anti-Takeover Provisions**

Glacier's articles of incorporation include certain provisions that could make more difficult the acquisition of Glacier by means of a tender offer, a proxy contest, merger or otherwise. These provisions include: (i) the staggered board, whereby only one-third of the members of the board of directors are elected in any particular year; and (ii) a requirement that any Business Combination (as defined in the articles of incorporation) be approved by the affirmative vote of not less than 80% of the voting power of the then outstanding shares unless it is either approved by the board of directors or certain price and procedural requirements are satisfied.

In addition, the authorization of preferred stock, which is intended primarily as a financing tool and not as a defensive measure against takeovers, may potentially be used by management to make more difficult uninvited attempts to acquire control of Glacier (for example, by diluting the ownership interest of a substantial shareholder, increasing the amount of consideration necessary for shareholder to obtain control, or selling authorized but unissued shares to friendly third parties).



**Table of Contents**

The staggered board structure of the board of directors, the supermajority approval requirement for certain business transactions, and the availability of Glacier's preferred stock for issuance without shareholder approval, may have the effect of lengthening the time required for a person to acquire control of Glacier through a tender offer, proxy contest or otherwise, and may deter any potentially unfriendly offers or other efforts to obtain control of Glacier. This could deprive Glacier's shareholders of opportunities to realize a premium for their Glacier common stock, even in circumstances where such action was favored by a majority of Glacier's shareholders.

**CERTAIN LEGAL MATTERS**

The validity of the Glacier common stock to be issued in the merger will be passed upon for Glacier by its special counsel, Christensen, Moore, Cockrell, Cummings & Axelberg, P.C., Kalispell, Montana.

**EXPERTS**

The consolidated financial statements of Glacier Bancorp, Inc. as of December 31, 2003 and 2002, and for each of the years in the three-year period ended December 31, 2003, have been incorporated by reference herein and in the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing.

**WHERE YOU CAN FIND MORE INFORMATION ABOUT GLACIER**

Glacier files annual, quarterly and current reports, proxy statements, and other information with the SEC. You may read and copy any reports, statements, or other information that Glacier files at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Glacier's SEC filings are also available to the public on the SEC Internet site (<http://www.sec.gov>). As described below, you may also obtain the documents that Glacier is incorporating by reference into this proxy statement/prospectus from Glacier.

Glacier has filed a Registration Statement on Form S-4 to register with the SEC the shares of Glacier common stock to be issued to Citizens Bank Holding Company shareholders in the merger. This proxy statement/prospectus is part of that Registration Statement and constitutes a prospectus of Glacier in addition to being a proxy statement of Citizens Bank Holding Company for the Citizens Bank Holding Company special shareholders meeting. As allowed by SEC rules, this proxy statement/prospectus does not contain all of the information that you can find in the Registration Statement or the exhibits to the Registration Statement.

The SEC allows Glacier to incorporate by reference information into this proxy statement/prospectus, which means that Glacier can disclose important information to you by referring you to another document filed separately by Glacier with the SEC. The information incorporated by reference is deemed to be part of this proxy statement/prospectus, except for any information superseded by any information in this proxy statement/prospectus. This proxy statement/prospectus incorporates by reference the documents set forth below that Glacier has previously filed with the SEC (other than current reports furnished under Item 9 or Item 12 of Form 8-K). These documents contain important information about Glacier and its finances:

**Table of Contents**

Annual Report on Form 10-K for the year ended December 31, 2003;

Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2004;

Proxy Statement for Glacier's 2004 Annual Meeting of Shareholders; and

Current Reports on Form 8-K filed March 26, 2004, May 6, 2004, November 23, 2004, and December 16, 2004.

Glacier is also incorporating by reference additional documents that Glacier files with the SEC between the date of this proxy statement/prospectus and the date of the special meeting of Citizens Bank Holding Company shareholders (other than current reports furnished under Item 9 or Item 12 of Form 8-K).

**You can obtain the documents that are incorporated by reference through Glacier or the SEC. You can obtain the documents from the SEC, as described above. These documents are also available from Glacier without charge, excluding exhibits unless Glacier has specifically incorporated such exhibits by reference in this proxy statement/prospectus. You may obtain documents incorporated by reference in this proxy statement/prospectus by requesting them from Glacier at 49 Commons Loop, Kalispell, Montana 59901, telephone number (406) 751-4703, ATTN: James H. Strosahl, Corporate Secretary. If you would like to request documents from Glacier, please do so by \_\_\_\_\_, 2005 to receive them before the Citizens Bank Holding Company special shareholders meeting. Certain reports can also be found on Glacier's website at [www.glacierbancorp.com](http://www.glacierbancorp.com).**

Glacier has supplied all of the information concerning it contained in this proxy statement/prospectus, and Citizens Bank Holding Company has supplied all of the information concerning it.

You should rely only on the information contained or incorporated by reference in this proxy statement/prospectus in deciding how to vote on the merger. We have not authorized anyone to provide you with information other than what is contained in this proxy statement/prospectus. This proxy statement/prospectus is dated \_\_\_\_\_, 2005. You should not assume that information contained in this proxy statement/prospectus is accurate as of any other date, and neither the mailing of this proxy statement/prospectus to Citizens Bank Holding Company shareholders nor the issuance of Glacier common stock in the merger will create any implication to the contrary.

CONFIDENTIAL

**PLAN AND AGREEMENT OF MERGER**

**AMONG**

**GLACIER BANCORP, INC.,**

**CITIZENS BANK HOLDING COMPANY AND CITIZENS COMMUNITY BANK**

**DATED AS OF DECEMBER 15, 2004**

---

**Table of Contents**

**PLAN AND AGREEMENT OF MERGER  
AMONG  
GLACIER BANCORP, INC.,  
CITIZENS BANK HOLDING COMPANY AND CITIZENS COMMUNITY BANK**

This Plan and Agreement of Merger (the Agreement ), dated as of December 15, 2004, is made by and among GLACIER BANCORP, INC. ( Glacier ), CITIZENS BANK HOLDING COMPANY (the Company ) and CITIZENS COMMUNITY BANK (the Bank ).

**PREAMBLE**

The management and boards of directors of Glacier, the Company and the Bank, respectively, believe that the proposed Merger, to be accomplished in the manner set forth in this Agreement, is in the best interests of the respective corporations and their shareholders.

**RECITALS**

**A. The Parties.** The parties to the Merger are as follows:

- (1) Glacier is a corporation duly organized and validly existing under Montana law and is a registered bank holding company under the Bank Holding Company Act of 1956, as amended ( BHC Act ). Glacier's principal office is located in Kalispell, Montana.
- (2) The Company is a corporation duly organized and validly existing under Idaho law and is a registered bank holding company under the BHC Act. The Company's principal office is located in Pocatello, Idaho. The Company owns all of the outstanding common stock of the Bank.
- (3) The Bank is a state-chartered banking corporation duly organized and validly existing under Idaho law with its principal office located in Pocatello, Idaho.

**B. The Merger.** On the Effective Date, (i) the Company will merge with and into Glacier, with Glacier as the surviving entity; and (ii) the Bank will become a wholly owned subsidiary of Glacier and will continue to operate under the name Citizens Community Bank.

**C. Board Approvals.** The respective boards of directors of Glacier, the Company and the Bank have approved this Agreement and authorized its execution and delivery.

**D. Other Approvals.** The Merger is subject to:

- (1) Satisfaction of the conditions described in this Agreement;
- (2) Approval by the Company's shareholders; and
- (3) Approval or acquiescence, as appropriate, by (a) the Board of Governors of the Federal Reserve System ( Federal Reserve ), (b) the State of Idaho Department of Finance, and (c) any other agencies having jurisdiction over the Merger (collectively, Regulatory Approvals ).

**Table of Contents**

- E. Employment Agreement.** The Bank has entered into an employment and non-competition agreement that will take effect as of the Effective Date, with Ralph G. Cottle, the Bank's President and Chief Executive Officer.
- F. Director Agreements.** In connection with the parties' execution of this Agreement, the directors of the Company and the Bank have entered into agreements, pursuant to which, among other things, each director has agreed to vote his or her shares of the Company common stock in favor of the actions contemplated by this Agreement. In addition, all such Company and Bank directors (except for Ralph G. Cottle) have entered into non-competition agreements.
- G. Fairness Opinion.** The Company has received from Hovde Financial LLC ( Hovde ) and delivered to Glacier an opinion to the effect that from a financial point of view, the Merger is fair to the Company's shareholders.
- H. Intention of the Parties Tax Treatment.** The parties intend that the Merger shall constitute a reorganization with the meaning of Section 368 of the IRC and that the Agreement shall constitute a plan of reorganization for the purposes of Section 368 of the IRC.

**AGREEMENT**

In consideration of the mutual agreements set forth in this Agreement, Glacier, the Company and the Bank agree as follows:

**DEFINITIONS**

The following capitalized terms used in this Agreement will have the following meanings:

**Acquisition Event** means any of the following: (i) a merger, consolidation or similar transaction involving the Company or any successor, (ii) a purchase, lease or other acquisition in one or a series of related transactions of assets of the Company or any of its Subsidiaries representing 25 percent or more of the consolidated assets of the Company and its Subsidiaries, or (iii) a purchase or other acquisition (including by way of merger, consolidation, share exchange or any similar transaction) in one or a series of related transactions of beneficial ownership of securities representing 50 percent or more of the voting power of the Company or its Subsidiaries, in each case with or by a person or entity other than Glacier or one of its Subsidiaries.

**Acquisition Proposal** has the meaning assigned to such term in Section 4.1.11 of this Agreement.

**Aggregate Option Exercise Amount** means the sum of cash received by the Company upon the exercise of Company Options between the Execution Date and the Effective Date.

**Agreement** means this Plan and Agreement of Merger.

**ALLL** means allowance for possible loan and lease losses.

**Asset Classification** has the meaning assigned to such term in Section 3.1.16 of this Agreement.

**Bank** is Citizens Community Bank, an Idaho state chartered bank, that has its principal office in Pocatello, Idaho, and that is wholly owned by the Company.

**Table of Contents**

Bank Financial Statements means the Bank's audited statement of financial condition as of December 31, 2001, and the related statement of income, cash flows and shareholders' equity for the year ended December 31, 2001.

Banking Act means the Idaho Bank Act, Title 26 of the Idaho Code.

BHC Act has the meaning assigned to such term in Recital A of this Agreement.

Break-Up Fee has the meaning specified in Section 7.7 of this Agreement.

Business Day means any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions located in the State of Idaho are required by law to remain closed.

Cash Election Shares has the meaning specified in Section 1.3.2 of this Agreement.

Certificate has the meaning assigned to such term in Section 1.7.1 of this Agreement.

Closing means the closing of the Merger contemplated by this Agreement, which will occur on the Effective Date, as more fully specified in Section 2.1 of this Agreement.

Combination Election Shares has the meaning specified in Section 1.3.2 of this Agreement.

Company is Citizens Bank Holding Company, an Idaho corporation that has its principal place of business in Pocatello, Idaho, and that is a bank holding company registered pursuant to the BHC Act.

Company Common Stock means the shares of Company common stock, \$5 par value per share, issued and outstanding from time to time.

Company Contract has the meaning assigned to such term in Section 3.1.2 of this Agreement.

Company Financial Statements means (i) the Bank Financial Statements; (ii) the Company's audited statements of financial condition as of December 31, 2002 and 2003, and the related statements of income, cash flows and shareholders' equity for each of the years ended December 31, 2002 and 2003; (iii) the Company financial statements to be prepared in accordance with Section 4.1.8, if necessary; and (iv) the Subsequent Company Financial Statements.

Company M