

FIRST INTERSTATE BANCSYSTEM INC

Form S-1

January 15, 2010

Table of Contents

As filed with the Securities and Exchange Commission on January 15, 2010
Registration No. 333-

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

**Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

First Interstate BancSystem, 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)*

81-0331430
*(I.R.S. Employer
Identification Number)*

**401 North 31st Street
Billings, Montana 59116
(406) 255-5390**
(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)

**Terrill R. Moore
Executive Vice President and Chief Financial Officer
401 North 31st Street
Billings, Montana 59116
(406) 255-5390**
(Name, address, including zip code and telephone number, including area code, of agent for service)

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425 Lexington Avenue
New York, NY 10017-3954
(212) 455-2000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

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

If this Form is a post-effective amendment filed pursuant to Rule 462(c) 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.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated
filer

Accelerated filer

Non-accelerated filer

Smaller reporting
company

(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price ⁽¹⁾⁽²⁾	Amount of Registration Fee
Class A Common Stock	\$115,000,000	\$8,200

⁽¹⁾ Includes shares of Class A common stock issuable upon exercise of the underwriters' option.

⁽²⁾ Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated January 15, 2010

PROSPECTUS

Shares

Class A Common Stock

This is the initial public offering of the Class A common stock of First Interstate BancSystem, Inc. We are offering _____ shares of our Class A common stock and the selling stockholders identified in this prospectus are offering _____ shares. We will not receive any proceeds from the sale of shares held by the selling stockholders. No public market currently exists for our Class A common stock.

We intend to apply to list our Class A common stock on the NASDAQ Stock Market under the symbol FIBK.

Following this offering, we will have two classes of authorized common stock, Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to five votes per share and is convertible at any time into one share of Class A common stock.

We anticipate that the initial public offering price will be between \$ _____ and \$ _____ per share.

Investing in our Class A common stock involves risks. See Risk Factors beginning on page 10 of this prospectus.

	Per Share	Total
Price to the public	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds to us (before expenses)	\$	\$
Proceeds to the selling stockholders (before expenses)	\$	\$

We have granted the underwriters the option to purchase an additional _____ shares of Class A common stock from us on the same terms and conditions set forth above if the underwriters sell more than _____ shares of Class A common stock in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

These securities are not savings accounts, deposits or obligations of any bank and are not insured by the Federal Deposit Insurance Corporation or any other government agency.

Barclays Capital, on behalf of the underwriters, expects to deliver the shares on or about _____, 2010.

Barclays Capital

D.A. Davidson & Co.

Keefe, Bruyette & Woods

Sandler O'Neill + Partners, L.P.

Prospectus dated _____, 2010

TABLE OF CONTENTS

<u>Summary</u>	1
<u>The Offering</u>	5
<u>Summary Historical Consolidated Financial Data</u>	7
<u>Risk Factors</u>	10
<u>Cautionary Note Regarding Forward-Looking Statements</u>	25
<u>Use of Proceeds</u>	27
<u>Dividend Policy</u>	28
<u>Capitalization</u>	29
<u>Selected Historical Consolidated Financial Data</u>	31
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	34
<u>Business</u>	74
<u>Regulation and Supervision</u>	83
<u>Management</u>	92
<u>Compensation of Executive Officers</u>	100
<u>Certain Relationships and Related Transactions</u>	114
<u>Principal and Selling Stockholders</u>	116
<u>Description of Capital Stock</u>	119
<u>Shares Eligible for Future Sale</u>	124
<u>Material U.S. Federal Tax Consequences to Non-U.S. Stockholders</u>	125
<u>Certain ERISA Considerations</u>	128
<u>Underwriting</u>	129
<u>Legal Matters</u>	135
<u>Experts</u>	135
<u>Where You Can Find More Information</u>	135
<u>Index to Consolidated Financial Statements</u>	F-1
<u>EX-23.1</u>	

Table of Contents

ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We and the underwriters have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell and seeking offers to buy, shares of Class A common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our Class A common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

Unless otherwise indicated or the context requires, or with respect to our historical consolidated financial data, all information in this prospectus:

assumes that the underwriters' option is not exercised;

assumes an initial offering price of \$ per share (the midpoint of the estimated public offering price set forth on the cover page of this prospectus); and

gives pro forma effect to a recapitalization of our common stock, which will occur prior to the completion of this offering and which will include (1) a -for-1 split of the existing common stock; (2) the redesignation of the existing common stock as shares of Class B common stock; and (3) the creation of a new class of common stock designated as Class A common stock.

INDUSTRY AND MARKET DATA

This prospectus includes industry and government data and forecasts that we have prepared based, in part, upon industry and government data and forecasts obtained from industry and government publications and surveys. These sources include publications and data compiled by the Board of Governors of the Federal Reserve System, or Federal Reserve, the Federal Deposit Insurance Corporation, or FDIC, the Bureau of Labor Statistics and SNL Financial LC. For example, when we refer to our UBPR peer group in this prospectus, we mean the group of FDIC-insured bank holding companies with assets between \$3 billion and \$10 billion included in our Uniform Bank Performance Report, as reported by the Federal Reserve and the FDIC.

Third-party industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. While we are responsible for the adequacy and accuracy of the disclosure in this prospectus, we have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Forecasts are particularly likely to be inaccurate, especially over long periods of time. While we are not aware of any misstatements regarding the industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the section captioned Risk Factors.

Table of Contents

SUMMARY

The following is a summary of selected information contained in this prospectus. This summary does not contain all the information that you should consider before investing in our Class A common stock. You should read the entire prospectus carefully, especially the Risk Factors section, the consolidated financial statements and the accompanying notes included in this prospectus, as well as the other documents to which we refer you. When we refer to we, our, us or the Company in this prospectus, we mean First Interstate BancSystem, Inc. and our consolidated subsidiaries, including our wholly-owned subsidiary, First Interstate Bank, unless the context indicates that we refer only to the parent company, First Interstate BancSystem, Inc. When we refer to the Bank in this prospectus, we mean First Interstate Bank.

OUR COMPANY

We are a financial and bank holding company headquartered in Billings, Montana. As of September 30, 2009, we had consolidated assets of \$6.9 billion, deposits of \$5.7 billion, loans of \$4.6 billion and total stockholders' equity of \$571 million. We currently operate 72 banking offices in 42 communities located in Montana, Wyoming and western South Dakota. Through the Bank, we deliver a comprehensive range of banking products and services to individuals, businesses, municipalities and other entities throughout our market areas. Our customers participate in a wide variety of industries, including energy, healthcare and professional services, education and governmental services, construction, mining, agriculture, retail and wholesale trade and tourism.

Our company was established on the principles and values of our founder, Homer Scott, Sr. In 1968, Mr. Scott purchased the Bank of Commerce in Sheridan, Wyoming and began building his vision of a premier community bank committed to serving the local communities in Wyoming, Montana and surrounding areas. Over the past 42 years, we have expanded from one banking office to 72 branch locations through organic, de novo and acquisition-based growth, including the purchase of First Western Bank's 18 offices in western South Dakota in January 2008. Our growth has resulted from our adherence to the principles and values of our founder and the alignment of these principles and values among our management, directors, employees and shareholders.

Our Competitive Strengths

Since our formation, we have grown our business by adhering to a set of guiding principles and a long-term disciplined perspective that emphasizes our commitment to providing high-quality financial products and services, delivering quality customer service, effecting business leadership through professional and dedicated managers and employees, assisting our communities through socially responsible leadership and cultivating a strong and positive corporate culture. We believe the following are our competitive strengths:

Attractive Footprint The states in which we operate, Montana, Wyoming and South Dakota, have all displayed stronger economic trends and asset quality characteristics relative to the national averages during the recent economic downturn. In particular, the markets we serve have diversified economies and favorable growth characteristics. Notwithstanding challenging market conditions nationally and elsewhere in the West, we have experienced sustained profitability and stable growth due, in part, to our presence in these states.

Market Leadership As of June 30, 2009, the most recent available published data, we were ranked first by deposits in 53% of our metropolitan statistical areas, or MSAs, and were ranked one of the top three depositories in 87% of our MSAs, as reported by SNL Financial. We were also ranked as of June 30, 2009, first by deposits in Montana, second in Wyoming and either first or second in each of the counties we serve in western South Dakota. We believe our

market leading position is an important factor in maintaining long-term customer loyalty and community relationships. We also believe this

Table of Contents

leadership provides us with pricing benefits for our products and services and other competitive advantages.

Proven Model with Branch Level Accountability Our growth and profitability are due, in part, to the implementation of our community banking model and practices. We support our branches with resources, technology, brand recognition and management tools, while at the same time encouraging local decision-making and community involvement. Our 28 local branch presidents and their teams have responsibility and discretion, within company-wide guidelines, with respect to the pricing of loans and deposits, local advertising and promotions, loan underwriting and certain credit approvals. We enhance this community banking model with monthly reporting focused on branch-level accountability for financial performance and asset quality, while providing regular opportunities for the sharing of information and best practices among our local branch management teams.

Disciplined Underwriting and Credit Culture A vital component of the success of our company is maintaining high asset quality in varying economic cycles. This results from a business model that emphasizes local market knowledge, strong customer relationships, long-term perspective and branch-level accountability. Moreover, we have developed conservative credit standards and disciplined underwriting skills to maintain proper credit risk management. By maintaining strong asset quality, we are able to reduce our exposure to significant loan charge-offs and keep our management team focused on serving our customers and growing our business.

Stable Base of Core Deposits We fund customer loans and other assets principally with core deposits from our customers consisting of checking and savings accounts, money market deposit accounts and time deposits (certificates of deposit) below \$100,000. We do not generally utilize brokered deposits and do not rely heavily on wholesale funding sources. At September 30, 2009, our total deposits were approximately \$5.7 billion, 83.7% of which were core deposits. Our core deposits provide us with a stable funding source while generating opportunities to build and strengthen our relationships with our customers. Furthermore, we believe that over long periods of time covering different economic cycles, our core deposits will continue to provide us with a relatively low cost of funds, an advantage that we anticipate will become more pronounced if interest rates rise.

Experienced and Talented Management Team Our success has been built, beginning with our formation as a family-owned and operated commercial bank, upon a foundation of strong leadership. The Scott family has provided effective leadership for many years and has successfully integrated a management team of seasoned banking professionals. Members of our current executive management team have, on average, over 30 years of experience in the community or regional banking industry. Furthermore, our banking expertise is broadly dispersed throughout the organization, including 28 experienced branch presidents in each of our key local markets. The Scott family, members of which own a majority of our stock, is committed to our long-term success and plays a significant role in providing leadership and developing our strategic vision.

Sustained Profitability and Favorable Shareholder Returns We focus on long-term financial performance, and have achieved 88 consecutive quarters of profitability. We have used a combination of organic growth, new branch openings and strategic acquisitions to expand our business while maintaining positive operating results and favorable shareholder returns. During the ten years from 1999 through 2008, our annual return on average common equity ranged from 14.7% to 20.4%. Even during the nine months ended September 30, 2009, a period of challenging market conditions for many banks, we generated a return on average common equity of 10.7%.

Our Strategy

We intend to leverage our competitive strengths as we pursue the following business strategies:

Remain a Leader in Our Markets We have established market leading positions in Montana, Wyoming and western South Dakota. We intend to remain a leader in our markets by continuing to

Table of Contents

adhere to the core principles and values that have contributed to our growth and success. We believe we can continue to expand our market leadership by following our proven community banking model and conservative banking practices, by offering high-quality financial products and services, by maintaining a comprehensive understanding of our markets and the needs of our customers and by providing superior customer service.

Focus on Profitability and Favorable Shareholder Returns We focus on long-term profitability and providing favorable shareholder returns by maintaining or improving asset quality, increasing our interest and non-interest income and achieving operating efficiencies. We intend to continue to concentrate on increasing customer deposits, loans and otherwise expanding our business in a disciplined and prudent manner. Moreover, we will seek to extend our track record of over 15 years of continuous quarterly dividend payments, as such payments are important to our shareholders. We believe successfully focusing on these factors will allow us to continue to achieve positive operating results and deliver favorable shareholder returns.

Continue to Expand Through Organic Growth We intend to continue achieving organic growth through the anticipated economic and population growth within our markets and by capturing incremental market share from our competitors. We believe that our market recognition, resources and financial strength, combined with our community banking model, will enable us to attract customers from the national banks that operate in our markets and from smaller banks that face increased regulatory, financial and technological requirements.

Selectively Examine Acquisition Opportunities We believe that evolving regulatory and market conditions will enable us to consider acquisition opportunities, including both traditional and FDIC-assisted transactions. We intend to direct any strategic expansion efforts primarily within our existing states of operation, but we will also consider compelling opportunities in surrounding markets. While we have no present agreement or plan concerning any specific acquisition or similar transaction, we believe that the capital raised from this offering, together with the ability to use our publicly-traded stock as currency should enhance our strategic expansion opportunities.

Continue to Attract and Develop High-Quality Management Professionals The leadership skills and talents of our management team are critical to maintaining our competitive advantage and to the future of our business. We intend to continue hiring and developing high-quality management professionals to maintain effective leadership at all levels of our company. We attribute much of our success to the quality of our management personnel and will continue to emphasize this critical aspect of our business and our culture.

Contribute to Our Communities We believe our business is driven not just by meeting or exceeding our customers needs and expectations, but also by establishing long-term relationships and active involvement and leadership within our communities. We believe in the importance of corporate social responsibility and have developed strong ties with our communities. We contribute to these communities through active involvement, assistance and leadership roles with various community projects and organizations.

Our Market Areas

We operate throughout Montana, Wyoming and western South Dakota. Industries of importance to our markets include energy, healthcare and professional services, education and governmental services, construction, mining, agriculture, retail and wholesale trade and tourism. While distinct local markets within our footprint are dependent on particular industries or economic sectors, the overall region we serve benefits from a stable, diverse and growing local economy. Our market areas have demonstrated strength even during the recent economic downturn. For instance, Montana, Wyoming and South Dakota have maintained low unemployment rates relative to the national average of 10.0% as of November 2009, with Montana at 6.4%, Wyoming at 7.2% and South Dakota at 5.0%.

Table of Contents

Montana We operate primarily in the metropolitan areas of Billings, Missoula, Kalispell, Bozeman, Great Falls and Helena. For the principal Montana communities in which we operate, the estimated weighted average population growth for 2009 through 2014 is 6.83%, as compared to the estimated national average growth rate for the same period of 4.63%. At September 30, 2009, approximately \$2.8 billion, or 50%, of our total deposits were in Montana.

Wyoming We operate primarily in the metropolitan areas of Casper, Sheridan, Gillette, Laramie, Jackson, Riverton and Cheyenne. For the principal Wyoming communities in which we operate, the estimated weighted average population growth for 2009 through 2014 is 5.16%. At September 30, 2009, approximately \$2.0 billion, or 35%, of our total deposits were in Wyoming.

Western South Dakota With the acquisition of First Western Bank in January 2008, we expanded our franchise into western South Dakota. We operate primarily in the metropolitan areas of Rapid City and Spearfish. For the principal western South Dakota communities in which we operate, the estimated weighted average population growth for 2009 through 2014 is 4.45%. At September 30, 2009, approximately \$0.9 billion, or 15%, of our total deposits were in western South Dakota.

The estimated weighted average population growth of the major MSAs we serve in all three states for 2009 to 2014 is 5.77%, a level that exceeds the estimated national growth rate. Factors contributing to the growth of our market areas include power and energy-related developments; expanding healthcare, professional and governmental services; growing regional trade center activities; and the in-flow of retirees. We expect to leverage our resources and competitive advantages to benefit from diversified economic characteristics and favorable population growth trends in our area.

Our Corporate Information

We are incorporated under the laws of Montana. Our principal executive offices are located at 401 North 31st Street, Billings, Montana. Our telephone number is (406) 255-5390. Our internet address is www.firstinterstatebank.com. The information contained on or accessible from our website does not constitute a part of this prospectus and is not incorporated by reference herein.

Table of Contents**THE OFFERING**

The following summary of the offering contains basic information about the offering and our Class A common stock and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of our Class A common stock, please refer to the section of this prospectus entitled Description of Capital Stock Class A Common Stock.

Total Class A Common Stock Offered	shares.
Class A Common Stock Offered by Us	shares. shares if the underwriters' option is exercised in full.
Class A Common Stock Offered by the Selling Stockholders	shares.
Class A Common Stock to be Outstanding Immediately After this Offering	shares. shares if the underwriters' option is exercised in full.
Class B Common Stock Outstanding Immediately After this Offering	shares.
Total Common Stock Outstanding After this Offering	shares. shares if the underwriters' option is exercised in full.
Use of Proceeds	We estimate that our net proceeds from this offering, after deducting underwriting discounts, commissions and estimated offering expenses, will be approximately \$ million, or approximately \$ million if the underwriters' option is exercised in full. We intend to use the net proceeds to support our long-term growth, to repay our variable rate term notes issued under our syndicated credit agreement and for general corporate purposes, including potential strategic acquisition opportunities. We have no present agreement or plan concerning any specific acquisition or similar transaction. We will not receive any proceeds from the sale of our Class A common stock by the selling stockholders. See Use of Proceeds.
Dividend Policy	It has been our policy to pay a dividend to all common shareholders. Dividends are declared and paid in the month following the end of each calendar quarter. Our dividend policy and practice may change in the future, however, and our Board of Directors, or Board, may change or eliminate the payment of future dividends at its discretion, without notice to our shareholders and. Any future determination to pay dividends to our shareholders will be dependent upon our financial condition, results of operation, capital requirements, banking regulations and any other factors that the Board may deem relevant. For information regarding our recent dividends, see Dividend Policy.

Proposed NASDAQ Listing

We intend to apply to list our Class A common stock on the NASDAQ Stock Market under the symbol FIBK.

Table of Contents

The number of shares of common stock to be outstanding after this offering is based on the number of shares outstanding at December 31, 2009 and excludes:

shares of our Class B common stock issuable upon exercise of outstanding stock options at a weighted average exercise price of \$ per share;

shares of our Class B common stock available for future issuance under our equity compensation plans;

shares of our Class B common stock issuable upon conversion of our outstanding shares of our Series A Preferred Stock;

shares of our Class A common stock available for future issuance upon conversion of outstanding shares of Class B common stock, the conversion of which will not have a dilutive effect on the outstanding shares of our Class A common stock; and

shares of our Class A common stock available for future issuance upon conversion of the shares of Class B common stock issuable upon exercise of outstanding stock options, available for future issuance under our equity compensation plans and issuable upon conversion of our outstanding shares of our Series A Preferred Stock.

RISK FACTORS

An investment in our Class A common stock involves a high degree of risk. These risks include, among others:

we may incur significant credit losses, particularly in light of current market conditions;

our concentration of real estate loans subjects us to increased risks in the event real estate values continue to decline due to the economic recession, a further deterioration in the real estate markets or other causes;

economic and market developments, including the potential for inflation, may have an adverse effect on our business, possibly in ways that are not predictable or that we may fail to anticipate;

many of our loans are to commercial borrowers, which have a higher degree of risk than other types of loans;

if we experience loan losses in excess of estimated amounts, our earnings will be adversely affected;

our goodwill may become impaired, which may adversely impact our results of operations and financial condition and may limit our Bank's ability to pay dividends to us, thereby causing liquidity issues;

our dividend policy may change;

there is no prior public market for our common stock and one may not develop;

our Class A common stock share price could be volatile and could decline following this offering, resulting in a substantial or complete loss on your investment; and

holders of the Class B common stock have voting control of our company and are able to determine virtually all matters submitted to shareholders, including potential change in control transactions.

The foregoing is not a comprehensive list of the risks we face. You should carefully consider all information included in this prospectus, including information under Risk Factors, before investing in our Class A common stock.

Table of Contents**SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA**

The following table sets forth certain of our historical consolidated financial data. The summary consolidated financial data as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated financial data as of December 31, 2006, 2005 and 2004 and for the years ended December 31, 2005 and 2004 have been derived from our audited consolidated financial statements that are not included in this prospectus. The summary consolidated financial data as of September 30, 2009 and 2008 and for the nine months ended September 30, 2009 and 2008 have been derived from our unaudited interim consolidated financial statements included elsewhere in this prospectus. In the opinion of management, such unaudited financial statements reflect all historical and recurring adjustments necessary for a fair presentation of the results for these periods. The results of operations for the nine months ended September 30, 2009 are not necessarily indicative of the results to be expected for the full year or any future period.

In January 2008, we acquired First Western Bank which included 18 offices located in western South Dakota. At the time of the acquisition, First Western Bank had total assets of approximately \$913.0 million. The results and other financial data of First Western Bank are not included in the table below for the periods prior to the date of acquisition and, therefore, the results and other financial data for such prior periods may not be comparable in all respects. In December 2008, we completed the disposition of our i_Tech subsidiary to Fiserv Solutions, Inc., which eliminated our technology services segment, one of our two historical operating segments. Because the operating results attributable to the former segment are not included in our operating results for periods subsequent to the date of disposition, our results for periods prior to the date of that transaction may not be comparable in all respects. See Note 1 of the Notes to Consolidated Financial Statements for the year ended December 31, 2008 included in this prospectus.

This summary historical consolidated financial data should be read in conjunction with other information contained in this prospectus, including Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and accompanying notes included elsewhere in this prospectus.

**As of or for the
Nine Months Ended
September 30,
2009 2008**

**As of or for the
Year Ended December 31,
2007 2006 2005 2004**

(Dollars in thousands, except per share data)

*Selected Balance**Sheet Data:*

Net loans	\$ 4,504,706	\$ 4,667,581	\$ 4,685,497	\$ 3,506,625	\$ 3,262,911	\$ 2,991,904	\$ 2,697,368
Investment securities	1,297,845	1,030,570	1,072,276	1,128,657	1,124,598	1,019,901	867,315
Total assets	6,923,218	6,510,013	6,628,347	5,216,797	4,974,134	4,562,313	4,217,293
Deposits	5,683,130	5,035,344	5,174,259	3,999,401	3,708,511	3,547,590	3,321,681
Securities sold under repurchase agreements	391,336	510,457	525,501	604,762	731,548	518,718	449,699
Long-term debt	77,491	84,695	84,148	5,145	21,601	54,654	61,926
Subordinated debentures held by	123,715	123,715	123,715	103,095	41,238	41,238	41,238

subsidiary trusts								
Preferred								
stockholders equity	50,000	50,000	50,000					
Common								
stockholders equity	520,684	474,998	489,062	444,443	410,375	349,847	308,326	
Total stockholders								
equity	570,684	524,998	539,062	444,443	410,375	349,847	308,326	

Table of Contents

	As of or for the Nine Months Ended September 30,		As of or for the Year Ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
<i>(All amounts in thousands, except per share data)</i>							
Selected Income Statement Data:							
Interest income	\$ 245,356	\$ 269,105	\$ 355,919	\$ 325,557	\$ 293,423	\$ 233,857	\$ 192,841
Interest expense	65,804	93,237	120,542	125,954	105,960	63,549	42,421
Net interest income	179,552	175,868	235,377	199,603	187,463	170,308	150,420
Provision for loan losses	31,800	13,320	33,356	7,750	7,761	5,847	8,731
Net interest income after provision for losses	147,752	162,548	202,021	191,853	179,702	164,461	141,689
Non-interest income	78,480	76,012	128,382	92,448	102,119	70,882	70,641
Non-interest expense	162,558	158,034	222,326	178,867	164,713	151,318	142,981
Income before income taxes	63,674	80,526	108,077	105,434	117,108	84,025	69,351
Income tax expense	21,332	27,928	37,429	36,793	41,499	29,310	23,921
Income before preferred stock dividends	42,342	52,598	70,648	68,641	75,609	54,715	45,430
Preferred stock dividends	2,559	2,484	3,347				
Income available to common shareholders	\$ 39,783	\$ 50,114	\$ 67,301	\$ 68,641	\$ 75,609	\$ 54,715	\$ 45,430
Common Share Data:							
Earnings per share:							
Basic	\$ 5.08	\$ 6.38	\$ 8.55	\$ 8.45	\$ 9.32	\$ 6.84	\$ 5.71
Diluted	5.02	6.25	8.38	8.25	9.11	6.71	5.61
Dividends per share	1.55	1.95	2.60	2.97	2.27	1.88	1.51
Book value per share ⁽¹⁾	66.26	59.85	62.00	55.51	50.39	43.20	38.61
Equity book value per share ⁽²⁾	41.44	34.53	37.07	50.81	45.74	38.43	33.61
Weighted average shares outstanding:							
Basic	7,833,375	7,856,406	7,871,034	8,126,804	8,112,610	8,001,682	7,916,131
Diluted	7,925,818	8,018,764	8,028,168	8,322,480	8,303,990	8,149,337	7,997,571
Financial Ratios:							
	0.84%	1.12%	1.12%	1.37%	1.60%	1.26%	1.11%

Return on average assets							
Return on average common stockholders equity	10.66	14.87	14.73	16.14	20.38	16.79	15.7
Return on earning assets	5.51	6.51	6.37	7.21	6.94	6.12	5.5
Cost of funds	1.71	2.61	2.50	3.43	3.05	1.99	1.4
Interest spread	3.80	3.90	3.87	3.78	3.89	4.13	4.1
Interest margin	4.05	4.29	4.25	4.46	4.47	4.48	4.3
Efficiency ratio ⁽³⁾	63.01	62.74	61.12	61.25	56.88	62.65	64.6
Common stock dividend payout							
⁽⁴⁾	30.51	30.56	30.41	35.15	24.36	27.49	27.1
Loan to deposit ratio	81.05	94.23	92.24	88.99	89.26	85.53	82.4

8

Table of Contents

	As of or for the Nine Months Ended September 30,		As of or for the Year Ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
<i>(Dollars in thousands, except per share data)</i>							
<i>Asset Quality Ratios:</i>							
Non-performing loans to total loans ⁽⁵⁾	2.72%	1.89%	1.90%	0.98%	0.53%	0.63%	0.73%
Non-performing assets to total loans and other real estate owned (OREO) ⁽⁶⁾	3.38	1.96	2.03	1.00	0.55	0.67	0.79
Non-performing assets to total assets	2.27	1.43	1.46	0.68	0.36	0.45	0.51
Allowance for loan losses to total loans	2.21	1.62	1.83	1.47	1.43	1.40	1.54
Allowance for loan losses to non-performing loans	81.34	85.85	96.03	150.66	269.72	220.73	212.04
Net charge-offs to average loans ⁽⁷⁾	0.61	0.47	0.28	0.08	0.09	0.19	0.21
<i>Capital Ratios:</i>							
Tangible common equity to tangible assets	4.84%	4.35%	4.55%	7.93%	7.84%	7.25%	6.36%
Tier 1 common capital to total risk weighted assets ⁽⁸⁾	6.26	5.16	5.35	9.95	9.68	8.94	8.42
Leverage ratio	7.33	7.07	7.13	9.92	8.61	7.91	7.49
Tier 1 risk-based capital	9.57	8.41	8.57	12.39	10.71	10.07	9.67
Total risk-based capital	11.51	10.34	10.49	13.64	11.93	11.27	10.95

(1) For purposes of computing book value per share, book value excludes preferred stock from total stockholders equity.

(2) For purposes of computing tangible book value per share, tangible book value excludes preferred stock, goodwill and core deposit intangibles from total stockholders equity.

(3) Efficiency ratio represents non-interest expenses, excluding loan loss provision, divided by the aggregate of net interest income and non-interest income.

(4) Dividends per common share divided by basic earnings per common share. See Dividend Policy.

(5) Non-performing loans include nonaccrual loans, loans past due 90 days or more and still accruing interest and restructured loans.

(6) Non-performing assets include nonaccrual loans, loans past due 90 days or more and still accruing interest, restructured loans and OREO.

- (7) Amounts reported for the nine months ended September 30, 2009 and 2008 have been annualized.
- (8) For purposes of computing tier 1 common capital to total risk weighted assets, tier 1 capital excludes preferred stock and trust preferred securities.

Table of Contents

RISK FACTORS

Before investing in our Class A common stock, you should carefully consider all information included in this prospectus, including our financial statements and accompanying notes. In particular, you should carefully consider the risks described below before purchasing shares of our Class A common stock in this offering. Investing in our Class A common stock involves a high degree of risk. Any of the following factors could harm our future business, financial condition, results of operations and prospects and could result in a partial or complete loss of your investment. These risks are not the only ones that we may face. Other risks of which we are not aware, including those which relate to the banking and financial services industry in general and us in particular, or those which we do not currently believe are material, may harm our future business, financial condition, results of operations and prospects.

Risks Relating to the Market and Our Business

We may incur significant credit losses, particularly in light of current market conditions.

We take on credit risk by virtue of making loans and extending loan commitments and letters of credit. Our credit standards, procedures and policies may not prevent us from incurring substantial credit losses, particularly in light of market developments in recent years. During 2008 and 2009, we experienced deterioration in credit quality, particularly in certain real estate development loans, due, in part, to the impact resulting from the downturn in the prevailing economic, real estate and credit markets. This deterioration resulted in higher levels of non-performing assets, including other real estate owned and internally risk classified loans, thereby increasing our provision for loan losses and decreasing our operating income in 2008 and 2009. As of September 30, 2009, we had total non-performing assets of approximately \$157.0 million, compared with approximately \$93.0 million as of September 30, 2008 and approximately \$36.0 million as of September 30, 2007. Given the current economic conditions and trends, management believes we will continue to experience credit deterioration and higher levels of non-performing loans in the near-term, which will likely have an adverse impact on our business, financial condition, results of operations and prospects.

Our concentration of real estate loans subjects us to increased risks in the event real estate values continue to decline due to the economic recession, a further deterioration in the real estate markets or other causes.

At September 30, 2009, we had approximately \$3.0 billion of commercial, agricultural, construction, residential and other real estate loans, representing approximately 65.6% of our total loan portfolio. The current economic recession, deterioration in the real estate markets and increasing delinquencies and foreclosures have had an adverse effect on the collateral value for many of our loans and on the repayment ability of many of our borrowers. The continuation or further deterioration of these factors, including increasing foreclosures and unemployment, will continue to have the same or similar adverse effects. In addition, these factors could reduce the amount of loans we make to businesses in the construction and real estate industry, which could negatively impact our interest income and results of operations. A continued decline in real estate values could also lead to higher charge-offs in the event of defaults in our real estate loan portfolio. Similarly, the occurrence of a natural or manmade disaster in our market areas could impair the value of the collateral we hold for real estate secured loans. Any one or a combination of the factors identified above could negatively impact our business, financial condition, results of operations and prospects.

Economic and market developments, including the potential for inflation, may have an adverse effect on our business, possibly in ways that are not predictable or that we may fail to anticipate.

Recent economic and market developments and the potential for continued economic disruptions and inflation present considerable risks and challenges to us. Dramatic declines in the housing market, with decreasing home prices and increasing delinquencies and foreclosures

Table of Contents

throughout most of the nation, have negatively impacted the credit performance of mortgage and construction loans and resulted in significant writedowns of assets by many financial institutions. General downward economic trends, reduced availability of commercial credit and increasing unemployment have also negatively impacted the credit performance of commercial and consumer credit, resulting in additional writedowns. These risks and challenges have significantly diminished overall confidence in the national economy, the financial markets and many financial institutions. This reduced confidence could further compound the overall market disruptions and risks to banks and bank holding companies, including us.

In addition to economic conditions, our business is also affected by political uncertainties, volatility, illiquidity, interest rates, inflation and other developments impacting the financial markets. Such factors have affected and may further adversely affect, both credit and financial markets and future economic growth, resulting in adverse effects on us and other financial institutions in ways that are not predictable or that we may fail to anticipate.

Many of our loans are to commercial borrowers, which have a higher degree of risk than other types of loans.

Commercial loans, including commercial real estate loans, are often larger and involve greater risks than other types of lending. Because payments on such loans are often dependent on the successful operation or development of the property or business involved, repayment of such loans is more sensitive than other types of loans to adverse conditions in the real estate market or the general economy. Accordingly, the recent downturn in the real estate market and economy has heightened our risk related to commercial loans, particularly commercial real estate loans. Unlike residential mortgage loans, which generally are made on the basis of the borrowers' ability to make repayment from their employment and other income and which are secured by real property whose value tends to be more easily ascertainable, commercial loans typically are made on the basis of the borrowers' ability to make repayment from the cash flow of the commercial venture. If the cash flow from business operations is reduced, the borrower's ability to repay the loan may be impaired. Due to the larger average size of each commercial loan as compared with other loans such as residential loans, as well as the collateral which is generally less readily-marketable, losses incurred on a small number of commercial loans could have a material adverse impact on our financial condition and results of operations. At September 30, 2009, we had approximately \$2.3 billion of commercial loans, including \$1.6 billion of commercial real estate loans, representing approximately 50.0% of our total loan portfolio.

If we experience loan losses in excess of estimated amounts, our earnings will be adversely affected.

The risk of credit losses on loans varies with, among other things, general economic conditions, the type of loan being made, the creditworthiness of the borrower over the term of the loan and, in the case of a collateralized loan, the value and marketability of the collateral for the loan. We maintain an allowance for loan losses based upon, among other things, historical experience, an evaluation of economic conditions and regular reviews of loan portfolio quality. Based upon such factors, our management makes various assumptions and judgments about the ultimate collectability of our loan portfolio and provides an allowance for loan losses. These assumptions and judgments are even more complex and difficult to determine given recent market developments, the potential for continued market turmoil and the significant uncertainty of future conditions in the general economy and banking industry. If management's assumptions and judgments prove to be incorrect and the allowance for loan losses is inadequate to absorb future losses, or if the banking authorities or regulations require us to increase the allowance for loan losses, our earnings, financial condition, results of operations and prospects could be significantly and adversely affected.

As of September 30, 2009, our allowance for loan losses was approximately \$102 million, which represented 2.21% of total outstanding loans. Our allowance for loan losses may not be sufficient to cover future loan losses. Future adjustments to the allowance for loan losses may be necessary if economic conditions differ substantially from the assumptions used or further adverse

Table of Contents

developments arise with respect to our non-performing or performing loans. Material additions to our allowance for loan losses could have a material adverse effect on our financial condition, results of operations and prospects.

Our goodwill may become impaired, which may adversely impact our results of operations and financial condition and may limit our Bank's ability to pay dividends to us, thereby causing liquidity issues.

The excess purchase price over the fair value of net assets from acquisitions, or goodwill, is evaluated for impairment at least annually and on an interim basis if an event or circumstance indicates that it is likely an impairment has occurred. In testing for impairment, the fair value of net assets will be estimated based on an analysis of our market value. Consequently, the determination of goodwill will be sensitive to market-based trading of our Class A common stock. As such, variability in market conditions could result in impairment of goodwill, which is recorded as a noncash adjustment to income. As of September 30, 2009, we had goodwill of \$183.7 million, which was 2.7% of our total assets. An impairment of goodwill could have a material adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, an impairment of goodwill could cause our Bank to be unable to pay dividends to us, which would reduce our cash flow and cause liquidity issues. See below Our Bank's ability to pay dividends to us is subject to regulatory limitations, which, to the extent we are not able to receive such dividends, may impair our ability to grow, pay dividends, cover operating expenses and meet debt service requirements.

Changes in interest rates could negatively impact our net interest income, may weaken demand for our products and services or harm our results of operations and cash flows.

Our earnings and cash flows are largely dependent upon net interest income, which is the difference between interest income earned on interest-earning assets such as loans and securities and interest expense paid on interest-bearing liabilities such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, particularly the Federal Reserve. Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings, but such changes could also adversely affect (1) our ability to originate loans and obtain deposits, (2) the fair value of our financial assets and liabilities, including mortgage servicing rights, (3) our ability to realize gains on the sale of assets and (4) the average duration of our mortgage-backed investment securities portfolio. An increase in interest rates may reduce customers' desire to borrow money from us as it increases their borrowing costs and may adversely affect the ability of borrowers to pay the principal or interest on loans which may lead to an increase in non-performing assets and a reduction of income recognized, which could harm our results of operations and cash flows. Further, because many of our variable rate loans contain interest rate floors, as market interest rates begin to rise, the interest rates on these loans may not increase correspondingly. In contrast, decreasing interest rates have the effect of causing customers to refinance mortgage loans faster than anticipated. This causes the value of assets related to the servicing rights on mortgage loans sold to be lower than originally recognized. If this happens, we may need to write down our mortgage servicing rights asset faster, which would accelerate expense and lower our earnings. Any substantial, unexpected or prolonged change in market interest rates could have a material adverse effect on our cash flows, financial condition, results of operations and prospects. If the current low interest rate environment were to continue for a prolonged period, our interest income could decrease, adversely impacting our financial condition, results of operations and cash flows.

We may not continue to have access to low-cost funding sources.

We depend on checking and savings, negotiable order of withdrawal, or NOW, and money market deposit account balances and other forms of customer deposits as our primary source of

Table of Contents

funding. Such account and deposit balances can decrease when customers perceive alternative investments, such as the stock market, as providing a better risk/return tradeoff. If customers move money out of bank deposits and into other investments, we could lose a relatively low cost source of funds, increasing its funding costs and reducing our net interest income and net income.

Our deposit insurance premiums could be substantially higher in the future, which could have a material adverse effect on our future earnings.

The FDIC insures deposits at FDIC insured depository institutions, including the Bank. Under current FDIC regulations, each insured depository institution is assigned to one of nine risk categories and, depending on its assigned risk category, is subject to risk-based assessment insurance premiums based on the amount of deposits held. The FDIC charges insured financial institutions premiums to maintain the Deposit Insurance Fund, or DIF, at a certain level. Recent bank failures have reduced the DIF's reserves to their lowest level in more than 15 years. On October 16, 2008, the FDIC published a restoration plan designed to replenish the DIF over a period of five years and to increase the deposit insurance reserve ratio to 1.15% of insured deposits by December 31, 2013. To implement the restoration plan, the FDIC changed both its risk-based assessment system and its base assessment rates. For the first quarter of 2009 only, the FDIC increased all FDIC deposit assessment rates by 7 basis points. On February 27, 2009, the FDIC amended the restoration plan to extend the restoration plan horizon to seven years. The amended restoration plan was accompanied by a final rule on March 4, 2009, which adjusted how the risk-based assessment system differentiates for risk and that set new assessment rates. Under the final rule, the base assessment rates increased substantially beginning April 1, 2009.

On May 22, 2009, the FDIC adopted a final rule imposing a 5 basis point special assessment on each insured depository institution's assets minus Tier 1 capital, as of June 30, 2009. On November 17, 2009, the FDIC also published a final rule requiring insured depository institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012.

A change in the risk category assigned to our Bank, further adjustments to base assessment rates and additional special assessments could have a material adverse effect on our earnings, financial condition and results of operation.

We may not be able to continue growing our business.

Our total assets have grown from \$4.2 billion as of December 31, 2004 to \$6.9 billion as of September 30, 2009. Our ability to grow depends, in part, upon our ability to successfully attract deposits, identify favorable loan and investment opportunities, open new branch banking offices and expand into new and complementary markets when appropriate opportunities arise. In the event we do not continue to grow, our results of operations could be adversely impacted.

Our ability to grow successfully depends on our capital resources and whether we can continue to fund growth while maintaining cost controls and asset quality, as well as on other factors beyond our control, such as national and regional economic conditions and interest rate trends. If we are not able to make loans, attract deposits and maintain asset quality due to constrained capital resources or other reasons, we may not be able to continue growing our business, which could adversely impact our earnings, financial condition, results of operations, and prospects.

Table of Contents

Adverse economic conditions affecting Montana, Wyoming and western South Dakota could harm our business.

Our customers with loan and/or deposit balances are located predominantly in Montana, Wyoming and western South Dakota. Because of the concentration of loans and deposits in these states, existing or future adverse economic conditions in Montana, Wyoming or western South Dakota could cause us to experience higher rates of loss and delinquency on our loans than if the loans were more geographically diversified. The current economic recession has adversely affected the real estate and business environment in certain areas in Montana, Wyoming and western South Dakota, especially in markets dependent upon resort communities and second homes such as Bozeman, Montana, Kalispell, Montana, and Jackson, Wyoming. In the future, adverse economic conditions, including inflation, recession and unemployment and other factors, such as political or business developments, natural disasters, wide-spread disease, terrorist activity, environmental contamination and other unfavorable conditions and events that affect these states, could reduce demand for credit or fee-based products and may delay or prevent borrowers from repaying their loans. Adverse conditions and other factors identified above could also negatively affect real estate and other collateral values, interest rate levels and the availability of credit to refinance loans at or prior to maturity. These results could adversely impact our business, financial condition, results of operations and prospects.

We are subject to significant governmental regulation and new or changes in existing regulatory, tax and accounting rules and interpretations could significantly harm our business.

The financial services industry is extensively regulated. Federal and state banking regulations are designed primarily to protect the deposit insurance funds and consumers, not to benefit a financial company's shareholders. These regulations may impose significant limitations on operations. The significant federal and state banking regulations that affect us are described in this report under the heading Regulation and Supervision. These regulations, along with the currently existing tax, accounting, securities, insurance and monetary laws and regulations, rules, standards, policies and interpretations control the methods by which we conduct business, implement strategic initiatives and tax compliance and govern financial reporting and disclosures. These laws, regulations, rules, standards, policies and interpretations are undergoing significant review, are constantly evolving and may change significantly, particularly given the recent market developments in the banking and financial services industries.

Recent events have resulted in legislators, regulators and authoritative bodies, such as the Financial Accounting Standards Board, the Securities and Exchange Commission, or SEC, the Public Company Accounting Oversight Board and various taxing authorities responding by adopting and/or proposing substantive revisions to laws, regulations, rules, standards, policies and interpretations. Further, federal monetary policy as implemented through the Federal Reserve can significantly affect credit conditions in our markets.

The nature, extent and timing of the adoption of significant new laws, regulations, rules, standards, policies and interpretations, or changes in or repeal of these items or specific actions of regulators, may increase our costs of compliance and harm our business. For example, potential increases in or other modifications affecting regulatory capital thresholds could impact our status as well capitalized. We may not be able to predict accurately the extent of any impact from changes in existing laws, regulations, rules, standards, policies and interpretations.

Non-compliance with laws and regulations could result in fines, sanctions and other enforcement actions.

Federal and state regulators have broad enforcement powers. If we fail to comply with any laws, regulations, rules, standards, policies or interpretations applicable to us, we could face various sanctions and enforcement actions, which include:

the appointment of a conservator or receiver for us;

the issuance of a cease and desist order that can be judicially enforced;

Table of Contents

- the termination of our deposit insurance;
- the imposition of civil monetary fines and penalties;
- the issuance of directives to increase capital;
- the issuance of formal and informal agreements;
- the issuance of removal and prohibition orders against officers, directors and other institution-affiliated parties; and
- the enforcement of such actions through injunctions or restraining orders.

The effects of recent legislative and regulatory efforts are uncertain.

In response to market disruptions, legislators and financial regulators have implemented a number of mechanisms designed to stabilize the financial markets, including the provision of direct and indirect assistance to distressed financial institutions, assistance by the banking authorities in arranging acquisitions of weakened banks and broker-dealers and implementation of programs by the Federal Reserve, to provide liquidity to the commercial paper markets. On October 3, 2008, the Emergency Economic Stabilization Act of 2008, as amended, or EESA, was enacted which, among other things, authorized the United States Department of the Treasury, or the Treasury, to provide up to \$700 billion of funding to stabilize and provide liquidity to the financial markets. On October 14, 2008, the Secretary of the Treasury announced the Troubled Asset Relief Program, or TARP, Capital Purchase Program, a program in which \$250 billion of the funds under EESA are made available for the purchase of preferred equity interests in qualifying financial institutions. On February 17, 2009, the American Recovery and Reinvestment Act of 2009, or ARRA, was enacted which amended, in certain respects, EESA and provided an additional \$787 billion in economic stimulus funding. Also in 2009, legislation proposing significant structural reforms to the financial services industry was also introduced in the U.S. Congress and passed by the House of Representatives. Among other things, the legislation proposes the establishment of a consumer financial protection agency, which would have broad authority to regulate providers of credit, savings, payment and other consumer financial products and services.

Other recent developments include:

- the Federal Reserve's proposed guidance on incentive compensation policies at banking organizations;
- proposals to limit a lender's ability to foreclose on mortgages or make such foreclosures less economically viable, including by allowing Chapter 13 bankruptcy plans to cram down the value of certain mortgages on a consumer's principal residence to its market value and/or reset interest rates and monthly payments to permit defaulting debtors to remain in their home; and
- accelerating the effective date of various provisions of the Credit Card Accountability Responsibility and Disclosure Act of 2009, which restrict certain credit and charge card practices, require expanded disclosures to consumers and provide consumers with the right to opt out of interest rate increases (with limited exceptions).

These initiatives may increase our expenses or decrease our income by, among other things, making it harder for us to foreclose on mortgages. Further, the overall effects of these and other legislative and regulatory efforts on the financial markets remain uncertain and they may not have the intended stabilization results. These efforts may even have unintended harmful consequences on the U.S. financial system and our business. Should these or other

legislative or regulatory initiatives have unintended effects, our business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, we may need to modify our strategies and business operations in response to these changes. We may also incur increased capital requirements and constraints or additional costs in order to satisfy new regulatory requirements. Given the volatile nature of the current market and the

Table of Contents

uncertainties underlying efforts to mitigate or reverse disruptions, we may not timely anticipate or manage existing, new or additional risks, contingencies or developments in the current or future environment. Our failure to do so could materially and adversely affect our business, financial condition, results of operations and prospects.

We are dependent upon the services of our management team.

Our future success and profitability is substantially dependent upon the management skills of our executive officers and directors, many of whom have held officer and director positions with us for many years. The loss or unavailability of key executives, including Lyle R. Knight, President and Chief Executive Officer, who has announced his plan to retire in March 2012, Terrill R. Moore, Executive Vice President and Chief Financial Officer, Gregory A. Duncan, Executive Vice President and Chief Operating Officer, Edward Garding, Executive Vice President and Chief Credit Officer, or Julie A. Castle, President First Interstate Bank Wealth Management, could harm our ability to operate our business or execute our business strategy. We cannot assure you that we will be successful in retaining these key employees.

We may not be able to attract and retain qualified employees to operate our business effectively.

There is substantial competition for qualified personnel in our markets. Although unemployment rates have been rising in Montana, Wyoming, South Dakota and the surrounding region, it may still be difficult to attract and retain qualified employees at all management and staffing levels. Failure to attract and retain employees and maintain adequate staffing of qualified personnel could adversely impact our operations and our ability to execute our business strategy. Furthermore, relatively low unemployment rates in certain of our markets, compared with national unemployment rates, may lead to significant increases in salaries, wages and employee benefits expenses as we compete for qualified, skilled employees.

A failure of the technology we use could harm our business and our information systems may experience a breach in security.

We rely heavily on communications and information systems to conduct our business and we depend heavily upon data processing, software, communication and information exchange from a number of vendors on a variety of computing platforms and networks and over the internet. We cannot be certain that all of our systems are entirely free from vulnerability to breaches of security or other technological difficulties or failures. A breach in the security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan, investment, credit card and other information systems. A breach of the security of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny and expose us to civil litigation and possible financial liability.

Furthermore, the computer systems and network infrastructure we use could be vulnerable to other unforeseen problems, such as damage from fire, privacy loss, telecommunications failure or other similar events which would also have an adverse impact on our financial condition and results of operation.

An extended disruption of vital infrastructure and other business interruptions could negatively impact our business.

Our operations depend upon vital infrastructure components including, among other things, transportation systems, power grids and telecommunication systems. A disruption in our operations resulting from failure of transportation and telecommunication systems, loss of power, interruption of other utilities, natural disaster, fire, global climate changes, computer hacking or viruses, failure of technology, terrorist activity or the domestic and foreign response to such activity or other events outside of our control could have an adverse impact on the financial services industry as a

whole and/or on our business. Our business recovery plan may not be adequate and may not prevent significant interruptions of our operations or substantial losses.

Table of Contents

Recent market disruptions have caused increased liquidity risks.

The recent disruption and illiquidity in the credit markets are continuing challenges that have generally made potential funding sources more difficult to access, less reliable and more expensive. In addition, liquidity in the inter-bank market, as well as the markets for commercial paper and other short-term instruments, have contracted significantly. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced and in some cases, ceased to provide funding to borrowers, including other financial institutions. These market conditions have made the management of our own and our customers liquidity significantly more challenging. A further deterioration in the credit markets or a prolonged period without improvement of market liquidity could adversely affect our liquidity and financial condition, including our regulatory capital ratios, and could adversely affect our business, results of operations and prospects.

We may not be able to meet the cash flow requirements of our depositors and borrowers unless we maintain sufficient liquidity.

Liquidity is the ability to meet current and future cash flow needs on a timely basis at a reasonable cost. Our liquidity is used to make loans and to repay deposit liabilities as they become due or are demanded by customers. Potential alternative sources of liquidity include federal funds purchased and securities sold under repurchase agreements. We maintain a portfolio of investment securities that may be used as a secondary source of liquidity to the extent the securities are not pledged for collateral. Other potential sources of liquidity include the sale of loans, the utilization of available government and regulatory assistance programs, the ability to acquire national market, non-core deposits, the issuance of additional collateralized borrowings such as Federal Home Loan Bank, or FHLB, advances, the issuance of debt securities, issuance of equity securities and borrowings through the Federal Reserve's discount window. Without sufficient liquidity from these potential sources, we may not be able to meet the cash flow requirements of our depositors and borrowers.

We may not be able to find suitable acquisition candidates.

Although our growth strategy is to primarily focus and promote organic growth, we also have in the past and intend in the future to complement and expand our business by pursuing strategic acquisitions of banks and other financial institutions. We believe, however, there are a limited number of banks that will meet our acquisition criteria and, consequently, we cannot assure you that we will be able to identify suitable candidates for acquisitions. In addition, even if suitable candidates are identified, we expect to compete with other potential bidders for such businesses, many of which may have greater financial resources than we have. Our failure to find suitable acquisition candidates, or successfully bid against other competitors for acquisitions, could adversely affect our ability to successfully implement our business strategy.

We may be unable to manage our growth due to acquisitions, which could have an adverse effect on our financial condition or results of operations.

Acquisitions of other banks and financial institutions involve risks of changes in results of operations or cash flows, unforeseen liabilities relating to the acquired institution or arising out of the acquisition, asset quality problems of the acquired entity and other conditions not within our control, such as adverse personnel relations, loss of customers because of change of identity, deterioration in local economic conditions and other risks affecting the acquired institution. In addition, the process of integrating acquired entities will divert significant management time and resources. We may not be able to integrate successfully or operate profitably any financial institutions we may acquire. We may experience disruption and incur unexpected expenses in integrating acquisitions. There can be no assurance that any such acquisitions will enhance our cash flows, business, financial condition, results of operations or prospects and such acquisitions may have an adverse effect on our results of operations, particularly during periods in

which the acquisitions are being integrated into our operations.

Table of Contents

We face significant competition from other financial institutions and financial services providers.

We face substantial competition in all areas of our operations from a variety of different competitors, many of which are larger and may have more financial resources as well as higher lending limits and large branch networks. Such competitors primarily include national, regional and community banks within the various markets we serve. We also face competition from many other types of financial institutions, including, without limitation, savings and loans, credit unions, finance companies, brokerage firms, insurance companies, factoring companies and other financial intermediaries. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Increased competition among financial services companies due to the recent consolidation of certain competing financial institutions and the conversion of certain investment banks to bank holding companies may adversely affect our ability to market our products and services. Additionally, we expect competition to intensify among financial services companies due to the recent consolidation of certain competing financial institutions and the conversion of certain investment banks to bank holding companies. Also, technology has lowered barriers to entry and made it possible for nonbanks to offer products and services traditionally provided by banks, such as automatic funds transfer and automatic payment systems. Many of our competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may offer a broader range of products and services as well as better pricing for those products and services than we can.

Our ability to compete successfully depends on a number of factors, including, among other things:

the ability to develop, maintain and build upon long-term customer relationships based on quality service, high ethical standards and safe, sound assets;

the ability to expand our market position;

the scope, relevance and pricing of products and services offered to meet customer needs and demands;

the rate at which we introduce new products and services relative to our competitors;

customer satisfaction with our level of service; and

industry and general economic trends.

Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could harm our business, financial condition, results of operations and prospects.

We may not be able to manage risks inherent in our business, particularly given the recent turbulent and dynamic market conditions.

A comprehensive and well-integrated risk management function is essential for our business. We have adopted various policies, procedures and systems to monitor and manage risk and are currently implementing a centralized risk oversight function. These policies, procedures and systems may be inadequate to identify and mitigate all risks inherent in our business. In addition, our business and the markets and industry in which we operate are continuously evolving. We may fail to understand fully the implications of changes in our business or the financial markets and fail

to adequately or timely enhance our risk framework to address those changes, particularly given the recent turbulent and dynamic market conditions. If our risk framework is ineffective, either because it

Table of Contents

fails to keep pace with changes in the financial markets or in our business or for other reasons, we could incur losses and otherwise experience harm to our business.

Our systems of internal operating controls may not be effective.

We establish and maintain systems of internal operational controls that provide us with critical information used to manage our business. These systems are subject to various inherent limitations, including cost, judgments used in decision-making, assumptions about the likelihood of future events, the soundness of our systems, the possibility of human error and the risk of fraud. Moreover, controls may become inadequate because of changes in conditions and the risk that the degree of compliance with policies or procedures may deteriorate over time. Because of these limitations, any system of internal operating controls may not be successful in preventing all errors or fraud or in making all material information known in a timely manner to the appropriate levels of management. From time to time, losses from operational malfunctions or fraud have occurred and may occur in the future. Any future losses related to internal operating control systems could have an adverse effect on our business and, in turn, on our financial condition, results of operations and prospects.

We may become liable for environmental remediation and other costs on repossessed properties, which could adversely impact our results of operations, cash flows and financial condition.

A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans. If hazardous or toxic substances are found on these properties, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our cash flows, financial condition and results of operations.

We may not effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to use technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on our business and, in turn, on our financial condition, results of operations and prospects.

We are subject to claims and litigation pertaining to our fiduciary responsibilities.

Some of the services we provide, such as trust and investment services, require us to act as fiduciaries for our customers and others. From time to time, third parties make claims and take legal action against us pertaining to the performance of our fiduciary responsibilities. If these claims and legal actions are not resolved in a manner favorable to us, we may be exposed to significant financial liability and/or our reputation could be damaged. Either of these results may adversely impact demand for our products and services or otherwise have a harmful effect on our business and, in turn, on our financial condition, results of operations and prospects.

Table of Contents

The Federal Reserve may require us to commit capital resources to support our bank subsidiary.

As a matter of policy, the Federal Reserve, which examines us and our subsidiaries, expects a bank holding company to act as a source of financial and managerial strength to a subsidiary bank and to commit resources to support such subsidiary bank. Under the source of strength doctrine, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. A capital injection may be required at times when the holding company may not have the resources to provide it and therefore may be required to borrow the funds. Any loans by a holding company to its subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company's bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the institution's general unsecured creditors, including the holders of its note obligations. Thus, any borrowing that must be done by the holding company in order to make the required capital injection becomes more difficult and expensive and will adversely impact the holding company's cash flows, financial condition, results of operations and prospects.

We may be adversely affected by the soundness of other financial institutions.

The financial services industry as a whole, as well as the securities markets generally, have been materially and adversely affected by significant declines in the values of nearly all asset classes and a serious lack of liquidity. If other financial institutions in our markets dispose of real estate collateral at below-market prices to meet liquidity or regulatory requirements, such actions could negatively impact overall real estate values, including properties securing our loans. Our credit risk is exacerbated when the collateral we hold cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit exposure due to us. Any such losses could harm our financial condition, results of operations and prospects.

Financial institutions in particular have been subject to increased volatility and an overall loss of investor confidence. Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services companies are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties. For example, we execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more financial services companies or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to increased credit risk in the event of default of a counterparty or client.

The short-term and long-term impact of the new Basel II capital standards and the forthcoming new capital rules to be proposed for non-Basel II U.S. banks is uncertain.

On December 17, 2009, the Basel Committee on Banking Supervision, or the Basel Committee, proposed significant changes to bank capital and liquidity regulation, including revisions to the definitions of Tier 1 capital and Tier 2 capital applicable to the Basel Committee's Revised Framework for the International Convergence of Capital Measurement and Capital Standards, or Basel II.

The short-term and long-term impact of the new Basel II capital standards and the forthcoming new capital rules to be proposed for non-Basel II U.S. banks is uncertain. As a result of the recent deterioration in the global credit markets and the potential impact of increased liquidity risk and interest rate risk, it is unclear what the short-term impact of the implementation of Basel II may be or what impact a pending alternative standardized approach to Basel II option for

non-Basel II U.S. banks

Table of Contents

may have on the cost and availability of different types of credit and the potential compliance costs of implementing the new capital standards.

Our Bank's ability to pay dividends to us is subject to regulatory limitations, which, to the extent we are not able to receive such dividends, may impair our ability to grow, pay dividends, cover operating expenses and meet debt service requirements.

We are a legal entity separate and distinct from the Bank, our only bank subsidiary. Since we are a holding company with no significant assets other than the capital stock of our subsidiaries, we depend upon dividends from the Bank for a substantial part of our revenue. Accordingly, our ability to grow, pay dividends, cover operating expenses and meet debt service requirements depends primarily upon the receipt of dividends or other capital distributions from the Bank. The Bank's ability to pay dividends to us is subject to, among other things, its earnings, financial condition and need for funds, as well as federal and state governmental policies and regulations applicable to us and the Bank, which limit the amount that may be paid as dividends without prior approval. For example, in general, the Bank is limited to paying dividends that do not exceed the current year net profits together with retained earnings from the two preceding calendar years unless the prior consents of the Montana and federal banking regulators are obtained.

Furthermore, the terms of our Series A Preferred Stock, of which 5,000 shares were outstanding as of December 31, 2009, prohibit us from declaring or paying dividends or distributions on any class of our common stock, unless all accrued and unpaid dividends for the three prior consecutive dividend periods have been paid. Any reduction or elimination of our Class A common stock dividend in the future could adversely affect the market price of our Class A common stock.

Risks Relating to Investments in Our Class A Common Stock

Our dividend policy may change.

Although we have historically paid dividends to our shareholders, we have no obligation to continue doing so and may change our dividend policy at any time without notice to our shareholders. Holders of our Class A common stock are only entitled to receive such cash dividends as our Board may declare out of funds legally available for such payments. Furthermore, consistent with our strategic plans, growth initiatives, capital availability, projected liquidity needs and other factors, we have made and adopted and will continue to make and adopt, capital management decisions and policies that could adversely impact the amount of dividends paid to our shareholders.

There is no prior public market for our common stock and one may not develop.

Prior to this offering, there has not been a public market for any class of our common stock. An active trading market for our Class A common stock may never develop or be sustained, which could affect your ability to sell your shares and could depress the market price of your shares. We estimate that following this offering, approximately % of our outstanding common stock will be owned by members of the Scott family, our executive officers and directors and current and former employees. This substantial amount of stock that is owned by these individuals may adversely affect the development of an active and liquid trading market.

Our Class A common stock share price could be volatile and could decline following this offering, resulting in a substantial or complete loss on your investment.

The initial public offering price has been determined through negotiations between us and the underwriters and may bear no relationship to the price at which our Class A common stock will trade upon completion of this offering. The market price of our Class A common stock following this offering is likely to be volatile and could be subject to wide

fluctuations in price in response to various factors, some of which are beyond our control. These factors include:

prevailing market conditions;

Table of Contents

our historical performance and capital structure;

estimates of our business potential and earnings prospects;

an overall assessment of our management; and

the consideration of these factors in relation to market valuation of companies in related businesses.

At times the stock markets, including the NASDAQ Stock Market, on which we intend to list our Class A common stock, may experience significant price and volume fluctuations. As a result, the market price of our Class A common stock is likely to be similarly volatile and investors in our Class A common stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. In addition, in the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

No assurance can be given that you will be able to resell your shares at a price equal to or greater than the offering price or that the offering price will necessarily indicate the fair market value of our Class A common stock.

Holders of the Class B common stock have voting control of our company and are able to determine virtually all matters submitted to shareholders, including potential change in control transactions.

Members of the Scott family, who own approximately _____ shares of the outstanding shares of Class B common stock, control approximately _____ % of the voting power of our outstanding common stock. Accordingly, such holders are able to determine the outcome of virtually all matters submitted to stockholders for approval, including the election of directors, amendment of our articles of incorporation (except when a class vote is required by law), any merger or consolidation requiring common stockholder approval and the sale of all or substantially all of the company's assets. Accordingly, such holders have the ability to prevent change in control transactions as long as they maintain voting control of the company.

In addition, because these holders will have the ability to elect all of our directors they will be able to control our policies and operations, including the appointment of management, future issuances of our common stock or other securities, the payments of dividends on our common stock and entering into extraordinary transactions, and their interests may not in all cases be aligned with your interests. Further, because of our dual class structure, members of the Scott family will continue to be able to control all matters submitted to our shareholder for approval even if they come to own less than 50% of the total outstanding shares of our common stock. This concentrated control will limit your ability to influence corporate matters. As a result, the market price of our Class A common stock could be adversely affected.

A substantial number of shares of our common stock will be eligible for sale in the near future, which could adversely affect our stock price and could impair our ability to raise capital through the sale of equity securities.

If our stockholders sell, or the market perceives that our stockholders intend to sell, in the public market following this offering substantial amounts of our Class A common stock, including Class A common stock issuable upon conversion of Class B common stock, the market price of our Class A common stock could decline significantly. These sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price we deem appropriate. Upon completion of this offering, we will have outstanding _____ shares of common stock, or _____ shares of common stock if the underwriters' option is exercised in full. Additionally, upon completion of this offering, these will be _____ shares of our common stock issuable upon exercise of outstanding stock options.

All of the shares sold in this offering will be freely tradable, except for

Table of Contents

any shares purchased by our affiliates, as that term is defined by Rule 144 under the Securities Act of 1933, as amended, or the Securities Act. We have filed registration statements on Form S-8 registering the issuance of shares of our common stock issuable upon the exercise of outstanding options and options that may be issued in the future under our stock plans. These shares will be available for sale immediately upon issuance, subject to the lock-up arrangements described below. Approximately shares of Class A common stock will be available for sale in the public market 180 days after the date of this prospectus following the expiration of lock-up agreements between our directors, our executive officers, certain of our shareholders and the selling stockholders, on the one hand, and the underwriters, on the other hand. As restrictions on resale end, the market price of our Class A common stock could drop significantly if the holders of restricted shares sell them or are perceived by the market as intending to sell them.

Future equity issuances could result in dilution, which could cause our Class A common stock price to decline.

Except as described under Underwriting, we are not restricted from issuing additional Class A common stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, Class A common stock. We may issue additional Class A common stock in the future pursuant to current or future employee stock option plans or in connection with future acquisitions or financings. Should we choose to raise capital by selling shares of Class A common stock for any reason, the issuance would have a dilutive effect on the holders of our Class A common stock and could have a material negative effect on the market price of our Class A common stock.

We will retain broad discretion in using the net proceeds from this offering and may not use the proceeds effectively.

We have not designated the amount of net proceeds we will use for any particular purpose. Accordingly, our management will retain broad discretion to allocate the net proceeds of this offering. The net proceeds may be applied in ways with which you and other investors in the offering may not agree. Moreover, our management may use the proceeds for corporate purposes that may not increase our market value or make us profitable. In addition, given our current liquidity position, it may take us some time to effectively deploy the proceeds from this offering. Until the proceeds are effectively deployed, our return on equity and earnings per share may be negatively impacted. Management's failure to spend the proceeds effectively could have an adverse effect on our business, financial condition and results of operations.

Anti-takeover provisions and the regulations to which we are subject also may make it more difficult for a third party to acquire control of us, even if the change in control would be beneficial to stockholders.

We are a financial and bank holding company incorporated in the State of Montana. Anti-takeover provisions in Montana law and our articles of incorporation and bylaws, as well as regulatory approvals that would be required under federal law, could make it more difficult for a third party to acquire control of us and may prevent stockholders from receiving a premium for their shares of our Class A common stock. These provisions could adversely affect the market price of our Class A common stock and could reduce the amount that stockholders might receive if we are sold.

Our articles of incorporation provide that our Board may issue up to 95,000 additional shares of preferred stock, in one or more series, without stockholder approval and with such terms, conditions, rights, privileges and preferences as the Board may deem appropriate. In addition, our articles of incorporation provide for a staggered board of directors and limitations on persons authorized to call a special meeting of stockholders. In addition, certain provisions of Montana law may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of our Class A common stock with the opportunity to realize a premium over the then-prevailing market price of those shares.

Table of Contents

Further, the acquisition of specified amounts of our common stock (in some cases, the acquisition of more than 5% of our common stock) may require certain regulatory approvals, including the approval of the Federal Reserve and one or more of our state banking regulatory agencies. The filing of applications with these agencies and the accompanying review process can take several months. Additionally, as discussed above, the holders of the Class B common stock will have voting control of our company. This and the other factors described above may hinder or even prevent a change in control of us, even if a change in control would be beneficial to our shareholders.

We are a controlled company within the meaning of the NASDAQ Marketplace Rules and may rely on exemptions from certain corporate governance requirements.

As a result of the combined voting power of the members of the Scott family described above, we are a controlled company within the meaning of NASDAQ Marketplace Rules and thus intend to rely on exemptions from certain NASDAQ corporate governance standards that are available to controlled companies. Under the NASDAQ Marketplace Rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain NASDAQ corporate governance requirements, including the requirements that:

a majority of the board of directors consist of independent directors;

the compensation of officers be determined, or recommended to the board of directors for determination, by a majority of the independent directors or a compensation committee comprised solely of independent directors; and

director nominees be selected, or recommended for the board of directors selection, by a majority of the independent directors or a nominating committee comprised solely of independent directors with a written charter or board resolution addressing the nomination process.

As a result, we may not have a majority of independent directors and our compensation and governance and nominating committee may not consist entirely of independent directors. As long as we choose to rely on these exemptions from NASDAQ Marketplace Rules in the future, you will not have the same protections afforded to stockholders of companies that are subject to all of the NASDAQ corporate governance requirements.

The Class A common stock is equity and is subordinate to our existing and future indebtedness and Series A Preferred Stock.

Shares of our Class A common stock are equity interests and do not constitute indebtedness. As such, shares of our Class A common stock rank junior to all our indebtedness, including our subordinated term loans, the subordinated debentures held by trusts that have issued trust preferred securities and other non-equity claims on us with respect to assets available to satisfy claims on us. Additionally, holders of our Class A common stock are subject to the prior dividend and liquidation rights of any holders of our Series A Preferred Stock then outstanding.

In the future, we may attempt to increase our capital resources or, if our Bank's capital ratios fall below the required minimums, we or the Bank could be forced to raise additional capital by making additional offerings of debt or equity securities, including medium-term notes, trust preferred securities, senior or subordinated notes and preferred stock. Or, we may issue additional debt or equity securities as consideration for future mergers and acquisitions. Such additional debt and equity offerings may place restrictions on our ability to pay dividends on or repurchase our common stock, dilute the holdings of our existing shareholders or reduce the market price of our Class A common stock. Furthermore, acquisitions typically involve the payment of a premium over book and market values and therefore, some dilution of our tangible book value and net income per Class A common stock may occur in

connection with any future transaction. Holders of our Class A common stock are not entitled to preemptive rights or other protections against dilution.

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled Summary, Risk Factors, Use of Proceeds, Dividend Policy, Management's Discussion and Analysis of Financial Condition and Results of Operations, Business and Shares Eligible For Future Sale, contains forward-looking statements. These statements include statements about our plans, strategies and prospects and involve known and unknown risks that are difficult to predict. Therefore, our actual results, performance or achievements may differ materially from those expressed in or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as may, could, expect, intend, plan, seek, anticipate, believe, estimate, predict, potential, variations of these terms and similar expressions, or the negative of these terms or similar expressions. Factors that may cause actual results to differ materially from current expectations are described in the section entitled Risk Factors, and include, but are not limited to:

- credit losses;
- concentrations of real estate loans;
- economic and market developments, including inflation;
- commercial loan risk;
- adequacy of our allowance for loan losses;
- impairment of goodwill;
- changes in interest rates;
- access to low-cost funding sources;
- increases in deposit insurance premiums;
- inability to grow our business;
- adverse economic conditions affecting Montana, Wyoming and western South Dakota;
- governmental regulation and changes in regulatory, tax and accounting rules and interpretations;
- changes in or noncompliance with governmental regulations;
- effects of recent legislative and regulatory efforts to stabilize financial markets;
- dependence on our management team;
- ability to attract and retain qualified employees;
- failure of technology;

disruption of vital infrastructure and other business interruptions;

illiquidity in the credit markets;

inability to meet liquidity requirements;

lack of acquisition candidates;

failure to manage growth;

competition;

inability to manage risks in turbulent and dynamic market conditions;

ineffective internal operational controls;

environmental remediation and other costs;

Table of Contents

failure to effectively implement technology-driven products and services;

litigation pertaining to fiduciary responsibilities;

capital required to support our Bank subsidiary;

soundness of other financial institutions;

impact of Basel II capital standards;

inability of our Bank subsidiary to pay dividends;

change in dividend policy;

lack of public market for our common stock;

volatility of Class A common stock;

voting control;

decline in market price of Class A common stock;

dilution as a result of future equity issuances;

use of net proceeds;

anti-takeover provisions;

controlled company status; and

subordination of Class A common stock to company debt.

These factors and the other risk factors described in this prospectus are not necessarily all of the important factors that could cause our actual results, performance or achievements to differ materially from those expressed in or implied by any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results.

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth above. Forward-looking statements speak only as of the date they are made and we do not undertake or assume any obligation to update publicly any of these statements to reflect actual results, new information or future events, changes in assumptions or changes in other factors affecting forward-looking statements, except to the extent required by applicable laws. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

Table of Contents

USE OF PROCEEDS

We estimate that our net proceeds from this offering, after deducting underwriting discounts, commissions and estimated offering expenses, will be approximately \$ million, or approximately \$ million if the underwriters option is exercised in full, based on an assumed initial offering price of \$ per share. A \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share would increase (decrease) the net proceeds to us from this offering by approximately \$ million, or approximately \$ million if the underwriters option is exercised in full. We will not receive any of the proceeds from the sale of our Class A common stock by the selling stockholders.

We currently intend to use the net proceeds:

to support our long-term growth;

to repay our variable rate term notes issued under our syndicated credit agreement; and

for general corporate purposes, including potential strategic acquisition opportunities.

The variable rate term notes were issued in January 2008 in conjunction with our acquisition of the First Western Bank. The variable rate term notes mature on December 31, 2010. As of December 31, 2009, the interest rate on the variable rate term notes was 3.75%. The variable rate term notes may be repaid, without penalty, at any time. We have chosen to use a portion of the proceeds from this offering to repay the entire outstanding balance of our variable rate term notes, which was \$33.9 million as of December 31, 2009, thereby reducing our interest expense and eliminating the restrictive covenants and other restrictions contained in the credit agreement.

We have no present agreement or plan concerning any specific acquisition or similar transaction.

We have not designated the amount of net proceeds we will use for any particular purpose, other than repayment of the variable rate term notes. Accordingly, our management will retain broad discretion to allocate the net proceeds of this offering.

Table of Contents**DIVIDEND POLICY****Dividends**

It has been our policy to pay a quarterly dividend to all common shareholders. Dividends are declared and paid in the month following the calendar quarter. However, our Board may change or eliminate the payment of future dividends at its discretion, without notice to our shareholders and our dividend policy and practice may change in the future. Any future determination to pay dividends to our shareholders will be dependent upon our financial condition, results of operation, capital requirements, banking regulations and any other factors that the Board may deem relevant.

In addition, we are a holding company and are dependent upon the payment of dividends by our Bank to us as our principal source of funds to pay dividends, if any, in the future and to make other payments. Our Bank is also subject to various regulatory and other restrictions on its ability to pay dividends and make other distributions and payments to us. See [Regulation and Supervision Restrictions on Transfers of Funds to Us and the Bank](#).

The following table summarizes recent quarterly and special dividends that have been paid:

Month Paid	Amount Per Share	Total Cash Dividend
January 2007	\$ 0.61	\$ 5,007,153
January 2007 special dividend	0.41	3,363,708
April 2007	0.65	5,319,599
July 2007	0.65	5,299,394
October 2007	0.65	5,265,375
January 2008	0.65	5,207,192
April 2008	0.65	5,124,399
July 2008	0.65	5,090,168
October 2008	0.65	5,157,034
January 2009	0.65	5,127,714
April 2009	0.45	3,522,836
July 2009	0.45	3,513,986
October 2009	0.45	3,528,996
January 2010	0.45	3,519,163

Dividend Restrictions

For a description of restrictions on the payment of dividends, see [Risk Factors Risks Relating to Investments in Our Class A Common Stock](#). Our Bank's ability to pay dividends or lend funds to us is subject to regulatory limitations, as well as restrictive covenants in our debt instruments, which, to the extent we are not able to receive such dividends, may impair our ability to grow, pay dividends, cover operating expenses and meet debt service requirements and [Regulation and Supervision Restrictions on Transfers of Funds to Us and the Bank](#).

Table of Contents**CAPITALIZATION**

The following table sets forth our capitalization and regulatory capital and other ratios as of September 30, 2009, as follows:

on an actual basis;

on a pro forma basis to give effect to a recapitalization of our common stock, which will occur prior to the completion of this offering and which will include (1) a -for-1 split of our existing common stock, (2) the redesignation of the existing common stock into shares of Class B common stock and (3) the creation of a new class of common stock designated as Class A common stock; and

on a pro forma as adjusted basis to give effect the recapitalization and the receipt of the net proceeds from the sale by us in this offering of shares of our Class A common stock at an assumed initial public offering price of \$ per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, and the application by us of such net proceeds.

The following should be read in conjunction with Use of Proceeds, Management's Discussion and Analysis of Our Financial Condition and Results of Operations, Selected Historical Consolidated Financial Data and our financial statements and accompanying notes that are included elsewhere in this prospectus.

	September 30, 2009		
	Actual	Pro Forma	Pro Forma As Adjusted
<i>(Dollars in thousands, except per share data)</i>			
Borrowings and Obligations:			
Long-term debt:			
Subordinated term loans	\$ 35,000	\$ 35,000	\$ 35,000
Variable rate term notes	37,500	37,500	
Capital lease and other obligations	4,991	4,991	4,991
Total long-term debt	77,491	77,491	39,991
Subordinated debentures held by subsidiary trusts	123,715	123,715	123,715
Stockholders' Equity:			
Preferred stock, no par value, 100,000 shares authorized, including Series A Preferred Stock, no par value, 5,000 shares authorized, 5,000 shares issued and outstanding	50,000	50,000	50,000
Common stock, no par value, 20,000,000 shares authorized, 7,859,248 shares issued and outstanding ⁽¹⁾	113,313		
Class A common stock, no par value, 100,000,000 shares authorized, shares issued and outstanding ⁽¹⁾		113,313	
Class B common stock, no par value, 100,000,000 shares authorized, shares issued and outstanding ⁽¹⁾			
Retained earnings	390,095	390,095	
Accumulated other comprehensive income, net	17,276	17,276	
Total Stockholders' Equity	570,684	570,684	

Total Capitalization	771,890	771,890
Capital Ratios⁽²⁾:		
Tangible common equity to tangible assets	4.84%	4.84%
Tier 1 common capital to total risk weighted assets ⁽³⁾	6.26	6.26
Leverage ratio	7.33	7.33
Tier 1 risk-based capital	9.57	9.57
Total risk-based capital	11.51	11.51
Common Share Data:		
Book value per common share ⁽⁴⁾	\$ 66.26	\$ 66.26
Tangible book value per share ⁽⁵⁾	41.44	41.44

Table of Contents

- (1) The above table excludes: (1) shares of our Class B common stock issuable upon the exercise of outstanding stock options at a weighted average exercise price of \$ per share; (2) shares of our Class B common stock available for future issuance under our equity compensation plans; (3) shares of our Class B common stock issuable upon conversion of our outstanding shares of our Series A Preferred Stock and (4) shares of our Class A common stock available for future issuance upon conversion of outstanding shares of Class B common stock, the conversion of which will not have a dilutive effect on the outstanding shares of our Class A common stock; and (5) shares of our Class A common stock available for future issuance upon conversion of the shares of Class B common stock issuable upon exercise of outstanding stock options, available for future issuance under our equity compensation plans and issuable upon conversion of our outstanding shares of our Series A Preferred Stock. See Description of Capital Stock.

For additional information regarding the recapitalization of our common stock and the terms of each of the Class A common stock and Class B common stock, see Description of Capital Stock. The Class B common stock will not be listed on the NASDAQ Stock Market or any other exchange.

- (2) The net proceeds from our sale of Class A common stock in this offering are presumed to be invested in securities which carry a % risk weighting for purposes of all adjusted risk-based capital ratios. If the underwriters' option is exercised in full, net proceeds would be \$ million and our tangible common equity to tangible assets, Tier I common capital to total risk weighted assets, leverage ratio, Tier 1 risk-based capital ratio and our total risk-based capital ratio would have been %, %, %, % and %, respectively.
- (3) For purposes of computing tier 1 common capital to total risk weighted assets, tier 1 capital excludes preferred stock and trust preferred securities.
- (4) For purposes of computing book value per share, book value excludes preferred stock from total stockholders equity.
- (5) For purposes of computing tangible book value per share, tangible book value excludes preferred stock, goodwill and core deposit intangibles from total stockholders' equity.

Table of Contents**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

The following table sets forth certain of our historical consolidated financial data. The selected consolidated financial data as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated financial data as of December 31, 2006, 2005 and 2004 and for the years ended December 31, 2005 and 2004 have been derived from our audited consolidated financial statements that are not included in this prospectus. The selected consolidated financial data as of September 30, 2009 and 2008 and for the nine months ended September 30, 2009 and 2008 have been derived from our unaudited interim consolidated financial statements included elsewhere in this prospectus. In the opinion of management, such unaudited financial statements reflect all historical and recurring adjustments necessary for a fair presentation of the results for these periods. The results of operations for the nine months ended September 30, 2009 are not necessarily indicative of the results to be expected for the full year or any future period.

In January 2008, we acquired First Western Bank which included 18 offices located in western South Dakota. At the time of the acquisition, First Western Bank had total assets of approximately \$913.0 million. The results and other financial data of First Western Bank are not included in the table below for the periods prior to the date of acquisition and, therefore, the results and other financial data for such prior periods may not be comparable in all respects. In December 2008, we completed the disposition of our i_Tech subsidiary to Fiserv Solutions, Inc., which eliminated our technology services segment, one of our two historical operating segments. Because the operating results attributable to the former segment are not included in our operating results for periods subsequent to the date of disposition, our results for periods prior to the date of that transaction may not be comparable in all respects. See Note 1 of the Notes to Consolidated Financial Statements for the year ended December 31, 2008 included in this prospectus.

This selected historical consolidated financial data should be read in conjunction with other information contained in this prospectus, including Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and accompanying notes included elsewhere in this prospectus.

	As of or for the Nine Months Ended September 30,			As of or for the Year Ended December 31,		
	2009	2008	2008	2007	2006	2005
<i>(thousands, except per share data)</i>						
<i>Balance Sheet Data:</i>						
Cash equivalents	\$ 512,442	\$ 241,727	\$ 314,030	\$ 249,246	\$ 255,791	\$ 240,977
	4,606,454	4,744,675	4,772,813	3,558,980	3,310,363	3,034,354
Provision for loan losses	101,748	77,094	87,316	52,355	47,452	42,450
	4,504,706	4,667,581	4,685,497	3,506,625	3,262,911	2,991,904
Investment securities	1,297,845	1,030,570	1,072,276	1,128,657	1,124,598	1,019,901
Derivative servicing rights, net of accumulated						
debt and impairment reserve	20,224	21,870	11,002	21,715	22,644	22,116
	183,673	187,297	183,673	37,380	37,380	37,390
	11,082	13,322	12,682	257	432	1,204

t intangibles, net of accumulated

	393,246	347,646	349,187	272,917	270,378	248,821
	\$ 6,923,218	\$ 6,510,013	\$ 6,628,347	\$ 5,216,797	\$ 4,974,134	\$ 4,562,313

Table of Contents

<i>(thousands, except per share data)</i>	As of or for the Nine Months Ended September 30,		As of or for the Year Ended December 31,				
	2009	2008	2008	2007	2006	2005	
	\$ 5,683,130	\$ 5,035,344	\$ 5,174,259	\$ 3,999,401	\$ 3,708,511	\$ 3,547,590	\$
held under repurchase agreements	391,336	510,457	525,501	604,762	731,548	518,718	
owed funds	5,766	102,257	79,216	8,730	5,694	7,495	
debt	77,491	84,695	84,148	5,145	21,601	54,654	
and debentures held by subsidiary	123,715	123,715	123,715	103,095	41,238	41,238	
ties	71,096	128,547	102,446	51,221	55,167	42,771	
ties	\$ 6,352,534	\$ 5,985,015	\$ 6,089,285	\$ 4,772,354	\$ 4,563,759	\$ 4,212,466	\$
equity:							
stock	\$ 50,000	\$ 50,000	\$ 50,000	\$	\$	\$	\$
stock	113,313	121,910	117,613	29,773	45,477	43,239	
earnings	390,095	350,445	362,477	416,425	372,039	314,843	
and other comprehensive income	17,276	2,643	8,972	(1,755)	(7,141)	(8,235)	
holders equity	\$ 570,684	\$ 524,998	\$ 539,062	\$ 444,443	\$ 410,375	\$ 349,847	\$
<i>Income Statement Data:</i>							
income	\$ 245,356	\$ 269,105	\$ 355,919	\$ 325,557	\$ 293,423	\$ 233,857	\$
expense	65,804	93,237	120,542	125,954	105,960	63,549	
income	179,552	175,868	235,377	199,603	187,463	170,308	
or loan losses	31,800	13,320	33,356	7,750	7,761	5,847	
income after provision for loan	147,752	162,548	202,021	191,853	179,702	164,461	
income	78,480	76,012	128,382	92,448	102,119	70,882	
expense	162,558	158,034	222,326	178,867	164,713	151,318	
pre income taxes	63,674	80,526	108,077	105,434	117,108	84,025	
expense	21,332	27,928	37,429	36,793	41,499	29,310	
	42,342	52,598	70,648	68,641	75,609	54,715	
stock dividends	2,559	2,484	3,347				
available to common shareholders	\$ 39,783	\$ 50,114	\$ 67,301	\$ 68,641	\$ 75,609	\$ 54,715	\$
<i>Share Data:</i>							
per share:	\$ 5.08	\$ 6.38	\$ 8.55	\$ 8.45	\$ 9.32	\$ 6.84	\$

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er share	5.02	6.25	8.38	8.25	9.11	6.71
per share	1.55	1.95	2.60	2.97	2.27	1.88
per share ⁽¹⁾	66.26	59.85	62.00	55.51	50.39	43.20
ok value per share ⁽²⁾	41.44	34.53	37.07	50.81	45.75	38.43
verage shares outstanding:						
	7,833,375	7,856,406	7,871,034	8,126,804	8,112,610	8,001,682
	7,925,818	8,018,764	8,028,168	8,322,480	8,303,990	8,149,337

32

Table of Contents

<i>(Dollars in thousands, except per share data)</i>	As of or for the Nine Months Ended September 30,		2008	As of or for the Year Ended December 31,			2004
	2009	2008		2007	2006	2005	
Financial Ratios:							
Return on average assets	0.84%	1.12%	1.12%	1.37%	1.60%	1.26%	1.14%
Return on average common stockholders equity	10.66	14.87	14.73	16.14	20.38	16.79	15.75
Average stockholders equity to average assets	8.16	7.96	7.98	8.5	7.85	7.52	7.22
Yield on earning assets	5.51	6.51	6.37	7.21	6.94	6.12	5.54
Cost of funds	1.71	2.61	2.50	3.43	3.05	1.99	1.42
Net interest spread	3.80	3.90	3.87	3.78	3.89	4.13	4.12
Net interest margin	4.05	4.29	4.25	4.46	4.47	4.48	4.34
Efficiency ratio ⁽³⁾	63.01	62.74	61.12	61.25	56.88	62.65	64.68
Common stock dividend payout ratio ⁽⁴⁾	30.51	30.56	30.41	35.15	24.36	27.49	27.18
Loan to deposit ratio	81.05	94.23	92.24	88.99	89.26	85.53	82.47
Asset Quality Ratios:							
Non-performing loans to total loans ⁽⁵⁾	2.72%	1.89%	1.90%	0.98%	0.53%	0.63%	0.73%
Non-performing assets to total loans and REO ⁽⁶⁾	3.38	1.96	2.03	1.00	0.55	0.67	0.79
Non-performing assets to total assets	2.27	1.43	1.46	0.68	0.36	0.45	0.51
Allowance for loan losses to total loans	2.21	1.62	1.83	1.47	1.43	1.40	1.54
Allowance for loan losses to non-performing loans	81.34	85.85	96.03	150.66	269.72	220.73	212.04
Net charge-offs to average loans ⁽⁷⁾	0.61	0.47	0.28	0.08	0.09	0.19	0.21
Capital Ratios:							
Tangible common equity to tangible assets	4.84%	4.35%	4.55%	7.93%	7.84%	7.25%	6.36%
Tier 1 common capital to total risk weighted assets ⁽⁸⁾	6.26	5.16	5.35	9.95	9.68	8.94	8.42
Leverage ratio	7.33	7.07	7.13	9.92	8.61	7.91	7.49
Tier 1 risk-based capital	9.57	8.41	8.57	12.39	10.71	10.07	9.67
Total risk-based capital	11.51	10.34	10.49	13.64	11.93	11.27	10.95

(1) For purposes of computing book value per share, book value excludes preferred stock from total stockholders equity.

(2) For purposes of computing tangible book value per share, tangible book value excludes preferred stock, goodwill and core deposit intangibles from total stockholders equity.

(3) Efficiency ratio represents non-interest expenses, excluding loan loss provision, divided by the aggregate of net interest income and non-interest income.

(4) Dividends per common share divided by basic earnings per common share. See Dividend Policy.

(5)

Non-performing loans include nonaccrual loans, loans past due 90 days or more and still accruing interest and restructured loans.

- (6) Non-performing assets include nonaccrual loans, loans past due 90 days or more and still accruing interest, restructured loans and OREO.
- (7) Amounts reported for the nine months ended September 30, 2009 and 2008 have been annualized.
- (8) For purposes of computing tier 1 common capital to total risk weighted assets, tier 1 capital excludes preferred stock and trust preferred securities.

Table of Contents

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Selected Historical Consolidated Financial Data and our consolidated financial statements and related notes included elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Certain risks, uncertainties and other factors, including but not limited to those set forth under Cautionary Note Regarding Forward Looking Statements, Risk Factors and elsewhere in this prospectus, may cause actual results to differ materially from those projected in the forward-looking statements.

Executive Overview

We are a financial and bank holding company headquartered in Billings, Montana. As of September 30, 2009, we had consolidated assets of \$6.9 billion, deposits of \$5.7 billion, loans of \$4.6 billion and total stockholders' equity of \$571 million. We currently operate 72 banking offices in 42 communities located in Montana, Wyoming and western South Dakota. Through the Bank, we deliver a comprehensive range of banking products and services to individuals, businesses, municipalities and other entities throughout our market areas. Our customers participate in a wide variety of industries, including energy, healthcare and professional services, education and governmental services, construction, mining, agriculture, retail and wholesale trade and tourism.

Our principal business activity is lending to and accepting deposits from individuals, businesses, municipalities and other entities. We derive our income principally from interest charged on loans and, to a lesser extent, from interest and dividends earned on investments. We also derive income from non-interest sources such as fees received in connection with various lending and deposit services; trust, employee benefit, investment and insurance services; mortgage loan originations, sales and servicing; merchant and electronic banking services; and from time to time, gains on sales of assets. Our principal expenses include interest expense on deposits and borrowings, operating expenses, provisions for loan losses and income tax expense.

Our loan portfolio consists of a mix of real estate, consumer, commercial, agricultural and other loans, including fixed and variable rate loans. Our real estate loans comprise commercial real estate, construction (including residential, commercial and land development loans), residential, agricultural and other real estate loans. Fluctuations in the loan portfolio are directly related to the economies of the communities we serve. While each loan originated generally must meet minimum underwriting standards established in our credit policies, lending officers are granted discretion within pre-approved limits in approving and pricing loans to assure that the banking offices are responsive to competitive issues and community needs in each market area. We fund our loan portfolio primarily with the core deposits from our customers, generally without utilizing brokered deposits and with minimal reliance on wholesale funding sources.

In furtherance of our strategy to maintain and enhance our long-term performance while we continue to grow and expand our business, we completed two strategic transactions in 2008. In January 2008 we completed the First Western acquisition, which comprised the purchase of two banks (First Western Bank in Wall, South Dakota and The First Western Bank Sturgis in Sturgis, South Dakota) and a data center located in western South Dakota with combined total assets as of the acquisition date of approximately \$913 million. Because the results of First Western Bank are not included in our results for the periods prior to the date of acquisition, our results and other financial data for such prior periods may not be comparable in all respects to our results for periods after the date of acquisition. On December 31, 2008, we completed the disposition of our i_Tech subsidiary to Fiserv Solutions, Inc. The disposition eliminated our technology services segment, one of our two historical operating segments, enabling us to focus on our

core business and only remaining segment: community banking. Because the operating results attributable to the former segment are not included in our operating results for periods subsequent to the date of disposition, our results for periods prior

Table of Contents

to the date of that transaction may not be comparable in all respects. See Note 1 of the Notes to Consolidated Financial Statements for the year ended December 31, 2008 included in this prospectus.

Primary Factors Used in Evaluating Our Business

As a banking institution, we manage and evaluate various aspects of both our financial condition and our results of operations. We monitor our financial condition and performance on a monthly basis, at our holding company, at the Bank and at the 28 local markets that are managed by our branch presidents. We evaluate the levels and trends of the line items included in our balance sheet and statements of income, as well as various financial ratios that are commonly used in our industry. We analyze these ratios and financial trends against both our own historical levels and the financial condition and performance of comparable banking institutions in our region and nationally.

Results of Operations

Principal factors used in managing and evaluating our results of operations include return on average assets, net interest income, non-interest income, non-interest expense and net income. Net interest income is affected by the level of interest rates, changes in interest rates and changes in the composition of interest earning assets and interest bearing liabilities. The most significant impact on our net interest income between periods is derived from the interaction of changes in the rates earned or paid on interest earning assets and interest bearing liabilities (interest rate spread). The volume of loans, investment securities and other interest earning assets, compared to the volume of interest bearing deposits and indebtedness, combined with the interest rate spread, produces changes in the net interest income between periods. Non-interest bearing sources of funds, such as demand deposits and stockholders' equity, also support earning assets. The impact of free funding sources is captured in the net interest margin, which is calculated as net interest income divided by average earning assets. Given the interest free nature of free funding sources, the net interest margin is generally higher than the interest rate spread. We seek to increase our net interest income over time, and we evaluate our net interest income on factors that include the yield on our loans and other earning assets, the cost of our deposits and other funding sources, the levels of our net interest spread and net interest margin and the loan loss reserve provisions required to maintain our reserves at adequate levels.

We seek to increase our non-interest income over time, and we evaluate our non-interest income relative to the trends of the individual types of non-interest income in view of prevailing market conditions.

We seek to manage our non-interest expenses in consideration of the growth of our business and our community banking model that emphasizes customer service and responsiveness. We evaluate our non-interest expense on factors that include our non-interest expense relative to our average assets, our efficiency ratio and the trends of the individual categories of non-interest expense.

Finally, we seek to increase our net income and provide favorable shareholder returns over time, and we evaluate our net income relative to the performance of other banks and bank holding companies on factors that include return on average assets, return on average equity and consistency and rates of growth in our earnings.

Financial Condition

Principal areas of focus in managing and evaluating our financial condition include liquidity, the diversification and quality of our loans, the adequacy of our loan loss reserves, the diversification and terms of our deposits and other funding sources, the re-pricing characteristics and maturities of our assets and liabilities, including potential interest rate exposure and the adequacy of our capital levels. We seek to maintain sufficient levels of cash and securities to meet potential payment and funding obligations, and we evaluate our liquidity on factors that include the levels of cash and highly liquid assets relative to our liabilities, the quality and maturities of our investment securities, our ratio

of

Table of Contents

loans to deposits and our reliance on brokered certificates of deposit or other wholesale funding sources.

We seek to maintain a diverse and high quality loan portfolio, and we evaluate our asset quality on factors that include the allocation of our loans among loan types, the size of our credit exposures to any single borrower or industry type, non-performing assets as a percentage of total loans and loan charge-offs as a percentage of average loans. We seek to maintain our loan loss reserves at levels adequate to absorb potential losses inherent in our loan portfolio at each balance sheet date, and we evaluate the level of our allowance for loan losses relative to our overall loan portfolio and the level of non-performing loans and potential charge-offs.

We seek to fund our assets primarily using core customer deposits spread among various deposit categories, and we evaluate our deposit and funding mix on factors that include the allocation of our deposits among deposit types, the level of our non-interest bearing deposits, the ratio of our core deposits (i.e. excluding time deposits above \$100,000) to our total deposits and our reliance on brokered deposits or other wholesale funding sources, such as borrowings from other banks or agencies. We seek to manage the mix, maturities and re-pricing characteristics of our assets and liabilities to maintain relative stability of our interest rate margin in a changing interest rate environment, and we evaluate our asset-liability management using complex models to evaluate the changes to our net interest income under different interest rate scenarios.

Finally, we seek to maintain adequate capital levels to absorb unforeseen operating losses and to help support the growth of our balance sheet. We evaluate our capital adequacy using the regulatory and financial capital ratios included elsewhere in this prospectus.

Trends and Developments

Our success is highly dependent on economic conditions and market interest rates. Because we operate in Montana, Wyoming and western South Dakota, the local economic conditions in each of these areas are particularly important. Our local economies have not been impacted as severely by the national economic and real estate downturn, sub-prime mortgage crisis and ongoing financial market turmoil as many areas of the United States. Although the continuing impact of the national recession and financial market turmoil is uncertain, these factors affect our business and could have a material negative effect on our cash flows, results of operations, financial condition and prospects.

FDIC Insurance Premiums

As part of a plan to restore the DIF following significant decreases in its reserves, the FDIC has increased deposit insurance assessments. On January 1, 2009, the FDIC increased its assessment rates and has since imposed further rate increases and changes to the current risk-based assessment framework. On May 22, 2009, the FDIC adopted a final rule imposing a 5 basis point special assessment on each insured depository institution's assets minus Tier 1 capital, as of June 30, 2009. On November 17, 2009, the FDIC published a final rule requiring insured depository institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. We expect FDIC insurance premiums to remain elevated for the foreseeable future.

Dividend Policy and Capital Repurchases

In response to the current recession and uncertain market conditions, we implemented changes to our capital management practices designed to ensure our long-term success and conserve capital. During each of the second, third and fourth quarters of 2009, we paid quarterly dividends of \$0.45 per common share, a decrease of \$0.20 per common share from quarterly dividends paid during 2008 and first quarter 2009. In addition, during 2009 we limited repurchase of common stock outside of our 401(k) retirement plan. During the first nine months of 2009, we repurchased 136,357 shares of common stock with an aggregate value of \$9.6 million compared to repurchases of the

267,622 shares

Table of Contents

of common stock with an aggregate value of \$22.7 million during the same period in 2008. Our repurchase program will terminate concurrently with the completion of this offering.

During the second quarter 2009, although we received notification that our application for participation in the TARP Capital Purchase Program was approved, we elected not to participate in the program.

Asset Quality

Difficult economic conditions continue to have a negative impact on businesses and consumers in our market areas. General declines in the real estate and housing markets resulted in significant deterioration in the credit quality of our loan portfolio, which is reflected by increases in non-performing and internally risk classified loans. Our non-performing assets increased to \$157.0 million, or 3.38% of total loans and other real estate owned, as of September 30, 2009 from \$96.9 million, or 2.03% of total loans and other real estate owned, as of December 31, 2008. Loan charge-offs, net of recoveries, totaled \$17.4 million the first nine months of 2009, as compared to \$3.0 million during the same period in 2008, with all major loan categories reflecting increases. Based on our assessment of the adequacy of our allowance for loan losses, we recorded provisions for loan losses of \$31.8 million during the nine months ended September 30, compared to \$13.3 million during the same period in 2008. Increased provisions for loan losses reflects our estimation of the effect of current economic conditions on our loan portfolio. Given the current economic conditions and trends, management believes we will continue to experience credit deterioration and higher levels of non-performing loans in the near-term, which will likely have an adverse impact on our business, financial condition, results of operations and prospects.

Net expense related to OREO was \$6.1 million for the nine months ended September 30, 2009 compared to \$108,000 for the same period in 2008. The increase in net OREO expense was primarily related to one real estate development property written down by \$4.3 million during third quarter 2009 due to a decline in the estimated market value of the property. Management expects net OREO expense will remain elevated in future quarters as compared to prior years due to increases in the number of individual OREO properties held, overall reduced activity in real estate markets and accompanying lower valuations.

Goodwill

During third quarter 2009, we conducted our annual testing of goodwill for impairment and determined that goodwill was not impaired as of July 1, 2009. If goodwill were to become impaired in future periods, we would be required to record a noncash downward adjustment to income, which would result in a corresponding decrease to our stated book value that could under certain circumstances render our Bank unable to pay dividends to us, thereby reducing our cash flow, creating liquidity issues and negatively impacting our ability to pay dividends to our shareholders. Conversely, any such goodwill impairment charge would enable us to record an offsetting favorable tax deduction in the year of the impairment, which would result in a corresponding increase to our tangible book value and benefit to our regulatory capital ratios. Our total goodwill as of September 30, 2009 was \$183.7 million. Approximately \$159.2 million of such goodwill is deductible for tax purposes, of which \$38.9 million has been recognized for tax purposes through September 30, 2009, resulting in a deferred tax liability of \$15.1 million.

Mortgage Servicing Rights

We recognize the rights to service mortgage loans for others whether acquired or originated internally. Mortgage servicing rights are initially recorded at fair value based on comparable market quotes and are amortized over the period of estimated net servicing income. Mortgage servicing rights are evaluated quarterly for impairment. Impairment adjustments, if any, are recorded through a valuation allowance. In an effort to reduce our exposure to earning charges or credits resulting from

Table of Contents

volatility in the fair value of our mortgage servicing rights, we sold mortgage servicing rights with a carrying value of \$3.0 million to a secondary market investor during fourth quarter 2009 at a loss of approximately \$48,000. In conjunction with the sale, we entered into a sub-servicing agreement with the purchaser whereby we will continue to service the loans for a fee. Management will continue to evaluate opportunities for additional sales of mortgage servicing rights in the future.

Critical Accounting Estimates and Significant Accounting Policies

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States and follow general practices within the industries in which we operate. Application of these principles requires management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. Our significant accounting policies are summarized in Notes to Consolidated Financial Statements Summary of Significant Accounting Policies included in financial statements included in this prospectus.

Our critical accounting estimates are summarized below. Management considers an accounting estimate to be critical if: (1) the accounting estimate requires management to make particularly difficult, subjective and/or complex judgments about matters that are inherently uncertain and (2) changes in the estimate that are reasonably likely to occur from period to period, or the use of different estimates that management could have reasonably used in the current period, would have a material impact on our consolidated financial statements, results of operations or liquidity.

Allowance for Loan Losses

The allowance for loan losses represents management's estimate of probable credit losses inherent in the loan portfolio. Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant judgment and the use of subjective measurements, including management's assessment of the internal risk classifications of loans, changes in the nature of the loan portfolio, industry concentrations and the impact of current local, regional and national economic factors on the quality of the loan portfolio. Changes in these estimates and assumptions are reasonably possible and may have a material impact on our consolidated financial statements, liquidity or results of operations. The allowance for loan losses is maintained at an amount we believe is sufficient to provide for estimated losses inherent in our loan portfolio at each balance sheet date. Management continuously monitors qualitative and quantitative trends in the loan portfolio, including changes in the levels of past due, internally classified and non-performing loans. Note 1 of the Notes to Consolidated Financial Statements for the year ended December 31, 2008 included in this prospectus describes the methodology used to determine the allowance for loan losses. A discussion of the factors driving changes in the amount of the allowance for loan losses is included in this prospectus under the heading Financial Condition Allowance for Loan Losses.

Goodwill

The excess purchase price over the fair value of net assets from acquisitions, or goodwill, is evaluated for impairment at least annually and on an interim basis if an event or circumstance indicates that it is likely an impairment has occurred. In testing for impairment in the past, the fair value of net assets was estimated based on an analysis of market-based trading and transaction multiples of selected profitable banks in the western and mid-western regions of the United States and, if required, the estimated fair value would have been allocated to our assets and liabilities. In future testing for impairment, the fair value of net assets will be estimated based on an analysis of our market value. Determining the fair value of goodwill is considered a critical accounting estimate because of its sensitivity to market-based trading and transaction multiples in prior periods and to market-based trading of our Class A common stock in future periods. In addition, any allocation of the fair value of goodwill to assets and liabilities requires

significant management judgment and the use of subjective measurements. Variability in the market and changes in assumptions or subjective

Table of Contents

measurements used to allocated fair value are reasonably possible and may have a material impact on our consolidated financial statements, liquidity or results of operations. Note 1 of the Notes to Consolidated Financial Statements for the year ended December 31, 2008 included in this prospectus describes our accounting policy with regard to goodwill.

Valuation of Mortgage Servicing Rights

We recognize as assets the rights to service mortgage loans for others, whether acquired or internally originated. Mortgage servicing rights are initially recorded at fair value and are amortized over the period of estimated servicing income. Mortgage servicing rights are carried on the consolidated balance sheet at the lower of amortized cost or fair value. We utilize the expertise of a third-party consultant to estimate the fair value of our mortgage servicing rights quarterly. In evaluating the mortgage servicing rights, the consultant uses discounted cash flow modeling techniques, which require estimates regarding the amount and timing of expected future cash flows, including assumptions about loan repayment rates, costs to service, as well as interest rate assumptions that contemplate the risk involved. Management believes the valuation techniques and assumptions used by the consultant are reasonable.

Determining the fair value of mortgage servicing rights is considered a critical accounting estimate because of the assets sensitivity to changes in estimates and assumptions used, particularly loan prepayment speeds and discount rates. Changes in these estimates and assumptions are reasonably possible and may have a material impact on our consolidated financial statements, liquidity or results of operations. Notes 1 and 7 of the Notes to Consolidated Financial Statements for the year ended December 31, 2008 included in this prospectus describe the methodology we use to determine fair value of mortgage servicing rights.

Results of Operations

The following discussion of our results of operations compares the nine months ended September 30, 2009 to the nine months ended September 30, 2008, followed by a comparison of the years ended December 31, 2008 to December 31, 2007 and the years ended December 31, 2007 to December 31, 2006.

Comparison of Nine Months Ended September 30, 2009 and 2008

Net Interest Income

Net interest income, our largest source of operating income, is derived from interest, dividends and fees received on interest earning assets, less interest expense incurred on interest bearing liabilities. Interest earning assets primarily include loans and investment securities. Interest bearing liabilities include deposits and various forms of indebtedness. Market interest rates, which declined steadily in 2008 and have remained at low levels during 2009, reduced our yield on interest earning assets and our cost of funds. Our net interest income, on a fully taxable equivalent, or FTE, basis, increased \$3.5 million, or 1.9%, to \$183.3 million for the nine months ended September 30, 2009 compared to \$179.8 million for the same period in 2008.

Despite growth in net FTE interest income, we experienced lower interest rate spreads and compression of our net FTE interest margin during the nine months ended September 30, 2009, as compared to the same period in 2008. During the nine months ended September 30, 2009, our net FTE interest margin decreased 24 basis points to 4.05% compared to 4.29% for the same period in 2008. During the first nine months of 2009, our focus on balancing growth to improve liquidity resulted in higher federal funds sold balances, which produce lower yields than other interest earnings assets. In addition, interest-free and low cost funding sources, such as demand deposits, federal funds purchased and short-term borrowings comprised a smaller percentage of our total funding base, which further compressed our net FTE interest margin.

Table of Contents

The following table presents, for the periods indicated, condensed average balance sheet information, together with interest income and yields earned on average interest earning assets and interest expense and rates paid on average interest bearing liabilities.

Average Balance Sheets, Yields and Rates

<i>(Dollars in thousands)</i>	Nine Months Ended September 30,					
	2009			2008		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest earning assets:						
Loans ⁽¹⁾⁽²⁾	\$ 4,693,173	\$ 211,472	6.02%	\$ 4,459,060	\$ 231,916	6.95%
Investment securities ⁽¹⁾	1,078,694	37,095	4.60	1,085,625	40,002	4.92
Federal funds sold	271,222	501	0.25	48,324	964	2.66
Interest bearing deposits in banks	1,484	11	0.99	6,221	179	3.84
Total interest earning assets	6,044,573	249,079	5.51	5,599,230	273,061	6.51
Non-interest earning assets	683,472			661,447		
Total assets	\$ 6,728,045			\$ 6,260,677		
Interest bearing liabilities:						
Demand deposits	\$ 1,076,374	\$ 3,313	0.41%	\$ 1,145,546	\$ 10,865	1.27%
Savings deposits	1,295,387	7,646	0.79	1,121,449	14,584	1.74
Time deposits	2,098,180	45,680	2.94	1,624,220	48,896	4.02
Federal funds purchased	12,431	20	0.21	77,499	1,326	2.29
Borrowings ⁽³⁾	61,363	1,345	2.93	54,716	1,095	2.67
Securities sold under repurchase agreement	410,608	597	0.19	534,362	6,853	1.71
Long-term debt	81,037	2,399	3.95	87,975	3,436	5.22
Subordinated debentures	123,715	4,804	5.19	123,198	6,182	6.70
Total interest bearing liabilities	5,159,095	65,804	1.71	4,768,965	93,237	2.61
Non-interest bearing deposits	952,238			935,416		
Other non-interest bearing liabilities	67,687			57,812		
Stockholders equity	549,025			498,484		
Total liabilities and stockholders equity	\$ 6,728,045			\$ 6,260,677		
Net FTE interest		183,275			179,824	
Less FTE adjustments		(3,723)			(3,956)	
		\$ 179,552			\$ 175,868	

Net interest income from consolidated statements of income

Interest rate spread	3.80%	3.90%
Net FTE yield on interest earning assets ⁽⁴⁾	4.05%	4.29%

- (1) Interest income and average rates for tax exempt loans and securities are presented on a fully-taxable equivalent, or FTE, basis.
- (2) Average loan balances include nonaccrual loans. Interest income on loans includes amortization of loan fees and costs, which are not material.
- (3) Includes interest on federal funds purchased and other borrowed funds. Excludes long-term debt.
- (4) Net FTE yield on interest earning assets during the period equals (1) the difference between annualized interest income on interest earning assets and annualized interest expense on interest bearing liabilities, divided by (2) average interest earning assets for the period.

Table of Contents

The table below sets forth, for the periods indicated, a summary of the changes in interest income and interest expense resulting from estimated changes in average asset and liability balances (volume) and estimated changes in average interest rates (rate). Changes which are not due solely to volume or rate have been allocated to these categories based on the respective percent changes in average volume and average rate as they compare to each other.

Analysis of Interest Changes Due To Volume and Rates

<i>(Dollars in thousands)</i>	Nine Months Ended September 30, 2009 Compared with Nine Months Ended September 30, 2008		
	Volume	Rate	Net
Interest earning assets:			
Loans ⁽¹⁾	\$ 12,165	\$ (32,609)	\$ (20,444)
Investment securities ⁽¹⁾	(255)	(2,652)	(2,907)
Federal funds sold	4,442	(4,905)	(463)
Interest bearing deposits in banks	(136)	(32)	(168)
Total change	16,216	(40,198)	(23,982)
Interest bearing liabilities:			
Demand deposits	(655)	(6,897)	(7,552)
Savings deposits	2,260	(9,198)	(6,938)
Time deposits	14,255	(17,471)	(3,216)
Federal funds purchased	(1,112)	(194)	(1,306)
Securities sold under repurchase agreements	(1,586)	(4,670)	(6,256)
Borrowings ⁽²⁾	(133)	(117)	(250)
Long-term debt	(271)	(766)	(1,037)
Subordinated debentures	26	(1,404)	(1,378)
Total change	13,050	(40,483)	(27,433)
Increase in FTE net interest income	\$ 3,166	\$ 285	\$ 3,451

⁽¹⁾ Interest income and average rates for tax exempt loans and securities are presented on a FTE basis.

⁽²⁾ Includes interest on federal funds purchased and other borrowed funds.

Provision for Loan Losses

The provision for loan losses increased \$18.5 million, or 138.7%, to \$31.8 million for the nine months ended September 30, 2009 compared to \$13.3 million for the same period in 2008. Fluctuations in provisions for loan losses reflect our assessment of the estimated effects of current economic conditions on our loan portfolio. Ongoing stress from weakening economic conditions has particularly affected the performance of many of our real estate

development loans. For additional information regarding non-performing loans, see Financial Condition Non-Performing Assets included herein.

Non-Interest Income

Our principal sources of non-interest income include income from the origination and sale of loans; other service charges, commissions and fees; service charges on deposit accounts; and wealth management revenues. Non-interest income increased \$2.5 million, or 3.2%, to \$78.5 million for the nine months ended September 30, 2009, as compared to \$76.0 million for the same period in 2008. Significant components of the increase are discussed below.

Table of Contents

Income from the origination and sale of loans includes origination and processing fees on residential real estate loans held for sale and gains on residential real estate loans sold to third parties. Fluctuations in market interest rates have a significant impact on revenues generated from the origination and sale of loans. Higher interest rates can reduce the demand for home loans and loans to refinance existing mortgages. Conversely, lower interest rates generally stimulate refinancing and home loan origination. Income from the origination and sale of loans increased \$16.2 million, or 171.4%, to \$25.7 million for the nine months ended September 30, 2009, as compared to \$9.5 million for the same period in 2008. Low market interest rates increased demand for residential mortgage loans, which we generally sell into the secondary market with servicing rights retained. During third quarter 2009, we sold \$182 million of loans into the secondary market, compared to \$436 million during second quarter 2009 and \$68 million during third quarter 2008. In June 2009, long-term interest rates increased causing a slowdown in application activity associated with fixed rate secondary market loans. If long-term rates remain at their existing levels or increase, income from the origination and sale of loans will likely decrease in future quarters.

Other service charges, commissions and fees primarily include debit and credit card interchange income, mortgage servicing fees, insurance and other commissions and ATM service charge revenues. Other service charges, commissions and fees increased \$304,000, or 1.4%, to \$21.6 million during the nine months ended September 30, 2009 compared to \$21.3 million for the same period in 2008. These increases were primarily due to additional fee income resulting from higher volumes of debit card transactions. The nine month period increase was partially offset by decreases in insurance commissions of \$627,000.

Service charges on deposit accounts remained stable at \$15.3 million for the nine months ended September 30, 2009 and 2008.

Wealth management revenues principally comprise fees earned for management of trust assets and investment services revenues. Fees earned for management of trust assets are generally based on the market value of assets managed. Wealth management revenues decreased \$1.6 million, or 17.2%, to \$7.9 million for the nine months ended September 30, 2009, as compared to \$9.6 million for the same period in 2008, primarily due to reductions in the market values of assets under administration.

Other income primarily includes company-owned life insurance revenues, check printing income, agency stock dividends and gains on sales of assets other than investment securities. Other income increased \$872,000, or 12.5%, to \$7.8 million for the nine months ended September 30, 2009, as compared to \$7.0 million for the same period in 2008. During third quarter 2009, we recorded a non-recurring gain of \$2.1 million on the sale of our Visa Inc. Class B shares. This increase was offset by first quarter 2008 non-recurring gains of \$1.6 million on the mandatory redemption of Visa Inc. Class B shares and \$1.1 million from the release of escrow funds related to the December 2006 sale of our interest in an internet bill payment company. For additional information regarding the conversion and sale of our Visa Inc. Class B shares, see Notes to the Unaudited Consolidated Financial Statements Commitments and Guarantees included herein.

On December 31, 2008, we completed the sale of i_Tech to Fiserv Solutions, Inc. We recorded a \$27.1 million net gain on the sale in 2008. i_Tech provided technology support services to us, our Bank and nonbank subsidiaries and to non-affiliated customers in our market areas and nine additional states. During the nine months ended September 30, 2008, i_Tech generated \$4.6 million and \$13.3 million, respectively, in non-affiliate revenues. Subsequent to the sale, we no longer receive technology services revenues from non-affiliates.

Non-Interest Expense

Non-interest expense increased \$4.5 million, or 2.9%, to \$162.6 million for the nine months ended September 30, 2009, as compared to \$158.0 million for the same period in 2008. Significant components of the increase are

discussed below.

Table of Contents

Salaries, wages and employee benefits expense decreased \$147,000, or less than 1.0%, to \$85.6 million for the nine months ended September 30, 2009 compared to \$85.7 million for the same period in 2008. Normal inflationary and other increases in salaries, wages and employee benefits were offset by a reduction in workforce of approximately 120 full-time equivalent employees due to the sale of i_Tech in December 2008.

Occupancy expense decreased \$587,000, or 4.8%, to \$11.7 million for the nine months ended September 30, 2009 compared to \$12.2 million for the same period in 2008. The decrease in occupancy expense was due to the termination of a building lease in conjunction with the sale of i_Tech in December 2008.

FDIC insurance premiums increased \$7.9 million, or 437.3%, to \$9.7 million for the nine months ended September 30, 2009 compared to \$1.8 million for the same period in 2008. In May 2009, the FDIC issued a final rule which levied a special assessment applicable to all insured depository institutions totaling 5 basis points of each institution's total assets less tier 1 capital as of June 30, 2009, not to exceed 10 basis points of domestic deposits. Increases in deposit insurance expense were due to increases in fee assessment rates during 2009 and the special assessment of \$3.1 million. The increases were also partly related to the additional 10 basis point per annum assessment paid on covered transaction accounts exceeding \$250,000 under the deposit insurance coverage guarantee program and the full utilization of available credits to offset assessments during the first nine months of 2008. We expect FDIC insurance premiums to remain elevated for the foreseeable future.

Furniture and equipment expense decreased \$5.1 million, or 36.1%, to \$9.0 million for the nine months ended September 30, 2009, as compared to \$14.1 million for the same period in 2008. The decrease in equipment maintenance and depreciation was due primarily to the sale of i_Tech in December 2008.

Outsourced technology services expense increased \$5.4 million, or 187.2%, to \$8.3 million for the nine months ended September 30, 2009 compared to \$2.9 million for the same period in 2008. Concurrent with the December 31, 2008 sale of i_Tech, we entered into a service agreement with Fiserv Solutions, Inc. to receive data processing, electronic funds transfer and other technology services previously provided by i_Tech. This increase in outsourced technology services expense was largely offset by decreases in salaries, wages and benefits; furniture and equipment; occupancy; and other expenses.

Mortgage servicing rights are amortized in proportion to and over the period of estimated net servicing income. Changes in estimated servicing period and growth in the serviced loan portfolio cause amortization expense to vary between periods. The period of estimated net servicing income is significantly influenced by market interest rates. Significant declines in long-term interest rates occurring in December 2008 reduced the period over which we anticipate residential mortgage loans will remain outstanding and the period over which we anticipate we will collect net servicing income on these loans. These changes in estimates resulted in higher amortization expense in 2009. Mortgage servicing rights amortization increased \$2.3 million, or 58.4%, to \$6.3 million for the nine months ended September 30, 2009, as compared to \$4.0 million for the same period in 2008.

Mortgage servicing rights are evaluated quarterly for impairment based on the fair value of the mortgage servicing rights. The fair value of mortgage servicing rights is estimated by discounting the expected future cash flows, taking into consideration the estimated level of prepayments based on current industry expectations and the predominant risk characteristics of the underlying loans. During a period of declining interest rates, the fair value of mortgage servicing rights is expected to decline due to anticipated prepayments within the portfolio. Alternatively, during a period of rising interest rates, the fair value of mortgage servicing rights is expected to increase because prepayments of the underlying loans would be anticipated to decline. Impairment adjustments are recorded through a valuation allowance. The valuation allowance is adjusted for changes in impairment through a charge to current period earnings. During the nine months ended September 30, 2009, we reversed previously

Table of Contents

recorded impairment of \$7.0 million, as compared to a recording additional impairment of \$895,000 during the same period in 2008.

OREO expense is recorded net of OREO income. Variations in net OREO expense between periods is primarily due to write-downs of the estimated fair value of OREO properties, recognition of valuation reserves, fluctuations in gains and losses recorded on sales of OREO properties and fluctuations in the number of OREO properties and the carrying costs associated with those properties. OREO expense was \$6.1 million for the nine months ended September 30, 2009, as compared to \$108,000 for the nine months ended September 30, 2008. During third quarter 2009, the carrying value of one real estate development property was written down by \$4.3 million due to a decline in the estimated market value of the property.

Other expenses primarily include professional fees; advertising and public relations costs; office supply, postage, freight, telephone and travel expenses; donations expense; debit and credit card expenses; board of director fees; and other losses. Other expenses decreased \$3.2 million, or 9.2%, to \$31.2 million for the nine months ended September 30, 2009 compared to \$34.4 million for the same period in 2008. This decrease was primarily the result of a \$1.3 million other-than-temporary impairment charge recorded during third quarter 2008 and non-recurring fraud losses of \$471,000 and \$708,000 recorded during the nine months ended September 30, 2008, respectively. Also contributing to the decrease in other expenses were reductions in expense due to the sale of i_Tech in December 2008 and a continuing focus on reducing targeted controllable expenses during the first nine months of 2009. These reductions were partially offset by higher debit card expense resulting from higher transaction volumes.

Income Tax Expense

Our effective federal income tax rate was 29.3% for the nine months ended September 30, 2009 and 30.3% for the nine months ended September 30, 2008. State income tax applies primarily to pretax earnings generated within Montana and South Dakota. Our effective state tax rate was 4.2% for the nine months ended September 30, 2009 and 4.4% for the nine months ended September 30, 2008. Changes in effective federal and state income tax rates are primarily fluctuations in tax exempt interest income as a percentage of total income.

Net Income Available to Common Shareholders

For the nine months ended September 30, 2009, net income available to common shareholders was \$39.8 million, or \$5.02 per diluted share.

Comparison of Years Ended December 31, 2008 and 2007 and December 31, 2007 and 2006

Net Interest Income

Net FTE interest income increased \$37.0 million, or 18.2%, to \$240.6 million in 2008, from \$203.7 million in 2007, due to the net interest income of the acquired First Western entities. Average earning assets grew 24.0% in 2008, with approximately 78.0% of this growth attributable to the acquired First Western entities. Despite growth in earning assets and an increase in the interest rate spread, our net FTE interest margin decreased 21 basis points to 4.25% in 2008, as compared to 4.46% for 2007, largely due to the First Western acquisition. In conjunction with the acquisition, we incurred indebtedness to acquire nonearning assets, including goodwill, core deposit intangibles and premises and equipment. In addition, interest free funding sources, including non-interest bearing deposits and common equity comprised a smaller percentage of our funding base during 2008 as compared to 2007 and reductions in federal funds rates in 2008 further compressed our net FTE interest margin ratio.

Net FTE interest income increased \$12.4 million, or 6.5%, to \$203.7 million in 2007 from \$191.3 million in 2006, due to organic growth in earning assets, primarily loans. During 2007, the

Table of Contents

migration of customer deposits from traditional repurchase agreements, which are secured by pledged investment securities, into a new money market sweep deposit product increased funds available to support growth in earning assets. Further contributing to improvements in net FTE interest income in 2007 and 2006 were increases in earning assets as a percentage of total assets.

The following table presents, for the periods indicated, condensed average balance sheet information, together with interest income and yields earned on average interest earning assets and interest expense and rates paid on average interest bearing liabilities.

Average Balance Sheets, Yields and Rates

	Year Ended December 31,								
	2008			2007			2006		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<i>(Amounts in thousands)</i>									
<i>Interest earning assets:</i>									
Government agency mortgage-backed securities	\$ 4,527,987	\$ 306,976	6.78%	\$ 3,449,809	\$ 274,020	7.94%	\$ 3,208,102	\$ 246,861	7.7%
Commercial funds sold	923,912	43,336	4.69	892,850	42,650	4.78	915,844	40,985	4.5%
Securities	55,205	1,080	1.96	87,460	4,422	5.06	43,726	2,196	5.0%
Asset-backed securities	5,020	214	4.26	857	3	0.35	1,059	6	0.6%
Interest bearing deposits	147,812	9,382	6.35	111,732	7,216	6.46	105,209	6,832	6.5%
Other assets	5,946	191	3.21	26,165	1,307	5.00	8,190	360	4.4%
Total interest earnings	5,665,882	361,179	6.37	4,568,873	329,618	7.21	4,282,130	297,240	6.9%
Total interest earning assets	667,206			423,893			444,702		
Total assets	\$ 6,333,088			\$ 4,992,766			\$ 4,726,832		
<i>Interest bearing liabilities:</i>									
Time deposits	\$ 1,120,807	12,966	1.16	\$ 1,004,019	23,631	2.35	\$ 850,925	15,852	1.8%
Time deposits	1,144,553	18,454	1.61	940,521	24,103	2.56	845,967	17,424	2.1%
Time deposits	1,688,859	65,443	3.87	1,105,959	51,815	4.69	1,010,820	39,991	3.9%
Repurchase agreements	537,267	7,694	1.43	558,469	21,212	3.80	638,686	25,278	3.9%
Advances	126,690	3,129	2.47	8,515	428	5.03	45,090	2,358	5.2%
Term debt	86,909	4,579	5.27	9,230	467	5.06	40,320	1,576	3.9%
Collateralized debt obligations	123,327	8,277	6.71	47,099	4,298	9.13	41,238	3,481	8.4%
Total interest bearing liabilities	4,828,412	120,542	2.50	3,673,812	125,954	3.43	3,473,046	105,960	3.0%

Interest bearing assets	940,968	842,239	837,909
Liabilities	58,173	51,529	44,860
Shareholders' equity	505,535	425,186	371,017
Liabilities and shareholders' equity	\$ 6,333,088	\$ 4,992,766	\$ 4,726,832
FTE interest income	\$ 240,637	\$ 203,664	\$ 191,280
FTE adjustments ⁽²⁾	(5,260)	(4,061)	(3,817)
Interest income consolidated components of income	\$ 235,377	\$ 199,603	\$ 187,463
Net rate spread	3.87%	3.78%	3.78%
Net FTE interest margin ⁽⁴⁾	4.25%	4.46%	4.46%

(1) Average loan balances include nonaccrual loans. Interest income on loans includes amortization of deferred loan fees net of deferred loan costs, which are not material.

(2) Interest income and average rates for tax exempt loans and securities are presented on a FTE basis.

(3) Includes interest on federal funds purchased and other borrowed funds. Excludes long-term debt.

(4) Net FTE interest margin during the period equals (1) the difference between interest income on interest earning assets and the interest expense on interest bearing liabilities, divided by (2) average interest earning assets for the period.

Table of Contents

The table below sets forth, for the periods indicated, a summary of the changes in interest income and interest expense resulting from estimated changes in average asset and liability balances (volume) and estimated changes in average interest rates (rate). Changes which are not due solely to volume or rate have been allocated to these categories based on the respective percent changes in average volume and average rate as they compare to each other.

Analysis of Interest Changes Due To Volume and Rates

	Year Ended December 31, 2008 Compared with December 31, 2007			Year Ended December 31, 2007 Compared with December 31, 2006			Year Ended December 31, 2006 Compared with December 31, 2005		
	Volume	Rate	Net	Volume	Rate	Net	Volume	Rate	Net
<i>(Dollars in thousands)</i>									
Interest earning assets:									
Loans ⁽¹⁾	\$ 85,640	\$ (52,684)	\$ 32,956	\$ 18,599	\$ 8,560	\$ 27,159	\$ 22,782	\$ 27,626	\$ 50,400
U.S. government agency									
mortgage-backed									
securities	1,484	(798)	686	(1,029)	2,694	1,665	5,263	5,668	10,900
Real estate funds sold	(1,631)	(1,711)	(3,342)	2,196	30	2,226	(1,312)	742	(5,000)
Other securities	15	196	211	(1)	(2)	(3)	(173)	(22)	(1,000)
Exempt securities ⁽¹⁾	2,330	(164)	2,166	424	(40)	384	120	(32)	0
Interest bearing deposits									
in banks	(1,010)	(106)	(1,116)	790	157	947	(754)	93	(6,000)
Total change	86,828	(55,267)	31,561	20,979	11,399	32,378	25,926	34,075	60,000
Interest bearing liabilities:									
Time deposits	2,749	(13,414)	(10,665)	2,852	4,927	7,779	1,316	9,741	11,000
Time deposits	5,229	(10,878)	(5,649)	1,947	4,732	6,679	(701)	6,974	6,200
Time deposits	27,309	(13,681)	13,628	3,764	8,060	11,824	(68)	10,418	10,300
Repurchase agreements	(805)	(12,713)	(13,518)	(3,175)	(891)	(4,066)	3,426	9,250	12,600
Drawings ⁽²⁾	5,940	(3,239)	2,701	(1,913)	(17)	(1,930)	1,199	1,011	2,200
Long-term debt	3,930	182	4,112	(1,215)	106	(1,109)	(842)	(62)	(9,000)
Subordinated									
ventures held by									
subsidiary trusts	6,956	(2,977)	3,979	495	322	817		749	7,000
Total change	51,308	(56,720)	(5,412)	2,755	17,239	19,994	4,329	38,082	42,400
Increase (decrease) in									
net interest									
income ⁽¹⁾	\$ 35,520	\$ 1,453	\$ 36,973	\$ 18,224	\$ (5,840)	\$ 12,384	\$ 21,597	\$ (4,007)	\$ 17,500

- (1) Interest income and average rates for tax exempt loans and securities are presented on a FTE basis.
- (2) Includes interest on federal funds purchased and other borrowed funds.

Provision for Loan Losses

The provision for loan losses increased \$25.6 million, or 330.4%, to \$33.4 million in 2008, as compared to \$7.8 million in 2007. Significant increases in provisions for loan losses, particularly during fourth quarter 2008, reflect our assessment of the estimated effect of current economic conditions on our loan portfolio. Effects of the broad recession impacted our market areas in 2008 resulting in higher levels of non-performing assets, particularly real estate development loans.

The provision for loan losses decreased less than 1% to \$7.8 million in 2007, as compared to 2006; however, during fourth quarter 2007, the provision for loan losses increased \$724,000, or 51.7%, to \$2.1 million, as compared to \$1.4 million for the same period in 2006. The fourth quarter 2007 increase was primarily due to higher levels of non-performing loans.

Table of Contents

Non-Interest Income

Non-interest income increased \$35.9 million, or 38.9%, to \$128.4 million in 2008 from \$92.4 million in 2007. Non-interest income decreased \$9.7 million, or 9.5%, to \$92.4 million in 2007 from \$102.1 million in 2006. Fluctuations in non-interest income are a function of changes in each of the principal categories discussed below.

Other service charges, commissions and fees increased \$4.0 million, or 16.4%, to \$28.2 million in 2008 from \$24.2 million in 2007. Other service charges, commissions and fees increased 10.6% to \$24.2 million in 2007, from \$21.9 million in 2006. Approximately \$1.8 million of the 2008 increase was attributable to the acquired First Western entities. The remaining increase in 2008 and 2007 was primarily due to additional fee income from higher volumes of credit and debit card transactions and increases in insurance commissions.

Service charges on deposit accounts increased \$2.9 million, or 16.4%, to \$20.7 million in 2008, from \$17.8 million in 2007. Service charges on deposit accounts increased \$206,000, or 1.2%, to \$17.8 million in 2007, from \$17.6 million in 2006. Substantially all of the 2008 increase was attributable to the acquired First Western entities.

Technology services revenues decreased \$1.4 million, or 7.2%, to \$17.7 million in 2008, from \$19.1 million in 2007. This decrease was primarily due to a \$2.0 million contract termination fee recorded during third quarter 2007. In addition, item processing income decreased \$718,000 in 2008, as compared to 2007, primarily due to the introduction of imaging technology that permits items to be captured electronically rather than through physical processing and transporting of the items. These decreases were offset by an increase of \$1.8 million in core data processing revenues resulting from increases in the number of core data processing customers and the volume of core data transactions processed. Technology services revenues increased 20.4% to \$19.1 million in 2007, from \$15.8 million in 2006, primarily due to a \$2.0 million nonrecurring contract termination fee recorded during third quarter 2007 and an increase in the volume of core data and debit card transactions processed.

Wealth management revenues increased 5.3% to \$12.4 million in 2008, from \$11.7 million in 2007, due to the addition of new trust and investment services customers in 2008. Wealth management revenues increased 5.0% to \$11.7 million in 2007, from \$11.2 million in 2006, primarily due to higher asset management fees resulting from the improved market performance of underlying trust account assets and the addition of new trust and investment services customers.

Income from the origination and sale of loans increased 9.3% to \$12.3 million in 2008, from \$11.2 million in 2007 and 17.0% to \$11.2 million in 2007, from \$9.6 million in 2006. Approximately \$224,000 of the 2008 increase is attributable to the acquired First Western entities.

During fourth quarter 2008, we recorded a one-time gain of \$27.1 million on the sale of i_Tech, our technology services subsidiary. i_Tech represented all of our technology services operating segment.

Other income increased \$1.6 million, or 19.4%, to \$9.9 million in 2008, from \$8.3 million in 2007. Exclusive of the acquired First Western entities, non-interest income decreased \$1.7 million, or 20.2%, in 2008, as compared to 2007. During first quarter 2008, we recorded a gain of \$1.6 million resulting from the mandatory redemption of our class B shares of Visa Inc. The net gain was split between our community banking and technology services operating segments. In addition, during first quarter 2008, we recorded a nonrecurring gain of \$1.1 million due to the release of funds escrowed in conjunction with the December 2006 sale of our interest in iPay Technologies, LLC. These gains were offset by decreases in earnings of securities held under deferred compensation plans and one-time gains recorded in 2007 of \$986,000 on the sale of mortgage servicing rights and \$737,000 from the conversion and subsequent sale of our MasterCard stock.

Table of Contents

Other income increased 20.2% to \$8.3 million in 2007, from \$6.9 million in 2006, primarily due to nonrecurring gains of \$737,000 from the conversion and subsequent sale of MasterCard stock and \$986,000 on the sale of mortgage servicing rights recorded during 2007.

Non-Interest Expense

Non-interest expense increased \$43.5 million, or 24.3%, to \$222.3 million in 2008, from \$178.9 million in 2007 and 8.6% to \$178.9 million in 2007, from \$164.7 million in 2006. Significant components of these increases are discussed below.

Salaries, wages and employee benefits expense increased \$15.9 million, or 16.2%, to \$114.0 million in 2008, from \$98.1 million in 2007. Approximately \$12.2 million of the 2008 increase was attributable to the acquired First Western entities. The remaining increase was primarily due to higher group health insurance costs and wage increases. These increases were partially offset by decreases in incentive bonus and profit sharing accruals to reflect 2008 performance results.

Salaries, wages and employee benefits expense increased 10.4% to \$98.1 million in 2007, from \$88.9 million in 2006, primarily due to the combined effects of wage increases, higher staffing levels, higher incentive compensation accruals and increased group medical insurance costs.

Furniture and equipment expense increased \$2.7 million, or 16.3%, to \$18.9 million in 2008, from \$16.2 million in 2007. Approximately \$1.2 million of the increase was attributable to the acquired First Western entities. The remaining increase was primarily due to higher depreciation and maintenance expenses resulting from the addition, replacement and repair of equipment in the ordinary course of business. Furniture and equipment expense decreased slightly to \$16.2 million in 2007, as compared to \$16.3 million in 2006.

Occupancy expense increased \$1.6 million, or 11.0%, to \$16.3 million in 2008, from \$14.7 million in 2007, due to the acquired First Western entities. Occupancy expense increased 10.8% to \$14.7 million in 2007, from \$13.3 million in 2006, primarily due to increases in rental expense and higher depreciation expense resulting from adjustment of the useful lives of two buildings and related leasehold improvements.

Mortgage servicing rights amortization increased \$1.5 million, or 33.3%, to \$5.9 million in 2008, from \$4.4 million in 2007 and \$417,000, or 10.4%, to \$4.4 million in 2007, from \$4.0 million in 2006. We recorded impairment charges of \$10.9 million in 2008 and \$1.7 million in each of 2007 and 2006.

FDIC insurance premiums increased \$2.5 million, or 555.9%, to \$2.9 million in 2008, from \$444,000 in 2007. During the first half of 2008, we fully utilized a one-time credit provided by the FDIC to offset the cost of FDIC insurance premiums for well managed banks. In addition, we elected to participate in the deposit insurance coverage guarantee program during fourth quarter 2008. The fee assessment for deposit insurance coverage on deposits insured under this program is 10 basis points per annum.

Core deposit intangibles represent the intangible value of depositor relationships resulting from deposit liabilities assumed and are amortized based on the estimated useful lives of the related deposits. We recorded core deposit intangibles of \$14.9 million in conjunction with the acquisition of the First Western entities. These intangibles are being amortized using an accelerated method over their weighted average expected useful lives of 9.2 years. Core deposit intangible amortization expense was \$2.5 million in 2008, as compared to \$174,000 in 2007 and \$772,000 in 2006. Core deposit intangible amortization expense is expected to decrease 14.9% to \$2.1 million in 2009. For additional information regarding core deposit intangibles, see Notes to Consolidated Financial Statements Summary of Significant Accounting Policies.

Other expenses increased \$7.8 million, or 18.1%, to \$50.8 million in 2008, from \$43.0 million in 2007. Exclusive of other expenses of the acquired First Western entities, which included a \$1.3 million other than temporary impairment charge on one investment security, other expenses decreased

Table of Contents

\$1.1 million, or 2.3%, in 2008, as compared to 2007. During fourth quarter 2007, we recorded loss contingency accruals of \$1.5 million related to an indemnification agreement with Visa USA and two potential operational losses incurred in the ordinary course of business. During first quarter 2008, we reversed \$625,000 of the loss contingency accrual related to our indemnification agreement with Visa USA. In addition, during 2008 we recorded expenses of \$450,000 related to employee recruitment and relocation and \$708,000 related to nonrecurring fraud losses.

Other expenses increased 9.5% to \$43.0 million in 2007, from \$39.3 million in 2006, primarily due to fourth quarter 2007 loss contingency accruals of \$1.5 million related to an indemnification agreement with Visa USA and two potential operational losses incurred in the ordinary course of business and increases in consulting fees related to the evaluation of a company-wide data warehousing system.

Income Tax Expense

Our effective federal tax rate was 30.3% for the year ended December 31, 2008; 31.0% for the year ended December 31, 2007; and 31.6% for the year ended December 31, 2006. Fluctuations in federal income tax rates are primarily due to fluctuations in tax exempt interest income as a percentage of total income. State income tax applies primarily to pretax earnings generated within Montana, western South Dakota, Colorado, Idaho and Oregon. Our effective state tax rate was 4.4% for the year ended December 31, 2008; 3.9% for the year ended December 31, 2007; and 3.8% for the year ended December 31, 2006.

Summary of Quarterly Results

The following table presents unaudited quarterly results of operations for each of the quarters in the first nine months of 2009 as well as the fiscal years ended December 31, 2008 and 2007.

Quarterly Results

<i>(Dollars in thousands, except per share data)</i>	First Quarter	Second Quarter	Third Quarter
<i>Nine Months Ended September 30, 2009:</i>			
Interest income	\$ 81,883	\$ 81,148	\$ 82,325
Interest expense	22,820	21,958	21,026
Net interest income	59,063	59,190	61,299
Provision for loan losses	9,600	11,700	10,500
Net interest income after provision for loan losses	49,463	47,490	50,799
Non-interest income	25,943	26,618	25,000
Non-interest expense	50,175	54,088	57,376
Income before income taxes	25,231	20,020	18,423
Income tax expense	8,543	6,684	6,105
Net income	16,688	13,336	12,318
Preferred stock dividends	844	853	862
Net income available to common shareholders	\$ 15,844	\$ 12,483	\$ 11,456

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Basic earnings per common share	\$	2.01	\$	1.59	\$	1.47
Diluted earnings per common share		1.98		1.57		1.46
Dividends per common share		0.45		0.45		0.45

Table of Contents

<i>(Dollars in thousands, except per share data)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
<i>Year Ended December 31, 2008:</i>					
Interest income	\$ 91,109	\$ 88,068	\$ 89,928	\$ 86,814	\$ 355,919
Interest expense	34,306	29,697	29,234	27,305	120,542
Net interest income	56,803	58,371	60,694	59,509	235,377
Provision for loan losses	2,363	5,321	5,636	20,036	33,356
Net interest income after provision for loan losses	54,440	53,050	55,058	39,473	202,021
Non-interest income	26,369	25,225	24,389	52,478	128,461
Non-interest expense	53,155	49,662	55,190	64,398	222,405
Income before income taxes	27,654	28,613	24,257	27,553	108,077
Income tax expense	9,578	9,988	8,362	9,501	37,429
Net income	18,076	18,625	15,895	18,052	70,648
Preferred stock dividends	768	853	863	863	3,347
Net income available to common shareholders	\$ 17,308	\$ 17,772	\$ 15,032	\$ 17,189	\$ 67,301
Basic earnings per common share	\$ 2.19	\$ 2.27	\$ 1.93	\$ 2.17	\$ 8.55
Diluted earnings per common share	2.14	2.22	1.89	2.13	8.38
Dividends per common share	0.65	0.65	0.65	0.65	2.60

<i>(Dollars in thousands, except per share data)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
<i>Year Ended December 31, 2007:</i>					
Interest income	\$ 78,636	\$ 80,834	\$ 83,314	\$ 82,773	\$ 325,557
Interest expense	30,492	31,656	32,471	31,335	125,954
Net interest income	48,144	49,178	50,843	51,438	199,603
Provision for loan losses	1,875	1,875	1,875	2,125	7,750
Net interest income after provision for loan losses	46,269	47,303	48,968	49,313	191,853
Non-interest income	21,697	22,306	25,390	23,055	92,448
Non-interest expense	42,770	42,586	44,581	48,930	178,867
Income before income taxes	25,196	27,023	29,777	23,438	105,434
Income tax expense	8,700	9,398	10,528	8,167	36,793
Net income	\$ 16,496	\$ 17,625	\$ 19,249	\$ 15,271	\$ 68,641
Basic earnings per common share	\$ 2.01	\$ 2.16	\$ 2.37	\$ 1.91	\$ 8.45
Diluted earnings per common share	1.97	2.11	2.32	1.86	8.25
Dividends per common share	1.02	0.65	0.65	0.65	2.97

Financial Condition

Total assets increased \$295 million, or 4.4%, to \$6,923 million as of September 30, 2009, from \$6,628 million as of December 31, 2008, due to the deployment of funds generated through organic deposit growth. Total assets increased \$1,412 million, or 27.1%, to \$6,628 million as of December 31, 2008, from \$5,217 million as of December 31, 2007, primarily due to the First Western acquisition in January 2008. As of the date of acquisition, the acquired entities had combined total assets of \$913 million, combined total loans of \$727 million, combined premises and equipment of \$27 million

Table of Contents

and combined total deposits of \$814 million. In connection with the acquisition, we recorded goodwill of \$146 million and core deposit intangibles of \$15 million.

Loans

Our loan portfolio consists of a mix of real estate, consumer, commercial, agricultural and other loans, including fixed and variable rate loans. Fluctuations in the loan portfolio are directly related to the economies of the communities we serve. While each loan originated generally must meet minimum underwriting standards established in our credit policies, lending officers are granted certain levels of autonomy in approving and pricing loans to assure that the banking offices are responsive to competitive issues and community needs in each market area.

Total loans decreased \$166 million, or 3.5%, to \$4,606 million as of September 30, 2009 from \$4,773 million as of December 31, 2008. Total loans increased 34.1% to \$4,773 million as of December 31, 2008, from \$3,559 million as of December 31, 2007 and 7.5% to \$3,559 million as of December 31, 2007, from \$3,310 as of December 31, 2006. Approximately \$723 million of the 2008 increase was attributable to the acquired First Western entities. Excluding loans of the acquired entities, total loans increased \$491 million, or 13.8%, in 2008, with the most significant growth occurring in commercial, commercial real estate, construction and residential real estate loans.

The following table presents the composition of our loan portfolio as of the dates indicated:

Loans Outstanding

As of September 30,		2008		2007		As of December 31,		2005	
	%		%		%		%		%
9,161	33.9%	\$ 1,483,967	31.1%	\$ 1,018,831	28.6%	\$ 937,695	28.3%	\$ 926,190	30.0%
7,556	14.7	790,177	16.5	664,272	18.7	579,603	17.5	403,751	13.3
4,453	11.8	587,464	12.3	419,001	11.8	402,468	12.2	408,659	13.4
9,530	4.3	191,831	4.0	142,256	4.0	137,659	4.1	116,402	3.9
2,343	0.9	47,076	1.0	26,080	0.7	25,360	0.8	19,067	0.6
5,373	14.9	669,731	14.0	608,002	17.1	605,858	18.3	587,895	19.4
5,302	16.2	853,798	17.9	593,669	16.7	542,325	16.4	494,848	16.3
3,549	3.1	145,876	3.1	81,890	2.3	76,644	2.3	74,561	2.5
3,187	0.2	2,893	0.1	4,979	0.1	2,751	0.1	2,981	0.1

5,454	100.0%	4,772,813	100.0%	3,558,980	100.0%	3,310,363	100.0%	3,034,354	100.0%
,748		87,316		52,355		47,452		42,450	
4,706		\$ 4,685,497		\$ 3,506,625		\$ 3,262,911		\$ 2,991,904	
2.21%		1.83%		1.47%		1.43%		1.40%	

Real Estate Loans. We provide interim construction and permanent financing for both single-family and multi-unit properties, medium-term loans for commercial, agricultural and industrial property and/or buildings and equity lines of credit secured by real estate. Residential real estate loans are typically sold in the secondary market. Those residential real estate loans not sold are typically secured by first liens on the financed property and generally mature in less than 10 years. Commercial, agricultural and industrial loans are generally secured by first liens on income-producing real estate and generally mature in less than five years.

Commercial real estate loans. Commercial real estate loans increased \$75 million, or 5.1%, to \$1,559 million as of September 30, 2009 from \$1,484 million as of December 31, 2008. Management attributes this increase to continued funding for infrastructure on projects under construction as of December 31, 2008. Approximately 52% and 53% of our commercial real estate loans as of September 30, 2009 and December 31, 2008, respectively, were owner occupied, which typically

Table of Contents

involves less risk than loans on investment property. Commercial real estate loans increased 45.7% to \$1,484 million as of December 31, 2008, from \$1,019 million as of December 31, 2007 and 8.7% to \$1,019 million as of December 31, 2007, from \$938 million as of December 31, 2006. Excluding increases attributable to the acquired First Western entities, commercial real estate loans increased 15.3% as of December 31, 2008, as compared to December 31, 2007, primarily due to real estate development loans. Demand for improved lots declined in 2008 reducing the cash flow of real estate developers, which resulted in increases in outstanding loan balances. As of December 31, 2008, we had no interest reserves related to real estate development loans. The increase in commercial real estate loans in 2007 was primarily due to overall economic and population growth in our market areas.

Real estate construction loans. Real estate construction loans decreased \$113 million, or 14.3%, to \$678 million as of September 30, 2009 from \$790 million as of December 31, 2008. Management attributes this decrease to general declines in demand for housing, particularly in markets dependent upon resort communities and second home sales and the movement of lower quality loans out of our loan portfolio through charge-off, pay-off or foreclosure. Construction loans increased 19.0% to \$790 million as of December 31, 2008, from \$664 million as of December 31, 2007 and 14.6% to \$664 million as of December 31, 2007, from \$580 million as of December 31, 2006. Excluding increases attributable to the acquired First Western entities, construction loans increased 2.9% as of December 31, 2008, as compared to December 31, 2007. Construction loans are primarily to commercial builders for residential lot development and the construction of single-family residences and commercial real estate properties. Construction loans are generally underwritten pursuant to the same guidelines used for originating permanent commercial and residential mortgage loans. Terms and rates typically match those of permanent commercial and residential mortgage loans, except that during the construction phase the borrower pays interest only. Growth in construction loans in 2008 and 2007 was primarily the result of demand for housing and overall growth in our market areas.

Our real estate construction loans comprise residential construction, commercial construction and land acquisition and development construction. As of September 30, 2009, our real estate construction loan portfolio was divided among the foregoing categories as follows: approximately \$151 million, or 22.3%, residential construction; approximately \$109 million, or 16.1%, commercial construction; and approximately \$417 million, or 61.6%, land acquisition and development.

Residential real estate loans. Residential real estate loans decreased \$43 million, or 7.3%, to \$544 million as of September 30, 2009 from \$587 million as of December 31, 2008. Residential real estate loans increased 40.2% to \$587 million as of December 31, 2008, from \$419 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, residential real estate loans increased 25.4% as of December 31, 2008, as compared to December 31, 2007. Increase in residential real estate loans primarily occurred in home equity loans and lines of credit. Home equity loans and lines of credit are typically secured by first or second liens on residential real estate and generally do not exceed a loan to value ratio of 90%. As of December 31, 2008, equity loans and lines of credit totaled \$381 million. We do not engage in sub-prime lending practices.

Agricultural real estate loans. Agricultural real estate loans increased \$8 million, or 4.0%, to \$200 million as of September 30, 2009 from \$192 million as of December 31, 2008. Agricultural real estate loans increased 34.8% to \$192 million as of December 31, 2008, from \$142 million as of December 31, 2007.

Consumer Loans. Our consumer loans include direct personal loans, credit card loans and lines of credit; and indirect loans created when we purchase consumer loan contracts advanced for the purchase of automobiles, boats and other consumer goods from the consumer product dealer network within the market areas we serve. Personal loans and indirect dealer loans are generally secured by automobiles, boats and other types of personal property and are made on an installment basis. Credit cards are offered to individual and business customers in our market areas. Lines of credit are generally floating rate loans that are unsecured or secured by personal property. Approximately 63%

Table of Contents

and 61% of our consumer loans as of September 30, 2009 and December 31, 2008, respectively, were indirect dealer loans.

Consumer loans increased \$16 million, or 2.3%, to \$685 million as of September 30, 2009 from \$670 million as of December 31, 2008. Consumer loans increased 10.2% to \$670 million as of December 31, 2008, from \$608 million as of December 31, 2007 and 0.4% to \$608 million as of December 31, 2007, from \$606 million as of December 31, 2006. Excluding increases attributable to the acquired First Western entities, consumer loans increased 4.4% as of December 31, 2008, as compared to December 31, 2007.

Commercial Loans. We provide a mix of variable and fixed rate commercial loans. The loans are typically made to small and medium-sized manufacturing, wholesale, retail and service businesses for working capital needs and business expansions. Commercial loans generally include lines of credit and loans with maturities of five years or less. The loans are generally made with business operations as the primary source of repayment, but also include collateralization by inventory, accounts receivable, equipment and/or personal guarantees.

Commercial loans decreased \$108 million, or 12.6%, to \$746 million as of September 30, 2009 from \$854 million as of December 31, 2008. Management attributes this decrease to the continuing impact of the broad recession on borrowers in our market areas and, to a lesser extent, the movement of lower quality loans out of our loan portfolio through charge-off, pay-off or foreclosure. Commercial loans increased 43.8% to \$854 million as of December 31, 2008, from \$594 million as of December 31, 2007 and 9.5% to \$594 million as of December 31, 2007, from \$542 million as of December 31, 2006. Excluding increases attributable to the acquired First Western entities, commercial loans increased 23.0% as of December 31, 2008, as compared to December 31, 2007. Management attributes 2008 growth to an overall increase in borrowing activity during most of 2008 due to retail business expansion in our market areas. This expansion began to decline in late 2008 as retail businesses in our market areas were impacted by the effects of the recession. The increase in 2007, as compared to 2006 was primarily due to a favorable economy, growth in our existing market areas and an increase in overall borrowing activity.

Agricultural Loans. Our agricultural loans generally consist of short and medium-term loans and lines of credit that are primarily used for crops, livestock, equipment and general operations. Agricultural loans are ordinarily secured by assets such as livestock or equipment and are repaid from the operations of the farm or ranch. Agricultural loans generally have maturities of five years or less, with operating lines for one production season.

Agricultural loans decreased \$2 million, or 1.6%, to \$143 million as of September 30, 2009 from \$146 million as of December 31, 2008. Agricultural loans increased 78.1% to \$146 million as of December 31, 2008, from \$82 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, agricultural loans increased 16.6% as of December 31, 2008, as compared to December 31, 2007.

Table of Contents

The following table presents the maturity distribution of our loan portfolio as of December 31, 2008:

Maturity Distribution of Loan Portfolio

	Within One Year	One Year to Five Years	After Five Years	Total
<i>(Dollars in thousands)</i>				
Real estate	\$ 2,026,031	\$ 937,027	\$ 137,457	\$ 3,100,515
Consumer	369,911	299,034	20,690	689,635
Commercial	659,026	166,080	8,788	833,894
Agricultural	132,402	13,367	107	145,876
Other loans	2,893			2,893
Total loans	\$ 3,190,263	\$ 1,415,508	\$ 167,042	\$ 4,772,813
Loans at fixed interest rates	\$ 946,036	\$ 1,401,612	\$ 153,125	\$ 2,500,773
Loans at variable interest rates	2,158,595	13,896	13,917	2,186,408
Nonaccrual loans	85,632			85,632
Total loans	\$ 3,190,263	\$ 1,415,508	\$ 167,042	\$ 4,772,813

Non-Performing Assets

Non-performing assets include loans past due 90 days or more and still accruing interest, nonaccrual loans, loans renegotiated in troubled debt restructurings and OREO. Restructured loans are loans on which we have granted a concession on the interest rate or original repayment terms due to financial difficulties of the borrower. OREO consists of real property acquired through foreclosure on the collateral underlying defaulted loans. We initially record OREO at the lower of carrying value or fair value less estimated costs to sell by a charge against the allowance for loan losses, if necessary. Estimated losses that result from the ongoing periodic valuation of these properties are charged to earnings in the period in which they are identified.

We generally place loans on nonaccrual when they become 90 days past due, unless they are well secured and in the process of collection. When a loan is placed on nonaccrual status, any interest previously accrued but not collected is reversed from income. Approximately \$6.2 million of gross interest income would have been accrued if all loans on nonaccrual had been current in accordance with their original terms for the nine months ended September 30, 2009. Approximately \$4.6 million and \$1.7 million of gross interest income would have been accrued if all loans on nonaccrual had been current in accordance with their original terms for the years ended December 31, 2008 and 2007, respectively.

Table of Contents

The following tables set forth information regarding non-performing assets as of the dates indicated:

Non-Performing Assets by Quarter

	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007
<i>(Dollars in thousands)</i>								
Non-performing loans:								
Nonaccrual loans	\$ 120,026	\$ 120,500	\$ 90,852	\$ 85,632	\$ 84,244	\$ 71,100	\$ 50,984	\$ 31,552
Accruing loans past due 90 days or more	4,069	13,954	11,348	3,828	3,676	20,276	6,036	2,171
Restructured loans	988	1,030	1,453	1,462	1,880	1,027	1,027	1,027
Total non-performing loans	125,083	135,484	103,653	90,922	89,800	92,403	58,047	34,750
OREO	31,875	31,789	18,647	6,025	3,171	2,705	874	928
Total non-performing assets	\$ 156,958	\$ 167,273	\$ 122,300	\$ 96,947	\$ 92,971	\$ 95,108	\$ 58,921	\$ 35,678
Non-performing loans to total loans	2.72%	2.90%	2.19%	1.90%	1.89%	2.02%	1.32%	0.98%
Non-performing assets to total loans and OREO	3.38	3.56	2.58	2.03	1.96	2.08	1.34	1.00
Non-performing assets to total assets	2.27	2.47	1.82	1.46	1.43	1.49	0.94	0.68

Non-Performing Assets by Year

	As of December 31,				
	2008	2007	2006	2005	2004
<i>(Dollars in thousands)</i>					
Non-performing loans:					
Nonaccrual loans	\$ 85,632	\$ 31,552	\$ 14,764	\$ 17,142	\$ 17,585
Accruing loans past due 90 days or more	3,828	2,171	1,769	1,001	905
Restructured loans	1,462	1,027	1,060	1,089	1,384
Total non-performing loans	90,922	34,750	17,593	19,232	19,874
OREO	6,025	928	529	1,091	1,828
Total non-performing assets	\$ 96,947	\$ 35,678	\$ 18,122	\$ 20,323	\$ 21,702
Non-performing loans to total loans	1.90%	0.98%	0.53%	0.63%	0.73%
	2.03	1.00	0.55	0.67	0.79

Non-performing assets to total loans and
OREO

Non-performing assets to total assets	1.46	0.68	0.36	0.45	0.51
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Total non-performing assets increased \$60 million, or 61.9%, to \$157 million as of September 30, 2009, from \$97 million as of December 31, 2008. This increase in non-performing assets is attributable to general declines in markets dependent upon resort communities and second home sales and declines in real estate prices. In addition, increasing unemployment has negatively impacted the credit performance of commercial and real estate related loans. This market turmoil and tightening of credit has led to increased levels of delinquency, a lack of consumer confidence, increased market volatility and a widespread reduction of general business activities in our market areas. We expect the continuing impact of the current difficult economic conditions and rising unemployment levels in our market areas to further increase non-performing loans in future quarters.

Table of Contents

Non-performing assets increased \$61 million, or 171.7%, to \$97 million as of December 31, 2008, from \$36 million as of December 31, 2007. This increase in non-performing assets was primarily related to land development loans and was reflective of deterioration of economic conditions in certain of our market areas during 2008, as well as overall growth in our loan portfolio. Non-performing assets increased \$18 million, or 96.9% to \$36 million as of December 31, 2007, from \$18 million as of December 31, 2006, primarily due to the loans of four commercial real estate borrowers placed on nonaccrual during third and fourth quarter 2007.

Total non-performing loans increased \$34 million, or 37.6%, to \$125 million as of September 30, 2009 from \$91 million as of December 31, 2008. During the first nine months of 2009, approximately \$53 million in relationships which were classified as non-performing at December 31, 2008 were removed from the non-performing loan classification. Approximately \$36 million of these loans were removed because we acquired the underlying collateral of the loans through foreclosure. In contrast, during the first nine months of 2009, we classified approximately \$87 million of credit relationships as non-performing for the first time.

Nonaccrual loans increased \$34 million, or 40.2%, to \$120 million at September 30, 2009 from \$86 million at December 31, 2008. Increases in nonaccrual loans during the past nine months were attributable primarily to declining conditions in our market areas for land and real estate development projects. Nonaccrual loans increased \$54 million, or 171.4%, to \$86 million as of December 31, 2008, from \$32 million as of December 31, 2007. Approximately 50.0% of this increase was related to the loans of six borrowers adversely affected by weakening demand for residential real estate lots.

OREO increased \$26 million, or 429.0%, to \$32 million as of September 30, 2009 from \$6 million as of December 31, 2008. Approximately 80% of this increase relates to the foreclosure on properties collateralizing the loans of three real estate developers and one commercial real estate borrower. These loans were previously included in nonaccrual loans. OREO increased \$5 million to \$6 million as of December 31, 2008, as compared to \$928,000 as of December 31, 2007. This increase was due to foreclosure on the collateral underlying the land development loans of two commercial borrowers during the second and fourth quarters of 2008.

The following table sets forth the allocation of our non-performing loans among our different types of loans as of the dates indicated.

Non-Performing Loans by Loan Type

	September 30,	June 30,	March 31,	December 31,	September 30,	June 30,	March 31,	December 31,
<i>(Dollars in thousands)</i>	2009	2009	2009	2008	2008			