FIRST INTERSTATE BANCSYSTEM INC
Form 10-Q
May 07, 2015

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

FORM 10-Q

ýQuarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2015
OR

¨Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to
COMMISSION FILE NUMBER 001-34653

First Interstate BancSystem, Inc.
(Exact name of registrant as specified in its charter)

Montana (State or other jurisdiction of incorporation or organization)	81-0331430 (IRS Employer Identification No.)
401 North 31st Street, Billings, MT (Address of principal executive offices)	59116-0918 (Zip Code)

Registrant's telephone number, including area code: 406/255-5390

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.)
Yes ý No ¨
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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	ý
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No ý
Indicate the number of shares outstanding of each of the Registrant's classes of common stock:

March 31, 2015 – Class A common stock	21,596,056
March 31, 2015 – Class B common stock	23,833,412

FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
Quarterly Report on Form 10-Q
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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	March 31, 2015	December 31, 2014
Assets		
Cash and due from banks	$128,976	$147,894
Federal funds sold	963	543
Interest bearing deposits in banks	507,864	650,233
Total cash and cash equivalents	637,803	798,670
Investment securities:		
Available-for-sale	1,777,057	1,711,924
Held-to-maturity (estimated fair values of $576,931 and $584,533 at March 31, 2015 and December 31, 2014, respectively)	563,847	575,186
Total investment securities	2,340,904	2,287,110
Loans held for investment	4,871,548	4,856,615
Mortgage loans held for sale	55,758	40,828
Total loans	4,927,306	4,897,443
Less allowance for loan losses	75,336	74,200
Net loans	4,851,970	4,823,243
Goodwill	204,375	205,574
Premises and equipment, net of accumulated depreciation	192,748	195,212
Company-owned life insurance	154,741	153,821
Other real estate owned (“OREO”)	15,134	13,554
Accrued interest receivable	27,242	27,063
Core deposit intangibles, net of accumulated amortization	12,428	13,282
Mortgage servicing rights, net of accumulated amortization and impairment reserve	14,093	14,038
Deferred tax asset, net	—	4,874
Other assets	77,104	73,495
Total assets	$8,528,542	$8,609,936
Liabilities and Stockholders’ Equity		
Deposits:		
Non-interest bearing	$1,757,664	$1,791,364
Interest bearing	5,210,495	5,214,848
Total deposits	6,968,159	7,006,212
Securities sold under repurchase agreements	462,073	502,250
Accounts payable and accrued expenses	49,665	66,164
Accrued interest payable	5,113	5,833
Deferred tax liability	3,553	—
Long-term debt	43,048	38,067
Other borrowed funds	4	9
Subordinated debentures held by subsidiary trusts	82,477	82,477
Total liabilities	7,614,092	7,701,012
Stockholders’ equity:		
Nonvoting noncumulative preferred stock without par value; authorized 100,000 shares; no shares issued and outstanding as of March 31, 2015 or December 31,	—	—

2014		
Common stock	310,544	323,596
Retained earnings	599,727	587,862
Accumulated other comprehensive income (loss), net	4,179	(2,534)
Total stockholders’ equity	914,450	908,924
Total liabilities and stockholders’ equity	$8,528,542	$8,609,936

See accompanying notes to unaudited consolidated financial statements.

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Interest income:		
Interest and fees on loans	$59,371	$53,718
Interest and dividends on investment securities:		
Taxable	7,971	7,640
Exempt from federal taxes	1,059	1,097
Interest on deposits in banks	389	231
Interest on federal funds sold	2	1
Total interest income	68,792	62,687
Interest expense:		
Interest on deposits	3,309	3,424
Interest on securities sold under repurchase agreements	54	66
Interest on long-term debt	515	473
Interest on subordinated debentures held by subsidiary trusts	589	588
Total interest expense	4,467	4,551
Net interest income	64,325	58,136
Provision for loan losses	1,095	(5,000)
Net interest income after provision for loan losses	63,230	63,136
Non-interest income:		
Other service charges, commissions and fees	9,867	9,156
Income from the origination and sale of loans	5,906	4,660
Wealth management revenues	4,937	4,455
Service charges on deposit accounts	3,944	3,875
Investment securities gains (losses), net	6	71
Other income	3,122	1,889
Total non-interest income	27,782	24,106
Non-interest expense:		
Salaries and wages	25,349	22,411
Employee benefits	7,780	8,313
Occupancy, net	4,492	4,239
Furniture and equipment	3,793	3,201
Outsourced technology services	2,463	2,300
OREO expense, net of income	(61)	(19)
Professional fees	1,301	1,370
FDIC insurance premiums	1,142	1,116
Mortgage servicing rights amortization	619	600
Mortgage servicing rights impairment recovery	(15)	(45)
Core deposit intangibles amortization	855	354
Other expenses	11,804	10,498
Acquisition expenses	70	—
Total non-interest expense	59,592	54,338
Income before income tax expense	31,420	32,904
Income tax expense	10,440	11,511

Net income	$20,980	$21,393
Basic earnings per common share	$0.46	$0.49
Diluted earnings per common share	$0.46	$0.48

See accompanying notes to unaudited consolidated financial statements.

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Net income	$20,980	$21,393
Other comprehensive income, before tax:		
Investment securities available-for sale:		
Change in net unrealized gains/losses during period	10,608	14,351
Reclassification adjustment for net gains included in income	(6)	(71)
Change in unamortized loss on available-for-sale securities transferred into held-to-maturity	451	—
Defined benefit post-retirement benefits plans:		
Change in net actuarial loss	15	35
Other comprehensive income, before tax	11,068	14,315
Deferred tax expense related to other comprehensive income	(4,355)	(5,633)
Other comprehensive income, net of tax	6,713	8,682
Comprehensive income, net of tax	$27,693	$30,075

See accompanying notes to unaudited consolidated financial statements.

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, except share and per share data)
(Unaudited)

	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	Total stockholders' equity
Balance at December 31, 2014	$323,596	$587,862	$(2,534)	$908,924
Net income	—	20,980	—	20,980
Other comprehensive income, net of tax expense	—	—	6,713	6,713
Common stock transactions:				
588,409 common shares purchased and retired	(15,264)	—	—	(15,264)
156,956 non-vested common shares issued	—	—	—	—
838 non-vested common shares forfeited	—	—	—	—
73,344 stock options exercised, net of 22,042 shares tendered in payment of option price and income tax withholding amounts	900	—	—	900
Tax benefit of stock-based compensation	480	—	—	480
Stock-based compensation expense	832	—	—	832
Common cash dividend declared ($0.20 per share)	—	(9,115)	—	(9,115)
Balance at March 31, 2015	$310,544	$599,727	$4,179	$914,450
Balance at December 31, 2013	$285,535	$532,087	$(16,041)	$801,581
Net income	—	21,393	—	21,393
Other comprehensive income, net of tax expense	—	—	8,682	8,682
Common stock transactions:				
124,867 common shares purchased and retired	(3,159)	—	—	(3,159)
147,876 non-vested common shares issued	—	—	—	—
3,782 non-vested common shares forfeited	—	—	—	—
215,805 stock options exercised, net of 152,131 shares tendered in payment of option price and income tax withholding amounts	2,476	—	—	2,476
Tax benefit of stock-based compensation	989	—	—	989
Stock-based compensation expense	712	—	—	712
Cash dividends declared:				
Common ($0.16 per share)	—	(7,036)	—	(7,036)
Balance at March 31, 2014	$286,553	$546,444	$(7,359)	$825,638

See accompanying notes to unaudited consolidated financial statements.

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	$20,980	$21,393
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	1,095	(5,000)
Net gain on disposal of premises and equipment	(204)	(13)
Depreciation and amortization	4,544	3,896
Net premium amortization on investment securities	3,684	3,371
Net gain on investment securities transactions	(6)	(71)
Net gain on sale of mortgage loans held for sale	(4,321)	(3,323)
Net gain on sale of OREO	(750)	(435)
Write-downs of OREO and other assets pending disposal	106	—
Net reversal of impairment of mortgage servicing rights	(15)	(45)
Deferred income tax expense	4,914	2,630
Net increase in cash surrender value of company-owned life insurance	(920)	(852)
Stock-based compensation expense	832	712
Tax benefits from stock-based compensation expense	480	989
Excess tax benefits from stock-based compensation expense	(292)	(982)
Originations of mortgage loans held for sale	(239,527)	(151,911)
Proceeds from sales of mortgage loans held for sale	228,259	157,141
Changes in operating assets and liabilities:		
Increase in interest receivable	(179)	(685)
Increase in other assets	(3,630)	(1,083)
Decrease in accrued interest payable	(720)	(10)
Decrease in accounts payable and accrued expenses	(15,682)	(3,694)
Net cash provided by (used in) operating activities	(1,352)	22,028
Cash flows from investing activities:		
Purchases of investment securities:		
Held-to-maturity	(11,733)	—
Available-for-sale	(153,953)	(95,077)
Proceeds from maturities, pay-downs and sales of investment securities:		
Held-to-maturity	22,826	2,185
Available-for-sale	95,996	160,337
Purchases of company-owned life insurance	—	(15,000)
Proceeds from sales of mortgage servicing rights	—	266
Extensions of credit to customers, net of repayments	(20,050)	(28,580)
Recoveries of loans charged-off	1,901	3,822
Proceeds from sales of OREO	2,321	2,760
Capital expenditures, net of sales	(382)	(3,142)
Net cash provided by (used in) investing activities	$(63,074)	$27,571

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Cash flows from financing activities:		
Net increase (decrease) in deposits	$(38,053)	$1,387
Net increase (decrease) in securities sold under repurchase agreements	(40,177)	31,461
Net increase (decrease) in other borrowed funds	(5)	6
Repayments of long-term debt	(15)	(12)
Advances on long-term debt	4,996	—
Proceeds from issuance of common stock	900	2,476
Excess tax benefits from stock-based compensation expense	292	982
Purchase and retirement of common stock	(15,264)	(3,159)
Dividends paid to common stockholders	(9,115)	(7,036)
Net cash provided by (used in) financing activities	(96,441)	26,105
Net increase (decrease) in cash and cash equivalents	(160,867)	75,704
Cash and cash equivalents at beginning of period	798,670	534,827
Cash and cash equivalents at end of period	$637,803	$610,531
Supplemental disclosures of cash flow information:		
Cash paid during the period for income taxes	$5,100	$—
Cash paid during the period for interest expense	5,187	4,561

See accompanying notes to unaudited consolidated financial statements.

(1) Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated financial statements of First Interstate BancSystem, Inc. and subsidiaries (the "Company") contain all adjustments (all of which are of a normal recurring nature) necessary to present fairly the financial position of the Company at March 31, 2015 and December 31, 2014, and the results of operations for each of the three month periods ended and cash flows for each of the three month periods ended March 31, 2015 and 2014 in conformity with U.S. generally accepted accounting principles. The balance sheet information at December 31, 2014 is derived from audited consolidated financial statements. Certain reclassifications, none of which were material, have been made to conform prior year financial statements to the March 31, 2015 presentation. These reclassifications did not change previously reported net income or stockholders' equity.

These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. Operating results for the three months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

(2) Acquisitions

Absarokee Bancorporation, Inc. On March 26, 2015, the Company entered into an agreement and plan of merger to acquire all of the outstanding stock of Absarokee Bancorporation, Inc. ("Absarokee"), a Montana-based bank holding company that operates one subsidiary bank, United Bank, with branches located in three Montana communities adjacent to the Company's existing market areas. As of March 31, 2015, Absarokee has total assets of approximately $74 million, net loans of approximately $37 million and deposits of approximately $64 million.

Under the terms of the agreement and plan of merger, the Company will pay cash consideration of approximately $7,234, subject to certain financial performance and other adjustments, the amount of which will be determined prior to the closing date of the transaction. The merger is expected to be completed during third quarter 2015. Subject to regulatory approval, the Company anticipates United Bank will be merged with and into its bank subsidiary, First Interstate Bank ("FIB"), immediately subsequent to the merger.

Mountain West Financial Corp. On July 31, 2014, the Company acquired all of the outstanding stock of Mountain West Financial Corp ("MWFC"), a Montana-based bank holding company operating one subsidiary bank, Mountain West Bank, NA ("MWB"). MWB was merged with and into FIB in October 2014. During March 2015, the Company completed its review of MWFC tax items and finalized the fair value of acquired deferred tax assets. Finalization of provisional estimates resulted in a $1,199 decrease in goodwill.

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

(3) Investment Securities

The amortized cost and approximate fair values of investment securities are summarized as follows:

March 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-Sale:				
Obligations of U.S. government agencies	$769,260	$2,015	$(1,820)	$769,455
U.S. agency residential mortgage-backed securities & collateralized mortgage obligations	993,459	15,702	(1,861)	1,007,300
Private mortgage-backed securities	300	4	(2)	302
Total	$1,763,019	$17,721	$(3,683)	$1,777,057

March 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Held-to-Maturity:				
State, county and municipal securities	$188,386	$6,613	$(190)	$194,809
Corporate securities	39,531	150	(17)	39,664
U.S agency residential mortgage-backed securities & collateralized mortgage obligations	335,474	8,762	(2,235)	342,001
Other investments	456	1	—	457
Total	$563,847	$15,526	$(2,442)	$576,931

December 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-Sale:				
Obligations of U.S. government agencies	$725,408	$895	$(5,370)	$720,933
U.S. agency residential mortgage-backed securities & collateralized mortgage obligations	982,764	11,526	(3,624)	990,666
Private mortgage-backed securities	322	5	(2)	325
Total	$1,708,494	$12,426	$(8,996)	$1,711,924

December 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Held-to-Maturity:				
State, county and municipal securities	$188,941	$5,949	$(386)	$194,504
Corporate securities	32,565	54	(75)	32,544
U.S. agency residential mortgage-backed securities & collateralized mortgage obligations	353,176	5,563	(1,758)	356,981
Other Investments	504	—	—	504
Total	$575,186	$11,566	$(2,219)	$584,533

Gross realized gains and losses from the disposition of investment securities are summarized in the following table:

	Three Months Ended March 31,	
	2015	2014
Gross realized gains	$6	$225
Gross realized losses	—	154

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

The following tables show the gross unrealized losses and fair values of investment securities, aggregated by investment category, and the length of time individual investment securities have been in a continuous unrealized loss position, as of March 31, 2015 and December 31, 2014.

	Less than 12 Months		12 Months or More		Total	
March 31, 2015	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-Sale:						
Obligations of U.S. government agencies	$76,190	$(185)	$277,320	$(1,635)	$353,510	$(1,820)
U.S. agency residential mortgage-backed securities & collateralized mortgage obligations	23,948	(56)	142,213	(1,805)	166,161	(1,861)
Private mortgage-backed securities	—	—	84	(2)	84	(2)
Total	$100,138	$(241)	$419,617	$(3,442)	$519,755	$(3,683)

	Less than 12 Months		12 Months or More		Total	
March 31, 2015	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Held-to-Maturity:						
State, county and municipal securities	$1,778	$(10)	$13,831	$(180)	$15,609	$(190)
U.S. agency residential mortgage-backed securities & collateralized mortgage obligations	45,264	(2,235)	—	—	45,264	(2,235)
Corporate Securities	10,046	(17)	—	—	10,046	(17)
Total	$57,088	$(2,262)	$13,831	$(180)	$70,919	$(2,442)

	Less than 12 Months		12 Months or More		Total	
December 31, 2014	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-Sale:						
Obligations of U.S. government agencies	$135,888	$(702)	$309,283	$(4,668)	$445,171	$(5,370)
U.S. agency residential mortgage-backed securities & collateralized mortgage obligations	219,214	(887)	151,380	(2,737)	370,594	(3,624)
Private mortgage-backed securities	—	—	90	(2)	90	(2)
Total	$355,102	$(1,589)	$460,753	$(7,407)	$815,855	$(8,996)

	Less than 12 Months		12 Months or More		Total	
December 31, 2014	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Held-to-Maturity:						
State, county and municipal securities	$7,979	$(13)	$20,097	$(373)	$28,076	$(386)

U.S. agency residential mortgage-backed securities & collateralized mortgage obligations	61,201	(1,758)	—	—	61,201	(1,758)
Corporate securities	14,755	(75)	—	—	14,755	(75)
Total	$83,935	$(1,846)	$20,097	$(373)	$104,032	$(2,219)

The investment portfolio is evaluated quarterly for other-than-temporary declines in the market value of each individual investment security. The Company had 100 and 154 individual investment securities that were in an unrealized loss position as of March 31, 2015 and December 31, 2014, respectively. Unrealized losses as of March 31, 2015 and December 31, 2014 related primarily to fluctuations in the current interest rates. The Company does not have the intent to sell any of the available-for-sale securities in the above table and it is not likely that the Company will have to sell any such securities before a recovery in cost. No impairment losses were recorded during the three months ended March 31, 2015 or 2014.

Maturities of investment securities at March 31, 2015 are shown below. Maturities of mortgage-backed securities have been adjusted to reflect shorter maturities based upon estimated prepayments of principal. All other investment securities maturities are shown at contractual maturity dates.

March 31, 2015	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within one year	$288,960	$292,432	$79,106	$80,955
After one year but within five years	1,316,177	1,325,048	286,575	292,101
After five years but within ten years	126,241	127,514	133,958	137,489
After ten years	31,641	32,063	64,208	66,386
Total	$1,763,019	$1,777,057	$563,847	$576,931

As of March 31, 2015, the Company had investment securities callable within one year with amortized costs and estimated fair values of $166,196 and $166,636, respectively, including callable structured notes with amortized costs and estimated fair values of $29,996 and $30,030, respectively. These investment securities are primarily classified as available-for-sale and included in the after one year but within five years category in the table above.

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

(4) Loans

The following table presents loans by class as of the dates indicated:

	March 31, 2015	December 31, 2014
Real estate loans:		
Commercial	$1,670,829	$1,639,422
Construction:		
Land acquisition & development	209,033	220,443
Residential	101,689	96,580
Commercial	95,583	101,246
Total construction loans	406,305	418,269
Residential	997,123	999,903
Agricultural	156,734	167,659
Total real estate loans	3,230,991	3,225,253
Consumer:		
Indirect consumer	566,225	552,863
Other consumer	140,529	144,141
Credit card	61,708	65,467
Total consumer loans	768,462	762,471
Commercial	754,149	740,073
Agricultural	117,569	124,859
Other, including overdrafts	377	3,959
Loans held for investment	4,871,548	4,856,615
Mortgage loans held for sale	55,758	40,828
Total loans	$4,927,306	$4,897,443

Loans from business combinations included in the table above include certain loans that had evidence of deterioration in credit quality since origination and for which it was probable, at acquisition, that all contractually required payments would not be collected.

The following table displays the outstanding unpaid principal balance, accrued interest receivable and accrual status of loans acquired with credit impairment as of March 31, 2015 and 2014:

As of March 31,	2015	2014
Outstanding balance	$32,445	$—
Carrying value		
Loans on accrual status	23,909	—
Loans on non-accrual status	—	—
Total carrying value	$23,909	$—

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

The following table summarizes changes in the accretable yield for loans acquired credit impaired for the three months ended March 31, 2015 and 2014:

Three Months Ended March 31,	2015	2014
Beginning balance	$5,781	$—
Accretion income	(548)	—
Reductions due to exit events	(396)	—
Reclassifications from (to) nonaccretable differences	2,143	—
Ending balance	$6,980	$—

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. The following tables present the contractual aging of the Company's recorded investment in past due loans by class as of the dates indicated:

As of March 31, 2015	30 - 59 Days Past Due	60 - 89 Days Past Due	> 90 Days Past Due	Total Loans 30 or More Days Past Due	Current Loans	Non-accrual Loans	Total Loans
Real estate							
Commercial	$17,049	$550	$859	$18,458	$1,622,470	$29,901	$1,670,829
Construction:							
Land acquisition & development	4,756	207	45	5,008	195,864	8,161	209,033
Residential	500	—	325	825	100,520	344	101,689
Commercial	165	—	—	165	92,134	3,284	95,583
Total construction loans	5,421	207	370	5,998	388,518	11,789	406,305
Residential	3,876	830	2,363	7,069	986,670	3,384	997,123
Agricultural	2,630	—	883	3,513	146,498	6,723	156,734
Total real estate loans	28,976	1,587	4,475	35,038	3,144,156	51,797	3,230,991
Consumer:							
Indirect consumer	2,460	336	9	2,805	563,049	371	566,225
Other consumer	659	51	1	711	139,378	440	140,529
Credit card	312	207	322	841	60,853	14	61,708
Total consumer loans	3,431	594	332	4,357	763,280	825	768,462
Commercial	4,049	567	388	5,004	728,564	20,581	754,149
Agricultural	1,508	32	—	1,540	115,291	738	117,569
Other, including overdrafts	—	—	2	2	375	—	377
Loans held for investment	37,964	2,780	5,197	45,941	4,751,666	73,941	4,871,548
Mortgage loans originated for sale	—	—	—	—	55,758	—	55,758
Total loans	$37,964	$2,780	$5,197	$45,941	$4,807,424	$73,941	$4,927,306

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As of December 31, 2014	30 - 59 Days Past Due	60 - 89 Days Past Due	> 90 Days Past Due	Total Loans 30 or More Days Past Due	Current Loans	Non-accrual Loans	Total Loans
Real estate							
Commercial	$4,692	$1,609	$331	$6,632	$1,605,421	$27,369	$1,639,422
Construction:							
Land acquisition & development	839	383	—	1,222	210,969	8,252	220,443
Residential	—	475	—	475	95,833	272	96,580
Commercial	100	—	—	100	98,582	2,564	101,246
Total construction loans	939	858	—	1,797	405,384	11,088	418,269
Residential	6,969	645	1,762	9,376	987,735	2,792	999,903
Agricultural	1,624	236	—	1,860	158,957	6,842	167,659
Total real estate loans	14,224	3,348	2,093	19,665	3,157,497	48,091	3,225,253
Consumer:							
Indirect consumer	3,235	482	6	3,723	548,757	383	552,863
Other consumer	988	140	32	1,160	142,432	549	144,141
Credit card	369	284	315	968	64,484	15	65,467
Total consumer loans	4,592	906	353	5,851	755,673	947	762,471
Commercial	3,659	994	147	4,800	722,575	12,698	740,073
Agricultural	1,125	—	—	1,125	123,288	446	124,859
Other, including overdrafts	—	—	—	—	3,959	—	3,959
Loans held for investment	23,600	5,248	2,593	31,441	4,762,992	62,182	4,856,615
Mortgage loans originated for sale	—	—	—	—	40,828	—	40,828
Total loans	$23,600	$5,248	$2,593	$31,441	$4,803,820	$62,182	$4,897,443

Acquired loans that met the criteria for nonaccrual of interest prior to the acquisition were considered performing upon acquisition. If interest on non-accrual loans had been accrued, such income would have been approximately $832 and $1,121 for the three months ended March 31, 2015 and 2014, respectively.

The Company considers impaired loans to include all loans, except consumer loans, that are risk rated as doubtful, or have been placed on non-accrual status or renegotiated in troubled debt restructurings. The following tables present information on the Company's recorded investment in impaired loans as of dates indicated:

As of March 31, 2015	Unpaid Total Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance
Real estate:					
Commercial	$40,258	$33,591	$4,748	$38,339	$1,641
Construction:					
Land acquisition & development	12,400	6,854	1,882	8,736	569
Residential	387	344	—	344	—
Commercial	3,447	250	3,165	3,415	902
Total construction loans	16,234	7,448	5,047	12,495	1,471
Residential	3,495	3,230	154	3,384	127
Agricultural	8,562	7,949	613	8,562	719
Total real estate loans	68,549	52,218	10,562	62,780	3,958
Commercial	23,570	10,486	10,706	21,192	2,905
Agricultural	1,113	326	735	1,061	605
Total	$93,232	$63,030	$22,003	$85,033	$7,468

As of December 31, 2014	Unpaid Total Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance
Real estate:					
Commercial	$41,603	$28,143	$11,246	$39,389	$1,608
Construction:					
Land acquisition & development	12,511	7,262	1,615	8,877	574
Residential	459	272	—	272	—
Commercial	2,729	253	2,442	2,695	904
Total construction loans	15,699	7,787	4,057	11,844	1,478
Residential	2,959	2,452	341	2,793	143
Agricultural	8,844	6,444	2,305	8,749	732
Total real estate loans	69,105	44,826	17,949	62,775	3,961
Commercial	16,904	11,882	2,644	14,526	1,190
Agricultural	1,231	342	837	1,179	641
Total	$87,240	$57,050	$21,430	$78,480	$5,792

The following table presents the average recorded investment in and income recognized on impaired loans for the periods indicated:

	Three Months Ended March 31,			
	2015		2014	
	Average Recorded Investment	Income Recognized	Average Recorded Investment	Income Recognized
Real estate:				
Commercial	$42,077	$150	$62,312	$216
Construction:				
Land acquisition & development	8,930	10	15,553	11
Residential	308	—	1,320	—
Commercial	3,055	2	360	2
Total construction loans	12,293	12	17,233	13
Residential	3,127	1	6,128	2
Agricultural	8,655	22	9,233	4
Total real estate loans	66,152	185	94,906	235
Commercial	17,533	8	14,268	14
Agricultural	914	5	288	6
Total	$84,599	$198	$109,462	$255

The amount of interest income recognized by the Company within the period that the loans were impaired was primarily related to loans modified in a troubled debt restructuring that remained on accrual status. Interest payments received on non-accrual impaired loans are applied to principal. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. If interest on impaired loans had been accrued, interest income on impaired loans would have been approximately $1,035 and $1,111 for the three months ended March 31, 2015 and 2014, respectively.

Collateralized impaired loans are generally recorded at the fair value of the underlying collateral using discounted cash flows, independent appraisals and management estimates based upon current market conditions. For loans measured under the present value of cash flows method, the change in present value attributable to the passage of time, if applicable, is recognized in the provision for loan losses and thus no interest income is recognized.

Modifications of performing loans are made in the ordinary course of business and are completed on a case-by-case basis as negotiated with the borrower. Loan modifications typically include interest rate concessions, interest only periods of less than twelve months, short-term payment deferrals and extension of amortization periods to provide payment relief. A loan modification is considered a troubled debt restructuring if the borrower is experiencing financial difficulties and the Company, for economic or legal reasons, grants a concession to the borrower that it would not otherwise consider. Certain troubled debt restructurings are on non-accrual status at the time of restructuring and are typically returned to accrual status after considering the borrower's sustained repayment performance in accordance with the restructuring agreement for a period of at least six months and management is reasonably assured of future performance. If the troubled debt restructuring meets these performance criteria and the interest rate granted at the modification is equal to or greater than the rate that the Company was willing to accept at the time of the restructuring for a new loan with comparable risk, then the loan will return to performing status and the

accrual of interest will resume.

The Company had loans renegotiated in troubled debt restructurings of $39,645 as of March 31, 2015, of which $23,575 were included in non-accrual loans and $16,070 were on accrual status. The Company had loans renegotiated in troubled debt restructurings of $44,227 as of December 31, 2014, of which $23,275 were included in non-accrual loans and $20,952 were on accrual status.

The following table presents information on the Company's troubled debt restructurings that occurred during the three months ended March 31, 2015:

		Type of Concession				Principal
Three Months Ended March 31, 2015	Number of Notes	Interest only period	Extension of terms or maturity	Interest rate adjustment	Other (1)	Balance at Restructure Date
Commercial	1	$—	$10	$—	$—	$10
Total loans restructured during period	1	$—	$10	$—	$—	$10

(1) Other includes concessions that reduce or defer payments for a specified period of time and/or do not fit into other designated categories.

For troubled debt restructurings that were on non-accrual status or otherwise deemed impaired before the modification, a specific reserve may already be recorded. In periods subsequent to modification, the Company continues to evaluate all troubled debt restructurings for possible impairment and recognizes impairment through the allowance. Additionally these loans continue to work their way through the credit cycle through charge-off, pay-off or foreclosure. Financial effects of modifications of troubled debt restructurings may include principal loan forgiveness or other charge-offs directly related to the restructuring. The Company had no charge-offs directly related to modifying troubled debt restructurings during the three months ended March 31, 2015 or 2014.

The following table presents information on the Company's troubled debt restructurings during the previous 12 months for which there was a payment default during the periods indicated. The Company considers a payment default to occur on troubled debt restructurings when the loan is 90 days or more past due or was placed on non-accrual status after the modification.

	Three Months Ended March 31, 2015	
	Number of Notes	Balance
Commercial Real Estate	1	$1,822

At March 31, 2015, there were no material commitments to lend additional funds to borrowers whose existing loans have been renegotiated or are classified as non-accrual.

As part of the on-going and continuous monitoring of the credit quality of the Company’s loan portfolio, management tracks internally assigned risk classifications of loans. The Company adheres to a Uniform Classification System developed jointly by the various bank regulatory agencies to internally risk rate loans. The Uniform Classification System defines three broad categories of criticized assets, which the Company uses as credit quality indicators:

Other Assets Especially Mentioned — includes loans that exhibit weaknesses in financial condition, loan structure or documentation, which if not promptly corrected, may lead to the development of abnormal risk elements.

Substandard — includes loans that are inadequately protected by the current sound worth and paying capacity of the borrower. Although the primary source of repayment for a Substandard loan is not currently sufficient; collateral or other sources of repayment are sufficient to satisfy the debt. Continuance of a Substandard loan is not warranted unless positive steps are taken to improve the worthiness of the credit.

Doubtful — includes loans that exhibit pronounced weaknesses to a point where collection or liquidation in full, on the basis of currently existing facts, conditions and values, is highly questionable and improbable. Doubtful loans are required to be placed on non-accrual status and are assigned specific loss exposure.

Company management undertakes the same process for assigning risk ratings to acquired loans as it does for originated loans. Acquired loans rated as substandard or lower or that were on non-accrual status or designated as troubled debt restructurings at the time of acquisition are deemed to be acquired credit impaired loans accounted for under ASC Topic 310-30, regardless of whether they are classified as performing or non-performing loans.

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The following tables present the Company's recorded investment in criticized loans by class and credit quality indicator based on the most recent analysis performed as of the dates indicated:

As of March 31, 2015	Other Assets Especially Mentioned	Substandard	Doubtful	Total Criticized Loans
Real estate:				
Commercial	$76,271	$82,814	$12,896	$171,981
Construction:				
Land acquisition & development	10,929	14,475	2,417	27,821
Residential	1,245	2,797	—	4,042
Commercial	—	249	3,164	3,413
Total construction loans	12,174	17,521	5,581	35,276
Residential	9,374	8,381	1,027	18,782
Agricultural	10,094	14,712	613	25,419
Total real estate loans	107,913	123,428	20,117	251,458
Consumer:				
Indirect consumer	832	1,415	179	2,426
Other consumer	538	877	389	1,804
Credit card	—	416	1,179	1,595
Total consumer loans	1,370	2,708	1,747	5,825
Commercial	28,390	24,008	14,877	67,275
Agricultural	2,819	6,743	735	10,297
Total	$140,492	$156,887	$37,476	$334,855

As of December 31, 2014	Other Assets Especially Mentioned	Substandard	Doubtful	Total Criticized Loans
Real estate:				
Commercial	$84,533	$83,448	$15,246	$183,227
Construction:				
Land acquisition & development	11,826	15,016	2,507	29,349
Residential	2,029	2,666	—	4,695
Commercial	39	253	2,442	2,734
Total construction loans	13,894	17,935	4,949	36,778
Residential	10,473	10,848	1,121	22,442
Agricultural	10,122	12,328	612	23,062
Total real estate loans	119,022	124,559	21,928	265,509
Consumer:				
Indirect consumer	916	1,590	121	2,627
Other consumer	553	1,085	432	2,070
Credit card	—	348	1,263	1,611
Total consumer loans	1,469	3,023	1,816	6,308
Commercial	25,766	32,433	10,273	68,472
Agricultural	7,827	3,660	837	12,324
Total	$154,084	$163,675	$34,854	$352,613

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The Company maintains a credit review function, which is independent of the credit approval process, to assess assigned internal risk classifications and monitor compliance with internal lending policies and procedures. Written action plans with firm target dates for resolution of identified problems are maintained and reviewed on a quarterly basis for all categories of criticized loans.

(5) Allowance for Loan Losses

The following tables present a summary of changes in the allowance for loan losses by portfolio segment for the periods indicated.

Three Months Ended March 31, 2015	Real Estate	Consumer	Commercial	Agriculture	Other	Total
Allowance for loan losses:						
Beginning balance	$53,884	$5,035	$14,307	$974	$—	$74,200
Provision charged to operating expense	(1,031)	1,125	993	8	—	1,095
Less loans charged-off	(186)	(1,301)	(374)	—	—	(1,861)
Add back recoveries of loans previously charged-off	992	640	270	—	—	1,902
Ending balance	$53,659	$5,499	$15,196	$982	$—	$75,336
Loans individually evaluated for impairment	$3,958	$—	$2,905	$605	$—	$7,468
Loans collectively evaluated for impairment	49,701	5,499	12,291	377	—	67,868
Allowance for loan losses	$53,659	$5,499	$15,196	$982	$—	$75,336
Total loans:						
Individually evaluated for impairment	$62,780	$—	$21,192	$1,061	$—	$85,033
Collectively evaluated for impairment	3,223,969	768,462	732,957	116,508	377	4,842,273
Total loans	$3,286,749	$768,462	$754,149	$117,569	$377	$4,927,306

Three Months Ended March 31, 2014	Real Estate	Consumer	Commercial	Agriculture	Other	Total
Allowance for loan losses:						
Beginning balance	$63,923	$6,193	$14,747	$476	$—	$85,339
Provision charged to operating expense	(3,375)	(578)	(1,072)	25	—	(5,000)
Less loans charged-off	(1,085)	(846)	(796)	(64)	—	(2,791)
Add back recoveries of loans previously charged-off	367	608	2,822	26	—	3,823
Ending balance	$59,830	$5,377	$15,701	$463	$—	$81,371
Allowance for loan losses:						
Loans individually evaluated for impairment	$5,952	$—	$1,458	$84	$—	$7,494
Loans collectively evaluated for impairment	53,878	5,377	14,243	379	—	73,877
Allowance for loan losses	$59,830	$5,377	$15,701	$463	$—	$81,371
Total loans:						
Individually evaluated for impairment	$86,772	$—	$14,464	$693	$—	$101,929
Collectively evaluated for impairment	2,788,421	670,406	692,773	107,683	3,626	4,262,909

Total loans	$2,875,193	$670,406	$707,237	$108,376	$3,626	$4,364,838

The Company performs a quarterly assessment of the adequacy of its allowance for loan losses in accordance with generally accepted accounting principles. The methodology used to assess the adequacy is consistently applied to the Company's loan portfolio and consists of three elements: (1) specific valuation allowances based on probable losses on impaired loans; (2) historical valuation allowances based on loan loss experience for similar loans with similar characteristics and trends; and (3) general valuation allowances determined based on changes in the nature of the loan portfolio, overall portfolio quality, industry concentrations, delinquency trends, general economic conditions and other qualitative risk factors both internal and external to the Company.

Specific allowances are established for loans where management has determined that probability of a loss exists by analyzing the borrower's ability to repay amounts owed, collateral deficiencies and any relevant qualitative or economic factors impacting the loan. Historical valuation allowances are determined by applying percentage loss factors to the credit exposures from outstanding loans. For commercial, agricultural and real estate loans, loss factors are applied based on the internal risk classifications of these loans. For consumer loans, loss factors are applied on a portfolio basis. For commercial, agriculture and real estate loans, loss factor percentages are based on a migration analysis of our historical loss experience, designed to account for credit deterioration. For consumer loans, loss factor percentages are based on a one-year loss history. General valuation allowances are determined by evaluating, on a quarterly basis, changes in the nature and volume of the loan portfolio, overall portfolio quality, industry concentrations, current economic and regulatory conditions and the estimated impact of these factors on historical loss rates.

An allowance for loan losses is established for loans acquired credit impaired and for which the Company projects a decrease in the expected cash flows in periods subsequent to the acquisition of such loans. As of March 31, 2015, the Company's allowance for loan losses included $117 related to acquired credit impaired loans.

(6) Other Real Estate Owned

Information with respect to the Company's other real estate owned follows:

	Three Months Ended March 31,	
	2015	2014
Beginning balance	$13,554	$15,504
Additions	3,257	3,415
Valuation adjustments	(106)	—
Dispositions	(1,571)	(2,325)
Ending balance	$15,134	$16,594

Foreclosed residential real estate properties of $4,686 were included in other real estate owned as of March 31, 2015. No consumer mortgage loans collateralized by residential real estate property were in the process of foreclosure as of March 31, 2015.

(7) Long-Term Debt

On January 29, 2015, the Company borrowed $4,960 on a 2.78% note payable maturing July 29, 2022, with interest payable monthly and principal due at maturity. The note is collateralized by the Company's equity interest in Universal Sub CDE, LLC, a community development entity owned 99.9% by the Company.

(8) Capital Stock

The Company had 21,596,056 shares of Class A common stock and 23,833,412 shares of Class B common stock outstanding as of March 31, 2015. The Company had 21,928,932 shares of Class A common stock and 23,859,483 shares of Class B common stock outstanding as of December 31, 2014.

During the three months ended March 31, 2015, the Company repurchased and retired 565,875 shares of its Class A common stock in open market transactions at an aggregate purchase price of $14,674. During the three months ended March 31, 2014, the Company repurchased and retired 100,355 shares of its Class A common stock in a privately negotiated transaction at an aggregate purchase price of $2,538. The repurchases were made pursuant to stock repurchase programs approved by the Company's Board of Directors. Under the terms of the current stock repurchase program, the Company may repurchase up to an additional 434,125 shares of its Class A common stock. All other stock repurchases during the three months ended March 31, 2015 and 2014 were redemptions of vested restricted shares tendered in lieu of cash for payment of income tax withholding amounts by participants of the Company's 2006 Equity Compensation Plan.

On April 3, 2015, the Company filed a Registration Statement on Form S-8 to register an additional 2,000,000 shares of Class A common stock to be issued pursuant to the Company's 2015 Equity and Incentive Plan.

(9) Earnings per Common Share

Basic earnings per common share is calculated by dividing net income by the weighted average number of common shares outstanding during the period presented, excluding unvested restricted stock. Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares determined for the basic earnings per share computation plus the dilutive effects of stock-based compensation using the treasury stock method.

The following table sets forth the computation of basic and diluted earnings per share for the three month periods ended March 31, 2015 and 2014.

	Three Months Ended March 31,	
	2015	2014
Net income	$20,980	$21,393
Weighted average common shares outstanding for basic earnings per share computation	45,378,230	43,997,815
Dilutive effects of stock-based compensation	461,961	622,961
Weighted average common shares outstanding for diluted earnings per common share computation	45,840,191	44,620,776
Basic earnings per common share	$0.46	$0.49
Diluted earnings per common share	$0.46	$0.48

The Company had 166,770 and 111,417 shares of unvested restricted stock as of March 31, 2015 and 2014, respectively, that were not included in the computation of diluted earnings per common share because performance conditions for vesting had not been met. In addition, the Company had 5,000 stock options outstanding as of March 31, 2015, that were not included in the computation of diluted earnings per common share because their effect would be anti-dilutive. The Company had no anti-dilutive stock options outstanding as of March 31, 2014.

(10) Regulatory Capital

On July 2, 2013, the Board of Governors of the Federal Reserve Bank issued a final rule implementing a revised regulatory capital framework for U.S. banks in accordance with the Basel III international accord and satisfying

related mandates under the Dodd-Frank Wall Street Reform and Consumer Protection Act . The revised regulatory capital framework ("Basel III ") includes a more stringent definition of capital and introduces a new common equity tier 1, or CET1, capital requirement, sets forth a comprehensive methodology for calculating risk-weighted assets, introduces a conservation buffer and sets out minimum capital ratios and overall capital adequacy standards. As a banking organization subject to the standardized approach, Basel III became effective for us on January 1, 2015. Certain deductions and adjustments to regulatory capital phase in starting January 1, 2015 and will be fully implemented on January 1, 2018. The capital conservation buffer phases in beginning January 1, 2016 and will be fully implemented on January 1, 2019.

CET1 capital predominantly includes common shareholders' equity, less certain deductions for goodwill, intangible assets and deferred tax assets that arise from net operating losses and tax credit carry-forwards. We have elected to permanently exclude capital in accumulated other comprehensive income related to debt and equity securities classified as available-for-sale as well as for defined benefit post-retirement plans from CET1. Certain deductions and adjustments to CET1 capital, tier 1 capital and tier 2 capital are subject to phase-in through December 31, 2017.

As of March 31, 2015 and December 31, 2014, the Company exceeded all capital adequacy requirements to which it is subject. Actual capital amounts and ratios for the Company and its bank subsidiary, as of March 31, 2015 and December 31, 2014 are presented in the following tables:

	Actual			Adequately Capitalized			Well Capitalized (1)		
	Amount	Ratio		Amount	Ratio		Amount	Ratio	
March 31, 2015									
Total risk-based capital:									
Consolidated	$905,774	15.4	%	$469,512	8.0	%	$586,889	10.0	%
FIB	849,715	14.5	%	467,636	8.0	%	584,546	10.0	%
Tier 1 risk-based capital:									
Consolidated	738,388	13.9	%	352,134	6.0	%	469,513	8.0	%
FIB	770,619	13.2	%	350,727	6.0	%	467,636	8.0	%
Common equity tier 1 risk-based capital:									
Consolidated	738,388	12.6	%	264,100	4.5	%	381,478	6.5	%
FIB	770,619	13.2	%	263,046	4.5	%	379,955	6.5	%
Leverage capital ratio:									
Consolidated	738,388	9.7	%	336,536	4.0	%	420,670	5.0	%
FIB	770,619	9.3	%	331,521	4.0	%	414,402	5.0	%

	Actual			Adequately Capitalized			Well Capitalized (1)		
	Amount	Ratio		Amount	Ratio		Amount	Ratio	
December 31, 2014									
Total risk-based capital:									
Consolidated	$897,769	16.2	%	$444,685	8.0	%	$555,856	10.0	%
FIB	832,907	15.1		442,468	8.0		553,085	10.0	
Tier 1 risk-based capital:									
Consolidated	807,229	14.5		222,343	4.0		333,514	6.0	
FIB	754,708	13.7		221,234	4.0		331,851	6.0	
Leverage capital ratio:									
Consolidated	807,229	9.6		335,897	4.0		419,871	5.0	
FIB	754,708	9.2		330,006	4.0		412,507	5.0	

(1) The ratios for the well-capitalized requirement are only applicable to FIB. However, the Company manages its capital position as if the requirement applies to the consolidated entity and has presented the ratios as if they also applied on a consolidated basis.

(11) Commitments and Contingencies

Legal Proceedings. First Interstate Bank ("the Bank"), a wholly owned banking subsidiary of the Company, was a defendant in a lender liability lawsuit , Kelly Logging Inc. v. First Interstate Bank ("the case"). The case was tried in August 2014 in the Montana Fourth Judicial District, Missoula County in Missoula, Montana ("the court"). On August, 2014, a jury awarded damages to Kelly Logging of $17,047, which included $287 in compensatory damages and $16,760 in punitive damages. On October 1, 2014, a non-final judgment was entered in this matter in the amount of $17,047 plus reasonable attorney fees and interest, subject to the court's mandatory review of the jury's punitive damages award and rulings on pending post-trial motions. On April 21, 2015, the court ruled on the post-trial motions and issued an order upholding the jury's punitive damage award. The order also awarded plaintiff attorney's fees of $7,500 and costs of $91, for a final judgment amount of $24,638 plus interest.

The Company believes it has meritorious grounds for appeal of the final judgment and intends to appeal to the Montana Supreme Court to set aside or substantially reduce the punitive damages award and grant the Bank a new trial. In recent appellate cases, the Montana Supreme Court has reduced excessive punitive damage awards to comply with the upper limit of the federal due process guidelines, or to an amount equal to less than ten times the compensatory damages awarded, in even the most egregious cases. Although the Company believes it has meritorious defenses and appellate issues for this litigation, these proceedings are subject to many uncertainties and, given their complexity and scope, the final outcome cannot be predicted and could have a material adverse effect on the consolidated financial condition, results of operations or liquidity of the Company. During third quarter 2014, the Company accrued $4,000 of litigation-related expense, which takes into consideration the federal due process guidelines related to punitive damage awards and the plaintiff's attorneys fees.

In the normal course of business, the Company is involved in various other claims and litigation. In the opinion of management, following consultation with legal counsel, the ultimate liability or disposition thereof of all other claims and litigation is not expected to have a material adverse effect on the consolidated financial condition, results of operations or liquidity of the Company.

Other Commitments. As of March 31, 2015, the Company had commitments under construction agreements of $2,997.

(12) Financial Instruments with Off-Balance Sheet Risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the commitment contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. At March 31, 2015, commitments to extend credit to existing and new borrowers approximated $1,495,739, which included $501,302 on unused credit card lines and $366,214 with commitment maturities beyond one year.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. At March 31, 2015, the Company had outstanding standby letters of credit of $59,119. The

estimated fair value of the obligation undertaken by the Company in issuing the standby letters of credit is included in other liabilities in the Company's consolidated balance sheet.

(13) Supplemental Disclosures to Consolidated Statement of Cash Flows

The Company transferred loans of $3,257 and $3,415 to OREO during the three months ended March 31, 2015 and 2014, respectively.

The Company transferred internally originated mortgage servicing rights of $659 and $483 from loans to mortgage servicing assets during the three months ended March 31, 2015 and 2014, respectively.

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(14) Other Comprehensive Income/Loss

The gross amounts of each component of other comprehensive income (loss) and the related tax effects are as follows:

	Pre-tax		Tax Expense (Benefit)		Net of Tax	
Three Months Ended March 31,	2015	2014	2015	2014	2015	2014
Investment securities available-for sale:						
Change in net unrealized gains/losses during period	$10,608	$14,351	$4,174	$5,647	$6,434	$8,704
Reclassification adjustment for net gains included in net income	(6)	(71)	(2)	(28)	(4)	(43)
Change in unamortized loss on available-for-sale securities transferred into held-to-maturity	451	—	177	—	274	—
Defined benefits post-retirement benefit plan:						
Change in net actuarial loss	15	35	6	14	9	21
Total other comprehensive income	$11,068	$14,315	$4,355	$5,633	$6,713	$8,682

The components of accumulated other comprehensive loss, net of income tax benefits, are as follows:

	March 31, 2015	December 31, 2014
Net unrealized gain (loss) on investment securities available-for-sale	$4,583	$(2,121)
Net actuarial loss on defined benefit post-retirement benefit plans	(404)	(413)
Net accumulated other comprehensive gain (loss)	$4,179	$(2,534)

(15) Fair Value Measurements

Financial assets and financial liabilities measured at fair value on a recurring basis are as follows:

		Fair Value Measurements at Reporting Date Using		
As of March 31, 2015	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities available-for-sale:				
Obligations of U.S. government agencies	$769,455	$ —	$769,455	$ —
U.S. agencies mortgage-backed securities & collateralized mortgage obligations	1,007,300	—	1,007,300	—
Private mortgage-backed securities	302	—	302	—

		Fair Value Measurements at Reporting Date Using		
As of December 31, 2014	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)

Investment securities available-for-sale:				
Obligations of U.S. government agencies	$720,933	$ —	$720,933	$ —
U.S. agencies mortgage-backed securities & collateralized mortgage obligations	990,666	—	990,666	—
Private mortgage-backed securities	325	—	325	—

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There were no changes in valuation methodologies or transfers between levels of the fair value hierarchy during the three months ended March 31, 2015 or 2014.

The methodologies used by the Company in determining the fair values of each class of financial instruments are based primarily on the use of independent, market-based data to reflect a value that would be reasonably expected in an orderly transaction between market participants at the measurement date. The Company obtains fair value measurements for investment securities from an independent pricing service and evaluates mortgage servicing rights for impairment using an independent valuation service. The vendors chosen by the Company are widely recognized vendors whose evaluations support the pricing functions of financial institutions, investment and mutual funds, and portfolio managers. The Company has documented and evaluated the pricing methodologies used by the vendors and maintains internal processes that regularly test valuations. These internal processes include obtaining and reviewing available reports on internal controls, evaluating the prices for reasonableness given market changes, obtaining and evaluating the inputs used in the model for a sample of securities, investigating anomalies and confirming determinations through discussions with the vendor. For investment securities, if needed, a broker may be utilized to determine the reported fair value. Further details on the methods used to estimate the fair value of each class of financial instruments above are discussed below.

Investment Securities Available-for-Sale. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the investment's terms and conditions, among other things.

Mortgage Servicing Rights. Mortgage servicing rights are initially recorded at fair value based on comparable market quotes and are amortized in proportion to and over the period of estimated net servicing income. Mortgage servicing rights are evaluated quarterly for impairment using an independent valuation service. The valuation service utilizes discounted cash flow modeling techniques, which consider observable data that includes market consensus prepayment speeds and the predominant risk characteristics of the underlying loans including loan type, note rate and loan term. Management believes the significant inputs utilized in the valuation model are observable in the market.

Additionally, from time to time, certain assets are measured at fair value on a non-recurring basis. Adjustments to fair value generally result from the application of lower-of-cost-or-market accounting or write-downs of individual assets due to impairment.

The following table presents information about the Company’s assets and liabilities measured at fair value on a non-recurring basis.

		Fair Value Measurements at Reporting Date Using		
As of March 31, 2015	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$35,098	$ —	$ —	$35,098
Other real estate owned	6,499	—	—	6,499
Long-lived assets to be disposed of by sale	1,083	—	—	1,083

As of December 31, 2014	Balance	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$30,494	$ —	$ —	$30,494
Other real estate owned	4,554	—	—	4,554
Long-lived assets to be disposed of by sale	1,083	—	—	1,083

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Impaired Loans. Collateralized impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from collateral. The impaired loans are reported at fair value through specific valuation allowance allocations. In addition, when it is determined that the fair value of an impaired loan is less than the recorded investment in the loan, the carrying value of the loan is adjusted to fair value through a charge to the allowance for loan losses. Collateral values are estimated using independent appraisals and management estimates of current market conditions. As of March 31, 2015, certain impaired loans with a carrying value of $50,765 were reduced by specific valuation allowance allocations of $7,468 and partial loan charge-offs of $8,199 resulting in a reported fair value of $35,098. As of December 31, 2014, certain impaired loans with a carrying value of $45,046 were reduced by specific valuation allowance allocations of $5,792 and partial loan charge-offs of $8,760 resulting in a reported fair value of $30,494.

OREO.The fair values of OREO are estimated using independent appraisals and management estimates of current market conditions. Upon initial recognition, write-downs based on the foreclosed asset's fair value at foreclosure are reported through charges to the allowance for loan losses. Periodically, the fair value of foreclosed assets is remeasured with any subsequent write-downs charged to OREO expense in the period in which they are identified. Write-downs of $106 during the three months ended March 31, 2015 were based on management's estimate of the current fair value of the properties. No write-downs were recorded during the three months ended March 31, 2014.

Long-lived Assets to be Disposed of by Sale. Long-lived assets to be disposed of by sale are carried at the lower of carrying value or fair value less estimated costs to sell. The fair values of long-lived assets to be disposed of by sale are based upon observable market data and management estimates of current market conditions. As of March 31, 2015 and December 31, 2014, the Company had long-lived assets to be disposed of by sale with carrying values aggregating $1,785 that were reduced by write-downs of $702 resulting in an aggregate fair value of $1,083.

In addition, mortgage loans held for sale are required to be measured at the lower of cost or fair value. The fair value of mortgage loans held for sale is based upon binding contracts or quotes or bids from third party investors. As of March 31, 2015 and December 31, 2014, all mortgage loans held for sale were recorded at cost.

The following table presents additional quantitative information about assets measured at fair value on a non-recurring basis and for which the Company has utilized Level 3 inputs to determine fair values:

As of March 31, 2015	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Impaired loans	$35,098	Appraisal	Appraisal adjustment	0% - 51% (19%)
Other real estate owned	6,499	Appraisal	Appraisal adjustment	0% - 50% (15%)
Long-lived assets to be disposed of by sale	1,083	Appraisal	Appraisal adjustment	0% - 9% (5%)

As of December 31, 2014	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Impaired loans	$30,494	Appraisal	Appraisal adjustment	0% - 51% (19%)
Other real estate owned	4,554	Appraisal	Appraisal adjustment	0% - 50% (15%)
Long-lived assets to be disposed of by sale	1,083	Appraisal	Appraisal adjustment	0% - 9% (5%)

The Company is required to disclose the fair value of financial instruments for which it is practical to estimate fair value. The methodologies for estimating the fair value of financial instruments that are measured at fair value on a

recurring or non-recurring basis are discussed above. The methodologies for estimating the fair value of other financial instruments are discussed below. For financial instruments bearing a variable interest rate where no credit risk exists, it is presumed that recorded book values are reasonable estimates of fair value.

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Financial Assets. Carrying values of cash, cash equivalents and accrued interest receivable approximate fair values due to the liquid and/or short-term nature of these instruments. Fair values for investment securities held-to-maturity are obtained from an independent pricing service, which considers observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the investment's terms and conditions, among other things. Fair values of fixed rate loans and variable rate loans that reprice on an infrequent basis are estimated by discounting future cash flows using current interest rates at which similar loans with similar terms would be made to borrowers of similar credit quality. Carrying values of variable rate loans that reprice frequently, and with no change in credit risk, approximate the fair values of these instruments.

Financial Liabilities. The fair values of demand deposits, savings accounts, securities sold under repurchase agreements and accrued interest payable are the amounts payable on demand at the reporting date. The fair values of fixed-maturity certificates of deposit are estimated using external market rates currently offered for deposits with similar remaining maturities. The carrying values of the interest bearing demand notes to the United States Treasury are deemed an approximation of fair values due to the frequent repayment and repricing at market rates. The fixed and floating rate subordinated debentures, floating rate subordinated term loan, notes payable to the FHLB, fixed rate subordinated term debt, and capital lease obligation are estimated by discounting future cash flows using current rates for advances with similar characteristics.

Commitments to Extend Credit and Standby Letters of Credit. The fair value of commitments to extend credit and standby letters of credit, based on fees currently charged to enter into similar agreements, is not significant.

The estimated fair values of financial instruments that are reported in the Company's consolidated balance sheets, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value, are as follows:

			Fair Value Measurements at Reporting Date Using		
As of March 31, 2015	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and cash equivalents	$637,803	$637,803	$637,803	$—	$—
Investment securities available-for-sale	1,777,057	1,777,057	—	1,777,057	—
Investment securities held-to-maturity	563,847	576,930	—	576,930	—
Accrued interest receivable	27,242	27,242	—	27,242	—
Mortgage servicing rights, net	14,093	26,639	—	26,639	—
Net loans	4,851,970	4,821,593	—	4,786,495	35,098
Total financial assets	$7,872,012	$7,867,264	$637,803	$7,194,363	$35,098
Financial liabilities:					

Total deposits, excluding time deposits	$5,763,553	$5,763,553	$—	$5,763,553	$—
Time deposits	1,205,025	1,211,057	—	1,211,057	—
Securities sold under repurchase agreements	462,073	462,073	—	462,073	—
Other borrowed funds	4	4	—	4	—
Accrued interest payable	5,113	5,113	—	5,113	—
Long-term debt	43,048	38,047	—	38,047	—
Subordinated debentures held by subsidiary trusts	82,477	75,679	—	75,679	—
Total financial liabilities	$7,561,293	$7,555,526	$—	$7,555,526	$—

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			Fair Value Measurements at Reporting Date Using		
As of December 31, 2014	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and cash equivalents	$798,670	$798,670	$798,670	$—	$—
Investment securities available-for-sale	1,711,924	1,711,924	—	1,711,924	—
Investment securities held-to-maturity	575,186	584,533	—	584,533	—
Accrued interest receivable	27,063	27,063	—	27,063	—
Mortgage servicing rights, net	14,038	21,434	—	21,434	—
Net loans	4,823,243	4,800,725	—	4,770,231	30,494
Total financial assets	$7,950,124	$7,944,349	$798,670	$7,115,185	$30,494
Financial liabilities:					
Total deposits, excluding time deposits	$5,767,992	$5,767,992	$5,767,992	$—	$—
Time deposits	1,238,220	1,244,324	—	1,244,324	—
Securities sold under repurchase agreements	502,250	502,250	—	502,250	—
Other borrowed funds	9	9	—	9	—
Accrued interest payable	5,833	5,833	—	5,833	—
Long-term debt	38,067	37,781	—	37,781	—
Subordinated debentures held by subsidiary trusts	82,477	75,734	—	75,734	—
Total financial liabilities	$7,634,848	$7,633,923	$5,767,992	$1,865,931	$—

(16) Recent Authoritative Accounting Guidance

ASU 2014-04 “Receivables-Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure.” The amendments in ASU 2014-04 clarify that an in-substance repossession or foreclosures occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (i) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (ii) the borrower conveying all interest in the residential real estate property to the creditor to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The amendments in ASU 2014-04 also require interim and annual disclosure of both (i) the amount of foreclosed residential real estate property held by the creditor and (ii) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. The Company adopted the amendments in ASU 2014-04 effective January 1, 2015 using a prospective transition method. Adoption of the amendments in ASU 2014-04 did not have a material impact on the Company’s consolidated financial statements, results of operations or liquidity.

ASU 2014-09 "Revenue from Contracts with Customers." The amendments in ASU 2014-09 introduce a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The amendments in ASU 2014-09 are effective for the Company for fiscal years beginning after December 15, 2016, including interim periods within that reporting period, and may be adopted retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initial adoption recognized at the date of initial application. The Company is currently evaluating the new guidance to determine the impact it will have on its consolidated financial statements, results of operations or liquidity.

ASU 2014-11 "Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures." The amendments in ASU 2014-11 expand secured borrowing treatment for certain repurchase agreements. Under the amendments in ASU 2014-11, repurchase-to-maturity transactions and repurchase agreements executed as repurchase financing transactions are required to be accounted for as secured borrowings. ASU 2014-11 requires additional disclosures about certain transactions accounted for as a sale in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets through an agreement with the same counterparty. ASU 2014-11 also requires disclosure of the types of collateral pledged and liabilities associated with an entity's repurchase agreements, securities lending transactions and repurchase-to-maturity transactions accounted for as secured borrowings. The Company adopted the amendments in ASU 2014-11 are effective January 1, 2015. The adoption did not have a material impact on the Company’s consolidated financial statements, results of operations or liquidity.

ASU 2014-12 "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period." ASU 2014-12 amends Accounting Standards Codification ("ASC") Topic 718, Compensation-Stock Compensation, to clarify that a performance target that affects the vesting of a share-based payment award and that could be achieved after the requisite service period should be treated as a performance condition that affects the vesting of the award. ASU 2014-12 further clarifies that the requisite service period ends when the employees can cease rendering service and still be eligible to vest in the award if the performance target is achieved. The amendments in ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. The amendments in ASU 2014-12 may be applied prospectively to all awards granted or modified after the effective date or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The amendments in ASU 2014-12 will not have a material impact on the Company’s consolidated financial statements, results of operations or liquidity.

ASU 2014-14 "Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure." ASU 2014-14 updates ASC Subtopic 310-40, Receivables-Troubled Debt Restructurings by Creditors, to require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if (i) the loan has a government guarantee that is not separable from the loan before foreclosure; (ii) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim; and, (iii) any amount of the claim that is determined on the basis of the fair value of the real estate is fixed at the time of foreclosure. ASU 2014-14 provides that, upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The Company adopted the amendments in ASU 2014-14 effective January 1, 2015, using a prospective transition method. Adoption of the amendments in ASU 2014-12 did not have a material impact on the Company’s consolidated financial statements, results of operations or liquidity.

ASU 2014-16 "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity." The amendments in ASU 2014-16 clarify that an entity should consider all relevant terms and features-including the embedded derivative feature being evaluated for bifurcation-in evaluating the nature of the host contract within a hybrid financial instrument. The amendments further clarify that no single term or feature would necessarily determine the economic characteristics and risk of the host contract. Rather, the nature of the host contract depends upon the economic characteristics and risk of the entire hybrid financial instrument. The amendments in ASU 2014-16 are effective for the Company for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The effects of initially adopting the amendments in ASU 2014-16

should be applied on a modified retrospective basis to existing hybrid financial instruments issued in the form of a share as of the beginning of the fiscal year for which the amendments are effective. Retrospective application is permitted to all relevant prior periods. The amendments in ASU 2014-16 will not have a material impact on the Company's consolidated financial statements, results of operations or liquidity.

ASU 2015-02 "Amendments to the Consolidation Analysis." The amendments in ASU 2015-02 (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidation analysis of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related party relationships, and (iv) provide scope exceptions from consolidation guidance for reporting entities with interest in legal entities that are required to comply or operate in accordance with requirements of the Investment Company Act of 1940 for registered market funds. The amendments in ASU 2015-02 are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted. The amendments in ASU 2015-02, which may be adopted using a retrospective or modified retrospective approach, will not have a material impact on the Company’s consolidated financial statements, results of operations or liquidity.

ASU 2015-03 "Simplifying the Presentation of Debt Issuance Costs." The amendments in ASU 2015-03 require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, rather than as a deferred charge. The amendments in ASU 2015-03 are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2015, and should be applied on a retrospective basis. The amendments in ASU 2015-03 will not have a material impact on the Company’s consolidated financial statements, results of operations or liquidity.

(17) Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through the date financial statements were filed with the Securities and Exchange Commission. On April 20, 2015, the Company declared a quarterly dividend to common shareholders of $0.20 per share, to be paid on May 15, 2015 to shareholders of record as of May 1, 2015.

See Note 11, Commitments and Contingencies, for information on subsequent events regarding legal proceedings.

No other events requiring recognition or disclosure were identified.

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Item 2.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2014, including the audited financial statements contained therein, filed with the Securities and Exchange Commission, or SEC.

When we refer to “we,” “our,” and “us” in this report, we mean First Interstate BancSystem, Inc. and our consolidated subsidiaries, unless the context indicates that we refer only to the parent company, First Interstate BancSystem, Inc.

Cautionary Note Regarding Forward-Looking Statements and Factors that Could Affect Future Results

“Forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended, and Rule 3b-6 promulgated thereunder, that involve inherent risks and uncertainties. Any statements about our plans, objectives, expectations, strategies, beliefs, or future performance or events constitute forward-looking statements. Such statements are identified as those that include words or phrases such as “believes,” “expects,” “anticipates,” “plans,” “trend,” “objective,” “continue” or similar expressions or future or conditional verbs such as “will,” “would,” “should,” “could “might,” “may” or similar expressions. Forward-looking statements involve known and unknown risks, uncertainties, assumptions, estimates and other important factors that could cause actual results to differ materially from any results, performance or events expressed or implied by such forward-looking statements. The following factors, among others, may cause actual results to differ materially from current expectations in the forward-looking statements, including those set forth in this report: continuing or worsening business and economic conditions, adverse economic conditions affecting Montana, Wyoming and western South Dakota, credit losses, lending risk, adequacy of the allowance for loan losses, impairment of goodwill, failure to manage growth, access to low-cost funding sources, changes in interest rates, dependence on the Company’s management team, ability to attract and retain qualified employees, governmental regulation and changes in regulatory, tax and accounting rules and interpretations, failure of technology, cyber-security, unfavorable resolution of pending litigation, inability to meet liquidity requirements, environmental remediation and other costs, ineffective internal operational controls, competition, reliance on external vendors, litigation pertaining to fiduciary responsibilities, failure to effectively implement technology-driven products and services, soundness of other financial institutions, inability of our bank subsidiary to pay dividends, implementation of new lines of business or new product or service offerings, change in dividend policy, volatility of Class A common stock, decline in market price of Class A common stock, dilution as a result of future equity issuances, uninsured nature of any investment in Class A common stock, voting control of Class B stockholders, anti-takeover provisions, controlled company status, and, subordination of common stock to Company debt.

A more detailed discussion of each of the foregoing risks is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, filed February 27, 2015. These factors and the other risk factors described in the Company's periodic and current reports filed with the SEC from time to time, however, are not necessarily all of the important factors that could cause the Company's actual results, performance or achievements to differ materially from those expressed in or implied by any of the Company's forward-looking statements. Other unknown or unpredictable factors also could harm the Company's results. Investors and others are encouraged to read the more detailed discussion of the Company's risks contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

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.

Executive Overview

We are a financial holding company headquartered in Billings, Montana. As of March 31, 2015, we had consolidated assets of $8,529 million, deposits of $6,968 million, loans of $4,927 million and total stockholders’ equity of $914 million. We currently operate 80 banking offices, including detached drive-up facilities, in 42 communities located in Montana, Wyoming and western South Dakota. Through our bank subsidiary, First Interstate Bank, or FIB, 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, tourism, agriculture, healthcare, professional services, education, governmental services, construction, mining, retail and wholesale trade.

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Our Business

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.

Recent Developments

On March 26, 2015, the Company entered into an agreement and plan of merger to acquire all of the outstanding stock of Absarokee Bancorporation, Inc., or Absarokee, a Montana-based bank holding company that operates one wholly-owned subsidiary bank, United Bank, with branches located in three Montana communities adjacent to the Company's existing market areas. As of March 31, 2015, Absarokee has total assets of approximately $74 million, net loans of approximately $37 million and deposits of approximately $64 million.

Under the terms of the agreement and plan of merger, the Company will pay cash consideration of approximately $7 million, subject to certain financial performance and other adjustments, the amount of which will be determined prior to the closing date of the transaction. The merger is expected to be completed during third quarter 2015. Subject to regulatory approval, the Company anticipates United Bank will be merged with and into the Company's existing banking subsidiary, FIB, immediately subsequent to the merger. For additional information regarding the acquisition, see “Note 2 – Acquisitions” in the accompanying “Notes to Unaudited Consolidated Financial Statements” included in this report.

On July 2, 2013, the Board of Governors of the Federal Reserve Bank issued a final rule implementing a revised regulatory capital framework for U.S. banks in accordance with the Basel III international accord. As a banking organization subject to the standardized approach, the revised regulatory capital framework, or Basel III, became effective for us on January 1, 2015. Basel III includes a more stringent definition of capital and introduces a new common equity tier 1, or CET1, capital requirement, sets forth a comprehensive methodology for calculating risk-weighted assets, introduces a conservation buffer and sets out minimum capital ratios and overall capital adequacy standards. Certain deductions and adjustments to regulatory capital phase in starting January 1, 2015 and will be fully implemented on January 1, 2018. The capital conservation buffer phases in beginning January 1, 2016 and will be fully implemented on January 1, 2019. As of March 31, 2015 and December 31, 2014, we had capital levels that, in all cases, exceeded the well-capitalized guidelines. For additional information regarding our capital levels, see "Capital Resources and Liquidity Management" included herein and “Note 10 – Regulatory Capital” in the accompanying “Notes to Unaudited Consolidated Financial Statements” included in this report.

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 each banking office. 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 volume and 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

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earned or paid on interest earning assets and interest bearing liabilities, which we refer to as 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 our 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. We evaluate our net interest income on factors that include the yields on our loans and other earning assets, the costs of our deposits and other funding sources, the levels of our net interest spread and net interest margin and the provisions for loan losses required to maintain our allowance for loan losses at an adequate level.

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 manage our non-interest expenses in consideration of growth opportunities 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 bank holding companies on factors that include return on average assets, return on average equity, total shareholder return and growth in 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 allowance for loan losses, 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 investment 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, the ratio of loans to deposits and any reliance on brokered certificates of deposit or other wholesale funding sources.

We seek to maintain a diverse and high quality loan portfolio and evaluate our asset quality on factors that include the allocation of our loans among loan types, credit exposure to any single borrower or industry type, non-performing assets as a percentage of total loans and OREO, and loan charge-offs as a percentage of average loans. We seek to maintain our allowance for loan losses at a level adequate to absorb probable 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 net interest rate margin in a changing interest rate environment, and we

evaluate our asset-liability management using 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 including leverage capital ratio, tier 1 risk-based capital ratio, total risk-based capital ratio, tangible common equity to tangible assets and tier 1 common capital to total risk-weighted assets.

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. The most significant accounting policies we follow are summarized in Note 1 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2014.

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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 provision for loan losses creates an allowance for loan losses known and inherent in the loan portfolio at each balance sheet date. The allowance for loan losses represents management’s estimate of probable credit losses inherent in the loan portfolio.

We perform a quarterly assessment of the risks inherent in our loan portfolio, as well as a detailed review of each significant loan with identified weaknesses. Based on this analysis, we record a provision for loan losses in order to maintain the allowance for loan losses at appropriate levels. In determining the allowance for loan losses, we estimate losses on specific loans, or groups of loans, where the probable loss can be identified and reasonably determined. 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, historical loan loss rates, changes in the nature of the loan portfolio, overall portfolio quality, industry concentrations, delinquency trends 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 possible and may have a material impact on our allowance, and therefore our consolidated financial statements 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, and fluctuations in the provision for loan losses result from management’s assessment of the adequacy of the allowance for loan losses. Management 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 in our Annual Report on Form 10-K for the year ended December 31, 2014 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 herein under the heading “Asset Quality."

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 impairment has occurred. In any given year, the Company may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is in excess of its carrying value. If it is not more likely than not that the fair value of the reporting unit is in excess of the carrying value, or if the Company elects to bypass the qualitative assessment, a two-step quantitative impairment test is performed. In performing a quantitative test for impairment, the fair value of net assets is estimated based on an analysis of our market value, discounted cash flows and peer values. Determining the fair value of goodwill is considered a critical accounting estimate because of its sensitivity to market-based economics. 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 market conditions and key assumptions or subjective measurements used to estimate and allocate fair value are reasonably possible and could have a material impact on our consolidated financial statements or results of operations. Note 1 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2014 describes our accounting policy with regard to goodwill.

Our annual evaluation of goodwill for impairment is performed as of July 1st each year. Upon completion of the most recent evaluation, it was determined that the estimated fair value of net assets was greater than the carrying value of the Company. We will continue to monitor our performance and evaluate our goodwill for impairment annually or more frequently as needed.

Fair Values of Loans Acquired in Business Combinations

Loans acquired in business combinations are initially recorded at fair value with no carryover of the related allowance for credit losses. Determining the fair value of the loans involves estimating the amount and timing of principal and interest cash flows initially expected to be collected on the loans and discounting those cash flows at an appropriate market rate of interest. Going forward, the Company continues to evaluate reasonableness of expectations for the timing and the amount of cash to be collected. Subsequent decreases in expected cash flows may result in changes in the amortization or accretion of fair market value adjustments, and in some cases may result in the loan being considered impaired. For collateral dependent loans with deteriorated credit quality, the Company estimates the fair value of the underlying collateral of the loans. These values are discounted using market derived rates of return, with consideration given to the period of time and costs associated with the foreclosure and disposition of the collateral. Note 1 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2014 describes our accounting policy with regard to acquired loans.

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Results of Operations

The following discussion and analysis is intended to provide greater details of the results of our operations and financial condition.

Net Interest Income. Our net interest income on a fully taxable equivalent, or FTE, basis increased $6.1 million, or 10.6%, to $65.4 million during the three months ended March 31, 2015, as compared to $59.2 million for the same period in 2014. This increase was primarily attributable to growth in interest earning assets as a result of the July 2014 acquisition of Mountain West Financial Corp, or Mountain West. Included in first quarter 2015 net interest income was $1.1 million of interest accretion related to the fair valuation of acquired loans, $351 thousand of which was the result of early loan payoffs.

Despite increases in our net interest income, our net FTE interest margin ratio decreased to 3.43% for the three months ended March 31, 2015, as compared to 3.52% for the same period in 2014. Declines in yields earned on our loan and investment portfolios were partially offset by increases in average outstanding loan and investment balances, reductions in funding costs and a shift in the mix of deposits from higher costing time deposits into lower costing demand and savings deposits. Exclusive of the fair value accretion resulting from the early payoff of acquired loans and recoveries of previously charged-off interest, our net interest margin ratio decreased to 3.38% during the three months ended March 31, 2015, as compared to 3.49% for the same period in 2014.

The following tables present, 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

(Dollars in thousands)	Three Months Ended March 31,					
	2015			2014		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest earning assets:						
Loans (1) (2)	$4,895,146	$59,816	4.96 %	$4,344,993	$54,192	5.06 %
Investment securities (2)	2,294,433	9,641	1.70	2,108,643	9,370	1.80
Interest bearing deposits in banks	546,583	389	0.29	368,784	231	0.25
Federal funds sold	1,174	2	0.69	1,099	1	0.37
Total interest earnings assets	7,737,336	69,848	3.66	6,823,519	63,794	3.79
Non-earning assets	752,077			664,441		
Total assets	$8,489,413			$7,487,960		
Interest bearing liabilities:						
Demand deposits	$2,089,203	$506	0.10 %	$1,837,714	$512	0.11 %
Savings deposits	1,882,816	628	0.14	1,639,484	595	0.15
Time deposits	1,220,590	2,175	0.72	1,172,866	2,317	0.80
Repurchase agreements	479,525	54	0.05	456,557	66	0.06
Other borrowed funds	4	—	—	6	—	—
Long-term debt	38,113	515	5.48	36,909	473	5.20
Subordinated debentures held by subsidiary trusts	82,477	589	2.90	82,477	588	2.89
Total interest bearing liabilities	5,792,728	4,467	0.31	5,226,013	4,551	0.35
Non-interest bearing deposits	1,723,001			1,403,822		
Other non-interest bearing liabilities	66,391			50,185		
Stockholders' equity	907,293			807,940		

Total liabilities and stockholders' equity	$8,489,413			$7,487,960		
Net FTE interest income		65,381			59,243	
Less FTE adjustments (2)		(1,056)			(1,107)	
Net interest income from consolidated statements of income		$64,325			$58,136	
Interest rate spread			3.35 %			3.44 %
Net FTE interest margin (3)			3.43 %			3.52 %
Cost of funds, including non-interest bearing demand deposits (4)			0.24 %			0.28 %

(1) Average loan balances include non-accrual loans. Interest income on loans includes amortization of deferred loan fees net of deferred loan costs, which is not material.

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(2) Interest income and average rates for tax exempt loans and securities are presented on a FTE basis.
(3) Net FTE interest margin during the period equals (i) the difference between annualized interest income on interest earning assets and the annualized interest expense on interest bearing liabilities, divided by (ii) average interest earning assets for the period.
(4) Calculated by dividing total annualized interest on interest bearing liabilities by the sum of total interest bearing liabilities plus non-interest bearing deposits.

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

(Dollars in thousands)	Three Months Ended March 31, 2015 compared with Three Months Ended March 31, 2014		
	Volume	Rate	Net
Interest earning assets:			
Loans (1)	$6,862	$(1,238)	$5,624
Investment securities (1)	826	(555)	271
Interest bearing deposits in banks	111	47	158
Federal funds sold	—	1	1
Total change	7,799	(1,745)	6,054
Interest bearing liabilities:			
Demand deposits	70	(76)	(6)
Savings deposits	88	(55)	33
Time deposits	94	(236)	(142)
Repurchase agreements	3	(15)	(12)
Long-term debt	15	27	42
Subordinated debentures held by subsidiary trusts	—	1	1
Total change	270	(354)	(84)
Increase (decrease) in FTE net interest income	$7,529	$(1,391)	$6,138

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

Provision for Loan Losses. During the three months ended March 31, 2015, we recorded a provision for loan losses of $1.1 million, as compared to a reversal of provision for loan losses of $5.0 million recorded during the same period in 2014. The increase in provision is reflective of increases in specific reserves on impaired loans and lower levels of net recoveries of charged-off loans. For information regarding our non-performing loans, see “Non-Performing Assets” included herein.

Non-interest Income. Our principal sources of non-interest income include other service charges, commissions and fees; income from the origination and sale of loans; wealth management revenues; and, service charges on deposit accounts. Non-interest income increased $3.7 million, or 15.2%, to $27.8 million for the three months ended March 31, 2015, as compared to $24.1 million for the same period in 2014. Significant components of this increase are discussed below.

Other service charges, commissions and fees primarily include debit and credit card interchange income, mortgage loan servicing fee income, insurance and other commissions and ATM service charge revenues. Other service charges, commissions and fees increased $711 thousand, or 7.8%, to $9.9 million during the three months ended March 31, 2015, as compared to $9.2 million for the same period in 2014, primarily due to increases in interchange revenue due to higher debit and credit card transaction volumes.

Income from the origination and sale of loans increased $1.2 million, or 26.7%, to $5.9 million during the three months ended March 31, 2015, compared to $4.7 million during the same period in 2014. This increase is primarily the result of increased demand in our market areas for both refinancing loans and loans for home purchases. Our total mortgage loans production increased approximately 53% during the three months ended March 31, 2015, as compared to the same period in 2014, with loans originated for home purchases accounting for approximately 57% of our mortgage loan production, as compared to approximately 68% during the same period in 2014.

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Wealth management revenues are comprised principally of 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 increased $482 thousand, or 10.8%, to $4.9 million during the three months ended March 31, 2015, as compared to $4.5 million during the same period in 2014. This increase was due to the combined effects of the addition of new wealth management customers and increases in the market values of new and existing assets under trust management.

Other income increased $1.2 million, or 65.3%, to $3.1 million during the three months ended March 31, 2015, as compared to $1.9 million during the same period in 2014. This increase in other income was primarily due the reversal of accrued expenses of $1.0 million related to the first quarter 2015 settlement of secondary investor claims assumed as part of the July 2014 acquisition of Mountain West.

Non-interest Expense. Non-interest expense increased $5.3 million, or 9.7%, to $59.6 million for the three months ended March 31, 2015, as compared to $54.3 million for the same period in 2014. Significant components of the increase are discussed below.

Salaries and wages expense increased $2.9 million, or 13.1%, to $25.3 million during the three months ended March 31, 2015, as compared to $22.4 million during the same period in 2014, primarily due to increased personnel costs associated with the Mountain West acquisition in July 2014, inflationary wage increases and higher incentive bonus accruals.

Employee benefits expense decreased $533 thousand, or 6.4%, to $7.8 million for the three months ended March 31, 2015, as compared to $8.3 million during the same period in 2014, primarily due to decreases in group health insurance reflective of favorable claims experience.

Furniture and equipment expense increased $595 thousand, or 18.5%, to $3.8 million for the three months ended March 31, 2015, as compared to $3.2 million during the same period in 2014, primarily due to additional software costs associated with the implementation of new systems to assist in accounting for acquired loans, process mortgage loans and automate certain reconciliation functions placed into service during the last half of 2014.

Core deposit intangible amortization expense increased $500 thousand, or 141.2%, to $854 thousand during the three months ended March 31, 2015, as compared to $354 thousand during the same period in 2014, due to the amortization of core deposit intangible assets recorded in conjunction with the acquisition of Mountain West in July 2014.

Other expense increased $1.3 million, or 12.4%, to $11.8 million during the three months ended March 31, 2015, as compared to $10.5 million during the same period in 2014, primarily due to the additional operating costs associated with branches acquired in the July 2014 acquisition of Mountain West. Also contributing to the increase in other expenses during first quarter 2015, as compared to the same period in the prior year, were increases in advertising costs resulting from fluctuations in the timing of advertising campaigns and higher travel and legal costs.

Income Tax Expense. Our effective federal income tax rate was 29.0% for the three months ended March 31, 2015 and 30.7% for the three months ended March 31, 2014. State income tax applies primarily to pretax earnings generated within Montana and South Dakota. Our effective state tax rate was 4.2% for the three months ended March 31, 2015 and 4.3% for the three months ended March 31, 2014. Decreases in effective federal income tax rates are primarily due to tax credits received on investments in new markets tax credit and low income housing projects during 2015 and the last half of 2014.

Financial Condition

Total assets decreased $81 million, or less than 1.0%, to $8,529 million as of March 31, 2015, from $8,610 million as of December 31, 2014. Significant components of the decrease are discussed below.

Loans. Total loans increased $30 million, or less than 1%, to $4,927 million as of March 31, 2015, as compared to $4,897 million December 31, 2014, with the most notable growth occurring in commercial real estate, commercial and indirect consumer loans. These increases were partially offset by seasonal declines in agricultural and agricultural real estate loans.

Commercial real estate loans increased $31 million, or 1.9%, to $1,670 million as of March 31, 2015, from $1,639 million as of December 31, 2014, and commercial loans increased $14 million, or 1.9%, to $754 million as of March 31, 2015, from $740 million as of December 31, 2014. Management attributes this growth to continuing business expansion in the Company's market areas and the movement of completed commercial construction projects from construction loans to permanent financing.

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Indirect consumer loans grew $13 million, or 2.4%, to $566 million as of March 31, 2015, from $553 million as of December 31, 2014, due to continuing expansion of the Company's indirect lending program within existing markets and increases in the average loan amounts advanced in 2015.

Agricultural loans decreased $7 million, or 5.8%, to $118 million as of March 31, 2015, from $125 million as of December 31, 2014. Management attributes this decrease to seasonal reductions in credit lines that typically occur during the first and fourth quarters of each year. In addition, agricultural real estate loans decreased $11 million, or 6.5%, to $157 million as of March 31, 2015, from $168 million as of December 31, 2014, primarily due to scheduled loan repayments.

Non-performing Assets. Non-performing assets include non-accrual loans, loans contractually past due 90 days or more and still accruing interest and OREO. The following table sets forth information regarding non-performing assets as of the dates indicated:

Nonperforming Assets and Troubled Debt Restructurings

(Dollars in thousands)	March 31, 2015		December 31, 2014		September 30, 2014		June 30, 2014		March 31, 2014	
Non-performing loans:										
Non-accrual loans	$73,941		$62,182		$71,915		$79,166		$88,114	
Accruing loans past due 90 days or more	5,175		2,576		1,348		1,494		1,664	
Total non-performing loans	79,116		64,758		73,263		80,660		89,778	
OREO	15,134		13,554		18,496		16,425		16,594	
Total non-performing assets	$94,250		$78,312		$91,759		$97,085		$106,372	
Troubled debt restructurings not included above	$16,070		$20,952		$20,956		$23,531		$19,687	
Non-performing loans to total loans	1.61	%	1.32	%	1.51	%	1.79	%	2.06	%
Non-performing assets to total loans and OREO	1.91	%	1.59	%	1.88	%	2.15	%	2.43	%
Non-performing assets to total assets	1.11	%	0.91	%	1.08	%	1.27	%	1.40	%

Non-performing loans. Non-performing loans include non-accrual loans and loans contractually past due 90 days or more. We monitor and evaluate collateral values on non-performing loans quarterly. Appraisals are required on all non-performing loans every 18-24 months, or sooner as conditions necessitate. We monitor real estate values by market for our larger market areas. Based on trends in real estate values, adjustments may be made to the appraised value based on time elapsed between the appraisal date and the impairment analysis or a new appraisal may be ordered. Appraised values in our smaller market areas may be adjusted based on trends identified through discussions with local realtors and appraisers. Appraisals are also adjusted for selling costs. The adjusted appraised value is then compared to the loan balance and any resulting shortfall is recorded in the allowance for loan losses as a specific valuation allowance. Overall increases in specific valuation allowances will result in higher provisions for loan losses. Provisions for loan losses are also impacted by changes in the historical or general valuation elements of the allowance for loan losses.

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The following table sets forth the allocation of our non-performing loans among our various loan categories as of the dates indicated:

Non-Performing Loans by Loan Type

(Dollars in thousands)	March 31, 2015	Percent of Total		December 31, 2014	Percent of Total	
Real estate:						
Commercial	$30,761	38.9	%	$27,700	42.9	%
Construction:		.				
Land acquisition and development	8,206	10.4	%	8,252	12.7	%
Commercial	3,285	4.2	%	2,564	4.0	%
Residential	669	0.8	%	272	0.4	%
Total construction	12,160	15.4	%	11,088	17.1	%
Residential	5,746	7.3	%	4,554	7.0	%
Agricultural	7,606	9.6	%	6,842	10.6	%
Total real estate	56,273	71.1	%	50,184	77.5	%
Consumer	1,135	1.4	%	1,282	2.0	%
Commercial	20,968	26.5	%	12,846	19.8	%
Agricultural	738	0.9	%	446	0.7	%
Other	2	—	%	—	—	%
Total non-performing loans	$79,116	100.0	%	$64,758	100.0	%

Non-accrual loans. We generally place loans, excluding acquired credit impaired loans, on non-accrual when they become 90 days past due, unless they are well secured and in the process of collection. When a loan is placed on non-accrual status, any interest previously accrued but not collected is reversed from income. If all loans on non-accrual had been current in accordance with their original terms, gross income of approximately $832 thousand and $1.1 million would have been accrued for the three months ended March 31, 2015 and 2014, respectively.

Non-accrual loans, the largest component of non-performing loans, increased $12 million, or 18.9%, to $74 million as of March 31, 2015, from $62 million as of December 31, 2014, primarily due to the placement of the loans of one commercial and one commercial real estate borrower on non-accrual status.

OREO. OREO consists of real property acquired through foreclosure on the collateral underlying defaulted loans. We initially record OREO at fair value less estimated selling costs. Any excess of loan carrying value over the fair value of the real estate acquired is recorded as a charge against the allowance for loan losses. Estimated losses that result from the ongoing periodic valuation of these properties are charged to earnings in the period in which they are identified. The fair values of OREO properties are estimated using appraisals and management estimates of current market conditions. OREO properties are appraised every 18-24 months unless deterioration in local market conditions indicates the need to obtain new appraisals sooner. OREO properties are evaluated by management quarterly to determine if additional write-downs are appropriate or necessary based on current market conditions. Quarterly evaluations include a review of the most recent appraisal of the property and reviews of recent appraisals and comparable sales data for similar properties in the same or adjacent market areas. Commercial and agricultural OREO properties are listed with unrelated third party professional real estate agents or brokers local to the areas where the marketed properties are located. Residential properties are typically listed with local realtors, after any redemption period has expired. We rely on these local real estate agents and/or brokers to list the properties on the local multiple listing system, to provide marketing materials and advertisements for the properties and to conduct open houses.

OREO increased $2 million, or 11.7%, to $15 million as of March 31, 2015, from $13 million as of December 31, 2014. During the three months ended March 31, 2015, we recorded OREO additions of $3 million and sold OREO

with a book value of $1 million at a net gain of $750 thousand. As of March 31, 2015, the composition of OREO properties was 32% land and land development, 32% commercial, 31% residential real estate, 3% construction and 2% agricultural.

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Allowance for Loan Losses. The Company performs a quarterly assessment of the adequacy of its allowance for loan losses in accordance with generally accepted accounting principles. The methodology used to assess the adequacy is consistently applied to the Company's loan portfolio. The allowance for loan losses is established through a provision for loan losses based on our evaluation of known and inherent risk in our loan portfolio at each balance sheet date. In determining the allowance for loan losses, we estimate losses on specific loans, or groups of loans, where the probable loss can be identified and reasonably determined. The balance of the allowance for loan losses is based on internally assigned risk classifications of loans, historical loan loss rates, changes in the nature of the loan portfolio, overall portfolio quality, industry concentrations, delinquency trends, current economic factors and the estimated impact of current economic conditions on certain historical loan loss rates. See the discussion under “Critical Accounting Estimates and Significant Accounting Policies — Allowance for Loan Losses."

The allowance for loan losses is increased by provisions charged against earnings and net recoveries of charged-off loans and is reduced by negative provisions credited to earnings and net loan charge-offs. The allowance for loan losses consists of three elements:

(1) Specific valuation allowances associated with impaired loans. Specific valuation allowances are determined based on assessment of the fair value of the collateral underlying the loans as determined through independent appraisals, the present value of future cash flows, observable market prices and any relevant qualitative or environmental factors impacting the loan. No specific valuation allowances are recorded for impaired loans that are adequately secured.

(2) Historical valuation allowances based on loan loss experience for similar loans with similar characteristics and trends. Historical valuation allowances are determined by applying percentage loss factors to the credit exposures from outstanding loans. For commercial, agricultural and real estate loans, loss factors are applied based on the internal risk classifications of these loans. For consumer loans, loss factors are applied on a portfolio basis. For commercial, agriculture and real estate loans, loss factor percentages are based on a migration analysis of our historical loss experience, designed to account for credit deterioration. For consumer loans, loss factor percentages are based on a one-year loss history.

(3) General valuation allowances determined based on changes in the nature of the loan portfolio, overall portfolio quality, industry concentrations, delinquency trends, general economic conditions and other qualitative risk factors both internal and external to us.

Based on the assessment of the adequacy of the allowance for loan losses, management records provisions for loan losses to maintain the allowance for loan losses at appropriate levels.

Loans acquired in business combinations are recorded at fair value with no allowance for loan losses on the date of acquisition. Subsequent to the acquisition date, an allowance for loan loss is recorded for the emergence of new probable and estimable losses on loans acquired without evidence of credit impairment. Loans acquired with evidence of credit impairment are regularly monitored and to the extent that the performance has deteriorated from management's expectations at the date of acquisition, an allowance for loan losses is established. As of March 31, 2015, management determined that an allowance for loan losses related to acquired loans of $117 thousand was required under generally accepted accounting principles.

Loans, or portions thereof, are charged-off against the allowance for loan losses when management believes that the collectability of the principal is unlikely, or, with respect to consumer installment loans, according to an established delinquency schedule. Generally, loans are charged-off when (1) there has been no material principal reduction within the previous 90 days and there is no pending sale of collateral or other assets, (2) there is no significant or pending

event which will result in principal reduction within the upcoming 90 days, (3) it is clear that we will not be able to collect all or a portion of the loan, (4) payments on the loan are sporadic, will result in an excessive amortization or are not consistent with the collateral held and (5) foreclosure or repossession actions are pending. Loan charge-offs do not directly correspond with the receipt of independent appraisals or the use of observable market data if the collateral value is determined to be sufficient to repay the principal balance of the loan.

If the impaired loan is adequately collateralized, a specific valuation allowance is not recorded. As such, significant changes in impaired and non-performing loans do not necessarily correspond proportionally with changes in the specific valuation component of the allowance for loan losses. Additionally, management expects the timing of charge-offs will vary between quarters and will not necessarily correspond proportionally to changes in the allowance for loan losses or changes in non-performing or impaired loans due to timing differences among the initial identification of an impaired loan, recording of a specific valuation allowance for the impaired loan and any resulting charge-off of uncollectible principal.

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The following table sets forth information regarding our allowance for loan losses as of and for the periods indicated.

Allowance for Loan Losses

(Dollars in thousands)	Three Months Ended				
	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Balance at beginning of period	$74,200	$74,231	$78,266	$81,371	$85,339
Provision charged to operating expense	1,095	118	261	(2,001)	(5,000)
Charge offs:					
Real estate					
Commercial	109	485	41	699	817
Construction	30	108	20	48	152
Residential	45	30	84	409	114
Agricultural	2	1	2	2	2
Consumer	1,301	1,658	1,437	934	846
Commercial	374	22	4,678	534	796
Agricultural	—	—	—	—	64
Other	—	—	12	—	—
Total charge-offs	1,861	2,304	6,274	2,626	2,791
Recoveries:					
Real estate					
Commercial	512	446	181	167	159
Construction	316	736	728	458	87
Residential	154	124	88	26	120
Agricultural	10	—	2	—	1
Consumer	640	686	495	558	608
Commercial	270	162	484	313	2,822
Agricultural	—	1	—	—	26
Total recoveries	1,902	2,155	1,978	1,522	3,823
Net charge-offs	(41)	149	4,296	1,104	(1,032)
Balance at end of period	$75,336	$74,200	$74,231	$78,266	$81,371
Period end loans	$4,927,306	$4,897,443	$4,854,382	$4,506,362	$4,364,838
Average loans	4,895,146	4,870,509	4,751,928	4,436,786	4,344,993
Net loans charged-off to average loans, annualized	— %	0.01 %	0.36 %	0.10 %	(0.10)%
Allowance to period end loans	1.53 %	1.52 %	1.53 %	1.74 %	1.86 %

Our allowance for loan losses as a percentage of period end loans remained stable at 1.53% as of March 31, 2015, as compared to 1.52% as of December 31, 2014. We experienced a decrease in our allowance for loan losses as a percentage of period end loans to 1.53% as of September 30, 2014, from 1.74% as of June 30, 2014, due to the acquisition of Mountain West loans, which were initially recorded at fair value with no carryover of the related allowance for loan losses.

Although we have established our allowance for loan losses in accordance with accounting principles generally accepted in the United States and we believe that our allowance for loan losses is adequate to provide for known and inherent losses in the portfolio at all times, future provisions will be subject to on-going evaluations of the risks in the loan portfolio. If the economy declines or asset quality deteriorates, material additional provisions could be required.

Investment Securities. We manage our investment portfolio to obtain the highest yield possible, while meeting our risk tolerance and liquidity guidelines and satisfying the pledging requirements for deposits of state and political subdivisions and securities sold under repurchase agreements. Investment securities increased $54 million, or 2.4%, to $2,341 million, or 27.5% of total assets, as of March 31, 2015, from $2,287 million, or 26.6% of total assets, as of December 31, 2014. As of March 31, 2015, the estimated duration of our investment portfolio was 2.6 years, as compared to 3.0 years as of December 31, 2014.

We evaluate our investment portfolio quarterly for other-than-temporary declines in the market value of individual investment securities. This evaluation includes monitoring credit ratings; market, industry and corporate news; volatility in market prices; and, determining whether the market value of a security has been below its cost for an extended period of time. As of March 31, 2015, we had investment securities with fair values aggregating $433 million that had been in a continuous loss position more than twelve months. Gross unrealized losses on these securities of $4 million as of March 31, 2015, were attributable to changes in interest rates. No impairment losses were recorded during the three months ended March 31, 2015 and 2014.

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Cash and Cash Equivalents. Cash and cash equivalents decreased $161 million, or 20.1%, to $638 million as of March 31, 2015, from $799 million as of December 31, 2014. Decreases in cash and cash equivalents occurred during the normal course of business and are not reflective of changes in business plan or strategy.
Goodwill. Goodwill decreased $1 million to $204 million as of March 31, 2015, from $205 million as of December 31, 2014. During first quarter 2015,we completed our review of Mountain West tax items and finalized the fair valuation of acquired deferred tax assets, which resulted in a decrease in recorded goodwill.
Deferred Tax Asset/Liability. As of March 31, 2015, we had a net deferred tax liability of $4 million, as compared to a net deferred tax asset of $5 million as of December 31, 2014. The shift in deferred taxes from a net asset to a net liability was primarily due to decreases in deferred tax assets related to unrealized losses on available-for sale investment securities and the removal of deferred tax assets upon the disposal of real property acquired as part of the Mountain West acquisition. The shift in the deferred taxes from a net asset to a net liability was also impacted by increases in deferred tax liabilities related to tax deductible goodwill from previous acquisitions.

Deposits. Our deposits consist of non-interest bearing and interest bearing demand, savings, individual retirement and time deposit accounts. Total deposits decreased $38 million, or less than 1.0%, to $6,968 million as of March 31, 2015, from $7,006 million as of December 31, 2014. The mix of deposits continued to shift away from higher-costing time deposits to lower-costing savings deposits. The following table summarizes our deposits as of the dates indicated:
Deposits

(Dollars in thousands)	March 31, 2015	Percent of Total		December 31, 2014	Percent of Total	
Non-interest bearing demand	$1,757,664	25.2	%	$1,791,364	25.5	%
Interest bearing:						
Demand	2,098,697	30.1		2,133,273	30.5	
Savings	1,906,773	27.5		1,843,355	26.3	
Time, $100 and over	504,605	7.2		520,125	7.4	
Time, other (1)	700,420	10.1		718,095	10.2	
Total interest bearing	5,210,495	74.8		5,214,848	74.5	
Total deposits	$6,968,159	100.0	%	$7,006,212	100.0	%

(1) Included in Time, other are Certificate of Deposit Account Registry Service, or CDAR, deposits of $40 million as of March 31, 2015 and December 31, 2014.

Securities Sold Under Repurchase Agreements. In addition to deposits, repurchase agreements with commercial depositors, which include municipalities, provide an additional source of funds. Under repurchase agreements, deposit balances are invested in short-term U.S. government agency securities overnight and are then repurchased the following day. All outstanding repurchase agreements are due in one day. Repurchase agreement balances decreased $40 million, or 8.0%, to $462 million as of March 31, 2015, from $502 million as of December 31, 2014, due to fluctuations in the liquidity of our customers.

Accounts Payable and Accrued Expenses. Accounts payable and accrued expenses decreased $16 million, or 24.9%, to $50 million as of March 31, 2015, from $66 million as of December 31, 2014, primarily due to decreases in our incentive bonus payable reflective of the payment of 2014 incentive bonuses during first quarter 2015 and fluctuations in the timing of our corporate income tax payments.

Long-Term Debt. On January 29, 2015, the Company borrowed $4,960 on a 2.78% note payable maturing July 29, 2022, with interest payable monthly and principal due at maturity. The note is collateralized by the Company's equity interest in Universal Sub CDE, LLC, a community development entity owned 99.9% by the Company.

Capital Resources and Liquidity Management

Stockholders’ equity is influenced primarily by earnings, dividends, changes in the unrealized holding gains or losses, net of taxes, on available-for-sale investment securities and sales and redemptions of common stock. Stockholders’ equity increased $5 million, or less than 1.0%, to $914 million as of March 31, 2015, from $909 million as of December 31, 2014. Retention of earnings during first quarter 2015, were largely offset by the redemption and retirement of Class A common shares.

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During the three months ended March 31, 2015, we repurchased and retired 565,875 shares of our Class A common stock in open market transactions at an aggregate purchase price of $15 million. The repurchases were made pursuant to a stock repurchase program approved by our Board of Directors. For additional information regarding the repurchase, see “Note 8 – Capital Stock” in the accompanying “Notes to Unaudited Consolidated Financial Statements” included in this report.

On July 2, 2013, the Board of Governors of the Federal Reserve Bank issued a final rule implementing a revised regulatory capital framework for U.S. banks in accordance with the Basel III international accord and satisfying related mandates under the Dodd-Frank Wall Street Reform and Consumer Protection Act . The revised regulatory capital framework ("Basel III ") includes a more stringent definition of capital and introduces a new common equity tier 1, or CET1, capital requirement; sets forth a comprehensive methodology for calculating risk-weighted assets, introduces a conservation buffer and sets out minimum capital ratios and overall capital adequacy standards. As a banking organization subject to the standardized approach, Basel III became effective for us on January 1, 2015. Certain deductions and adjustments to regulatory capital phase in starting January 1, 2015 and will be fully implemented on January 1, 2018. The capital conservation buffer phases in beginning January 1, 2016 and will be fully implemented on January 1, 2019.

As of March 31, 2015 and December 31, 2014, we had capital levels that, in all cases, exceeded the well-capitalized guidelines. For additional information regarding our capital levels, see “Note 10 – Regulatory Capital” in the accompanying “Notes to Unaudited Consolidated Financial Statements” included in this report.

Liquidity. Liquidity measures our ability to meet current and future cash flow needs on a timely basis and at a reasonable cost. We manage our liquidity position to meet the daily cash flow needs of customers, while maintaining an appropriate balance between assets and liabilities to meet the return on investment objectives of our shareholders. Our liquidity position is supported by management of liquid assets and liabilities and access to alternative sources of funds. Liquid assets include cash, interest bearing deposits in banks, federal funds sold, available-for-sale investment securities and maturing or prepaying balances in our held-to-maturity investment and loan portfolios. Liquid liabilities include core deposits, federal funds purchased, securities sold under repurchase agreements and borrowings. Other sources of liquidity include the sale of loans, the ability to acquire additional national market funds through non-core deposits, the issuance of additional collateralized borrowings such as FHLB advances, the issuance of debt securities, additional borrowings through the Federal Reserve’s discount window and the issuance of preferred or common securities.

Our short-term and long-term liquidity requirements are primarily to fund on-going operations, including payment of interest on deposits and debt, extensions of credit to borrowers, capital expenditures and shareholder dividends. These liquidity requirements are met primarily through cash flow from operations, redeployment of prepaying and maturing balances in our loan and investment portfolios, debt financing and increases in customer deposits. For additional information regarding our operating, investing and financing cash flows, see the unaudited “Consolidated Statements of Cash Flows,” included in Part I, Item 1.

As a holding company, we are a corporation separate and apart from the Bank and, therefore, we provide for our own liquidity. Our main sources of funding include management fees and dividends declared and paid by the Bank and access to capital markets. There are statutory, regulatory and debt covenant limitations that affect the ability of our subsidiary bank to pay dividends to us. Management believes that such limitations will not impact our ability to meet our ongoing short-term cash obligations.

Management continuously monitors our liquidity position and adjustments are made to the balance between sources and uses of funds as deemed appropriate. Our management is not aware of any events that are reasonably likely to have a material adverse effect on our liquidity, capital resources or operations. In addition, our management is not aware of any regulatory recommendations regarding liquidity, which if implemented, would have a material adverse effect on us.

Recent Accounting Pronouncements

See “Note 16 – Recent Authoritative Accounting Guidance” in the accompanying “Notes to Unaudited Consolidated Financial Statements” included in this report for details of recently issued accounting pronouncements and their expected impact on our financial statements.

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Item 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES
ABOUT MARKET RISK

As of March 31, 2015, there have been no material changes in the quantitative and qualitative information about market risk provided pursuant to Item 305 of Regulation S-K as presented in our Annual Report on Form 10-K for the year ended December 31, 2014.

Item 4.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining effective disclosure controls and procedures, as defined under Rules 13a-15(e) and 15d-15(e) of the Exchange Act. As of March 31, 2015, an evaluation was performed, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of March 31, 2015, were effective in ensuring that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods required by the SEC’s rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting for the quarter ended March 31, 2015, that have materially affected, or are reasonably likely to materially affect, such control.

Limitations on Controls and Procedures

The effectiveness of our disclosure controls and procedures and our internal control over financial reporting is subject to various inherent limitations, including cost limitations, 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, projections of any evaluation of effectiveness to future periods are subject to the risk that 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 disclosure controls and procedures or internal control over financial reporting 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.

PART II.

OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material changes in legal proceedings as described in our Annual Report on Form 10-K for the year ended December 31, 2014.

Item 1A. Risk Factors

There have been no material changes in risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) There were no unregistered sales of equity securities during the three months ended March 31, 2015.
(b) Not applicable.

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(c) The following table provides information with respect to purchases made by or on behalf of us or any "affiliated purchasers" (as defined in Rule 10b-18(a)(3) under the Exchange Act), of our common stock during the three months ended March 31, 2015.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
January 2015	—	$—	—	1,000,000
February 2015	571,697	25.92	549,163	450,837
March 2015	16,712	26.51	16,712	434,125
Total	588,409	$25.94	565,875	434,125

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable or required.

Item 6. Exhibits

Exhibit Number	Description
2.2	Agreement and Plan of Merger between First Interstate BancSystem, Inc. and Mountain West Financial Corp dated February 10, 2014 (incorporated herein reference to Exhibit 2.1 of the Company's Pre-Effective Amendment No. 1 to Registration Statement on Form S-4, No. 333-194050, dated April 2, 2014)
3.1	Amended and Restated Articles of Incorporation dated March 5, 2010 (incorporated herein by reference to Exhibit 3.1 of the Company’s Current Report on Form 8-K/A filed on March 10, 2010)
3.2	Second Amended and Restated Bylaws dated January 27, 2011 (incorporated herein by reference to Exhibit 3.8 of the Company’s Current Report on Form 8-K filed on February 3, 2011)
10.1	Credit Agreement Re: Subordinated Term Note dated as of January 10, 2008, between First Interstate BancSystem, Inc. and First Midwest Bank (incorporated herein by reference to Exhibit 10.24 of the Company’s Current Report on Form 8-K filed on January 16, 2008)
10.2	Lease Agreement between Billings 401 Joint Venture and First Interstate Bank Montana dated September 20, 1985 and addendum thereto (incorporated herein by reference to Exhibit 10.4 of the Company’s Post-Effective Amendment No. 3 to Registration Statement on Form S-1, No. 033-84540, filed on September 29, 1994)
10.3†	

	First Interstate BancSystem’s Deferred Compensation Plan dated December 1, 2006 (incorporated herein by reference to Exhibit 10.9 of the Company’s Pre-Effective Amendment No. 3 to Registration Statement on Form S-1, No. 333-164380, filed on March 23, 2010)
10.4†	First Amendment to the First Interstate BancSystem’s Deferred Compensation Plan dated October 24, 2008 (incorporated herein by reference to Exhibit 10.10 of the Company’s Pre-Effective Amendment No. 3 to Registration Statement on Form S-1, No. 333-164380, filed on March 23, 2010)
10.5†	2001 Stock Option Plan, as amended (incorporated herein by reference to Exhibit 4.12 of the Company’s Registration Statement on Form S-8, No. 333-106495, filed on June 25, 2003)
10.6†	Second Amendment to 2001 Stock Option Plan (incorporated herein by reference to Exhibit 10.6 of the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2010)

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Exhibit Number	Description
10.7†	First Interstate BancSystem, Inc. 2006 Equity Compensation Plan, amended and restated as of November 21, 2013 (incorporated herein by reference to Exhibit 4.4 of the Company's Registration Statement on Form S-8, No. 333-193543, filed January 24, 2014)
10.8†	Form of First Interstate BancSystem, Inc. 2006 Equity Compensation Plan Restricted Stock Agreement (Performance-ROA) for Certain Executive Officers (incorporated herein by reference to Exhibit 10.8 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2013)
10.9†	Form of First Interstate BancSystem, Inc. 2006 Equity Compensation Plan Restricted Stock Agreement (Performance-ROE) for Certain Executive Officers (incorporated herein by reference to Exhibit 10.9 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2013)
10.10†	Form of First Interstate BancSystem, Inc. 2006 Equity Compensation Plan Restricted Stock Agreement (Performance) for Certain Executive Officers (incorporated herein by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed on February 13, 2013)
10.11†	First Interstate BancSystem, Inc. 2015 Equity and Incentive Plan (incorporated herein by reference to Appendix A of the Company’s Proxy Statement on Schedule 14A for the 2015 Annual Meeting of Shareholders, filed on April 2, 2015).
10.12	Trademark License Agreements between Wells Fargo & Company and First Interstate BancSystem, Inc. (incorporated herein by reference to Exhibit 10.11 of the Registration Statement on Form S-1, filed on April 22, 1997)
31.1*	Certification of Quarterly Report on Form 10-Q pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer
31.2*	Certification of Quarterly Report on Form 10-Q pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer
32*	Certification of Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101**	Interactive data file

† Management contract or compensatory arrangement.
* Filed herewith.
** As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	FIRST INTERSTATE BANCSYSTEM, INC.
Date: May 7, 2015	/S/ ED GARDING Ed Garding President and Chief Executive Officer
Date: May 7, 2015	/S/ KEVIN P. RILEY Kevin P. Riley Executive Vice President and Chief Financial Officer