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As filed with the Securities and Exchange Commission on March 2, 2010

Registration No. 333-164380

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

Amendment No. 1
to
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

Montana	**6022**	**81-0331430**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

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

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

Copies to:

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

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

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

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

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

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ (Do not check if a smaller reporting company)	Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Proposed Maximum Aggregate Offering Price(1)(2)**	**Amount of Registration Fee(3)**
Class A Common Stock	$115,000,000	$8,200

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

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

(3) Previously paid.

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

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

Subject to Completion, dated , 2010

PROSPECTUS

Shares

Class A Common Stock

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

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

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

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

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

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

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

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

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

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

Barclays Capital

D.A. Davidson & Co.

Keefe, Bruyette & Woods **Sandler O Neill + Partners, L.P.**

Prospectus dated , 2010

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ABOUT THIS PROSPECTUS

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

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

- **assumes that the underwriters option is not exercised;**
- **assumes an initial offering price of $ per share (the midpoint of the estimated public offering price set forth on the cover page of this prospectus); and**
- **gives pro forma effect to a recapitalization of our common stock, which will occur prior to the completion of this offering and which will include (1) a -for-1 split of the existing common stock; (2) the redesignation of the existing common stock as shares of Class B common stock; and (3) the creation of a new class of common stock designated as Class A common stock. We refer to the new Class A common stock and Class B common stock together in this prospectus as the common stock.**

INDUSTRY AND MARKET DATA

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

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

SUMMARY

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

OUR COMPANY

We are a financial and bank holding company headquartered in Billings, Montana. As of December 31, 2009, we had consolidated assets of $7.1 billion, deposits of $5.8 billion, loans of $4.5 billion and total stockholders equity of $574 million. We currently operate 72 banking offices in 42 communities located in Montana, Wyoming and western South Dakota. Through the Bank, we deliver a comprehensive range of banking products and services to individuals, businesses, municipalities and other entities throughout our market areas. Our customers participate in a wide variety of industries, including energy, healthcare and professional services, education and governmental services, construction, mining, agriculture, retail and wholesale trade and tourism.

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

Our Competitive Strengths

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

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

Market Leadership As of June 30, 2009, the most recent available published data, we were ranked first by deposits in 53% of our metropolitan statistical areas, or MSAs, and were ranked one of the top three depositories in 87% of our MSAs, as reported by SNL Financial. We were also ranked as of June 30, 2009, first by deposits in Montana, second in Wyoming and either first or second in each of the counties we serve in western South Dakota. We believe our market leading position is an important factor in maintaining long-term customer loyalty and community relationships. We also believe this

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

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

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

Stable Base of Core Deposits We fund customer loans and other assets principally with core deposits from our customers consisting of checking and savings accounts, money market deposit accounts and time deposits (certificates of deposit) below $100,000. We do not generally utilize brokered deposits and do not rely heavily on wholesale funding sources. At December 31, 2009, our total deposits were approximately $5.8 billion, 83% of which were core deposits. Our core deposits provide us with a stable funding source while generating opportunities to build and strengthen our relationships with our customers. Furthermore, we believe that over long periods of time covering different economic cycles, our core deposits will continue to provide us with a relatively low cost of funds, an advantage that we anticipate will become more pronounced if interest rates rise.

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

Sustained Profitability and Favorable Stockholder Returns We focus on long-term financial performance, and have achieved 22 consecutive years of profitability. We have used a combination of organic growth, new branch openings and strategic acquisitions to expand our business while maintaining positive operating results and favorable stockholder returns. During the ten years from 1999 through 2008, our annual return on average common equity ranged from 14.7% to 20.4%. Even during 2009, a period of challenging market conditions for many banks, we generated a return on average common equity of 10.0%.

Our Strategy

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

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

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

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

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

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

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

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

Our Market Areas

We operate throughout Montana, Wyoming and western South Dakota. Industries of importance to our markets include energy, healthcare and professional services, education and governmental services, construction, mining, agriculture, retail and wholesale trade and tourism. While distinct local markets within our footprint are dependent on particular industries or economic sectors, the overall region we serve benefits from a stable, diverse and growing local economy. Our market areas have demonstrated strength even during the recent economic downturn. For instance, Montana, Wyoming and South Dakota have maintained low unemployment rates relative to the national average of 10.0% as of December 2009, with Montana at 6.7%, Wyoming at 7.5% and South Dakota at 4.7%.

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Montana We operate primarily in the metropolitan areas of Billings, Missoula, Kalispell, Bozeman, Great Falls and Helena. For the principal Montana communities in which we operate, the estimated weighted average population growth for 2009 through 2014 is 6.83%, as compared to the estimated national average growth rate for the same period of 4.63%. At December 31, 2009, approximately $2.9 billion, or 50%, of our total deposits were in Montana.

Wyoming We operate primarily in the metropolitan areas of Casper, Sheridan, Gillette, Laramie, Jackson, Riverton and Cheyenne. For the principal Wyoming communities in which we operate, the estimated weighted average population growth for 2009 through 2014 is 5.16%. At December 31, 2009, approximately $2.1 billion, or 36%, of our total deposits were in Wyoming.

Western South Dakota With the acquisition of First Western Bank in January 2008, we expanded our franchise into western South Dakota. We operate primarily in the metropolitan areas of Rapid City and Spearfish. For the principal western South Dakota communities in which we operate, the estimated weighted average population growth for 2009 through 2014 is 4.45%. At December 31, 2009, approximately $804 million, or 14%, of our total deposits were in western South Dakota.

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

Voting Control of Our Company

We have two classes of authorized common stock. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to five votes per share. Holders of the Class B common stock currently have voting control of our company. See Risk Factors Holders of the Class B common stock have voting control of our company and are able to determine virtually all matters submitted to shareholders, including potential change in control transactions.

The following table sets forth information regarding beneficial ownership and control of our company as of February 28, 2010, assuming a recapitalization of our common stock has been effected as of such date, (i) on an actual basis (pre-offering) and (ii) on an as adjusted basis, after giving effect to the offering (post-offering).

	Pre-Offering Beneficial			Post-Offering Beneficial		
Shareholder Group	**Shares of Class B Common Stock**	**Ownership Percentage**	**Voting Control**	**Shares of Class B Common Stock**	**Ownership Percentage**	**Voting Control**
All executive officers and directors		51.25%	51.25%		%	%
All Scott family shareholders[1]		77.87	77.87			
All existing shareholders		100.00%	100.00%			

(1) Includes Scott family shareholders who are executive officers or directors.

Our Corporate Information

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

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THE OFFERING

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

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

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

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

- shares of our Class B common stock issuable upon exercise of outstanding stock options at a weighted average exercise price of $ per share;
- shares of our Class B common stock issuable upon conversion of our outstanding shares of our Series A preferred stock;
- shares of our Class A common stock available for future issuance upon conversion of outstanding shares of Class B common stock, the conversion of which will not have a dilutive effect on the outstanding shares of our Class A common stock;
- shares of our Class A common stock available for future issuance under our equity compensation plans; and
- shares of our Class A common stock available for future issuance upon conversion of the shares of Class B common stock issuable upon exercise of outstanding stock options and issuable upon conversion of our outstanding shares of our Series A preferred stock.

RISK FACTORS

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

- we may incur significant credit losses, particularly in light of current market conditions;
- our concentration of real estate loans subjects us to increased risks in the event real estate values continue to decline due to the economic recession, a further deterioration in the real estate markets or other causes;
- economic and market developments, including the potential for inflation, may have an adverse effect on our business, possibly in ways that are not predictable or that we may fail to anticipate;
- many of our loans are to commercial borrowers, which have a higher degree of risk than other types of loans;
- if we experience loan losses in excess of estimated amounts, our earnings will be adversely affected;
- our goodwill may become impaired, which may adversely impact our results of operations and financial condition and may limit our Bank s ability to pay dividends to us, thereby causing liquidity issues;
- our dividend policy may change;
- there is no prior public market for our common stock and one may not develop;
- our Class A common stock share price could be volatile and could decline following this offering, resulting in a substantial or complete loss of your investment; and

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

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

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SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table sets forth certain of our historical consolidated financial data. The summary consolidated financial data as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated financial data as of December 31, 2007, 2006 and 2005 and for the years ended December 31, 2006 and 2005 have been derived from our audited consolidated financial statements that are not included in this prospectus.

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

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

	As of or for the Year Ended December 31,				
	2009	2008	2007	2006	2005
(Dollars in thousands, except per share data)					
Selected Balance Sheet Data:					
Net loans	$ 4,424,974	$ 4,685,497	$ 3,506,625	$ 3,262,911	$ 2,991,904
Investment securities	1,446,280	1,072,276	1,128,657	1,124,598	1,019,901
Total assets	7,137,653	6,628,347	5,216,797	4,974,134	4,562,313
Deposits	5,824,056	5,174,259	3,999,401	3,708,511	3,547,590
Securities sold under repurchase agreements	474,141	525,501	604,762	731,548	518,718
Long-term debt	73,353	84,148	5,145	21,601	54,654
Subordinated debentures held by subsidiary trusts	123,715	123,715	103,095	41,238	41,238
Preferred stockholders equity	50,000	50,000			
Common stockholders equity	524,434	489,062	444,443	410,375	349,847
Total stockholders equity	574,434	539,062	444,443	410,375	349,847

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	As of or for the Year Ended December 31,				
	2009	2008	2007	2006	2005
(Dollars in thousands, except per share data)					
Selected Income Statement Data:					
Interest income	$ 328,034	$ 355,919	$ 325,557	$ 293,423	$ 233,857
Interest expense	84,898	120,542	125,954	105,960	63,549
Net interest income	243,136	235,377	199,603	187,463	170,308
Provision for loan losses	45,300	33,356	7,750	7,761	5,847
Net interest income after provision for loan losses	197,836	202,021	191,853	179,702	164,461
Non-interest income	100,690	128,597	92,367	102,181	70,651
Non-interest expense	217,710	222,541	178,867	164,775	151,087
Income before income taxes	80,816	108,077	105,434	117,108	84,025
Income tax expense	26,953	37,429	36,793	41,499	29,310
Net income	53,863	70,648	68,641	75,609	54,715
Preferred stock dividends	3,422	3,347			
Net income available to common stockholders	$ 50,441	$ 67,301	$ 68,641	$ 75,609	$ 54,715
Common Stock Data:					
Earnings per share:					
Basic	$ 6.44	$ 8.55	$ 8.45	$ 9.32	$ 6.84
Diluted	6.37	8.38	8.25	9.11	6.71
Dividends per share	2.00	2.60	2.97	2.27	1.88
Book value per share(1)	66.91	62.00	55.51	50.38	43.20
Tangible book value per share(2)	42.13	37.07	50.81	45.74	38.43
Weighted average shares outstanding:					
Basic	7,833,917	7,871,034	8,126,804	8,112,610	8,001,682
Diluted	7,919,625	8,028,168	8,322,480	8,303,990	8,149,337
Financial Ratios:					
Return on average assets	0.79%	1.12%	1.37%	1.60%	1.26%
Return on average common stockholders equity	9.98	14.73	16.14	20.38	16.79
Yield on earning assets	5.44	6.37	7.21	6.94	6.12
Cost of average interest bearing liabilities	1.63	2.50	3.43	3.05	1.99
Net interest spread	3.81	3.87	3.78	3.89	4.13
Net interest margin(3)	4.05	4.25	4.46	4.47	4.48

Efficiency ratio(4)	63.32	61.14	61.23	56.89	62.70
Common stock dividend payout ratio(5)	31.06	30.41	35.15	24.36	27.49
Loan to deposit ratio	77.75	92.24	88.99	89.26	85.53
Asset Quality Ratios:					
Non-performing loans to total loans(6)	2.75%	1.90%	0.98%	0.53%	0.63%
Non-performing assets to total loans and other real estate owned (OREO)(7)	3.57	2.03	1.00	0.55	0.67
Non-performing assets to total assets	2.28	1.46	0.68	0.36	0.45
Allowance for loan losses to total loans	2.28	1.83	1.47	1.43	1.40
Allowance for loan losses to non-performing loans	82.64	96.03	150.66	269.72	220.73
Net charge-offs to average loans	0.63	0.28	0.08	0.09	0.19
Capital Ratios:					
Tangible common equity to tangible assets(8)	4.76%	4.55%	7.85%	7.55%	6.88%
Tier 1 common capital to total risk weighted assets(9)	6.43	5.35	9.95	9.68	8.94
Leverage ratio	7.30	7.13	9.92	8.61	7.91
Tier 1 risk-based capital	9.74	8.57	12.39	10.71	10.07
Total risk-based capital	11.68	10.49	13.64	11.93	11.27

(1) For purposes of computing book value per share, book value equals common stockholders equity.

(2) Tangible book value per share is a non-GAAP financial measure. For purposes of computing tangible book value per share, tangible book value (also referred to as tangible common stockholders equity or tangible common equity) equals common stockholders equity less goodwill and other intangible assets (except mortgage servicing rights). Tangible book value per share is calculated as tangible common stockholders equity divided by shares of common stock outstanding, and its most directly comparable GAAP financial measure is book value per share. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption Selected Historical Consolidated Financial Data.

(3) Net interest margin ratio is presented on a fully taxable equivalent, or FTE, basis.

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

(5) Common stock dividend payout ratio represents dividends per share divided by basic earnings per share. See Dividend Policy.

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

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

(8) Tangible common equity to tangible assets is a non-GAAP financial measure. For purposes of computing tangible common equity to tangible assets, tangible common equity is calculated as common stockholders equity less goodwill and other intangible assets (except mortgage servicing rights), and tangible assets is calculated as total assets less goodwill and other intangible assets (except mortgage servicing rights). The most directly comparable GAAP financial measure is total stockholders equity to total assets. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption Selected Historical Consolidated Financial Data.

(9) For purposes of computing tier 1 common capital to total risk weighted assets, tier 1 common capital is calculated on Tier 1 capital less preferred stock and trust preferred securities.

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RISK FACTORS

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

Risks Relating to the Market and Our Business

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

We take on credit risk by virtue of making loans and extending loan commitments and letters of credit. Our credit standards, procedures and policies may not prevent us from incurring substantial credit losses, particularly in light of market developments in recent years. During 2008 and 2009, we experienced deterioration in credit quality, particularly in certain real estate development loans, due, in part, to the impact resulting from the downturn in the prevailing economic, real estate and credit markets. This deterioration resulted in higher levels of non-performing assets, including other real estate owned, or OREO, and internally risk classified loans, thereby increasing our provision for loan losses and decreasing our operating income in 2008 and 2009. As of December 31, 2009, we had total non-performing assets of approximately $163 million, compared with approximately $97 million as of December 31, 2008 and approximately $36 million as of December 31, 2007. Given the current economic conditions and trends, management believes we will continue to experience credit deterioration and higher levels of non-performing loans in the near-term, which will likely have an adverse impact on our business, financial condition, results of operations and prospects.

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

At December 31, 2009, we had approximately $3.0 billion of commercial, agricultural, construction, residential and other real estate loans, representing approximately 65% of our total loan portfolio. The current economic recession, deterioration in the real estate markets and increasing delinquencies and foreclosures have had an adverse effect on the collateral value for many of our loans and on the repayment ability of many of our borrowers. The continuation or further deterioration of these factors, including increasing foreclosures and unemployment, will continue to have the same or similar adverse effects. In addition, these factors could reduce the amount of loans we make to businesses in the construction and real estate industry, which could negatively impact our interest income and results of operations. A continued decline in real estate values could also lead to higher charge-offs in the event of defaults in our real estate loan portfolio. Similarly, the occurrence of a natural or manmade disaster in our market areas could impair the value of the collateral we hold for real estate secured loans. Any one or a combination of the factors identified above could negatively impact our business, financial condition, results of operations and prospects.

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

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

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

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

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

Commercial loans, including commercial real estate loans, are often larger and involve greater risks than other types of lending. Because payments on such loans are often dependent on the successful operation or development of the property or business involved, repayment of such loans is more sensitive than other types of loans to adverse conditions in the real estate market or the general economy. Accordingly, the recent downturn in the real estate market and economy has heightened our risk related to commercial loans, particularly commercial real estate loans. Unlike residential mortgage loans, which generally are made on the basis of the borrowers ability to make repayment from their employment and other income and which are secured by real property whose value tends to be more easily ascertainable, commercial loans typically are made on the basis of the borrowers ability to make repayment from the cash flow of the commercial venture. If the cash flow from business operations is reduced, the borrower s ability to repay the loan may be impaired. Due to the larger average size of each commercial loan as compared with other loans such as residential loans, as well as the collateral which is generally less readily-marketable, losses incurred on a small number of commercial loans could have a material adverse impact on our financial condition and results of operations. At December 31, 2009, we had approximately $2.3 billion of commercial loans, including approximately $1.6 billion of commercial real estate loans, representing approximately 51% of our total loan portfolio.

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

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

As of December 31, 2009, our allowance for loan losses was approximately $103 million, which represented 2.28% of total outstanding loans. Our allowance for loan losses may not be sufficient to cover future loan losses. Future adjustments to the allowance for loan losses may be necessary if economic conditions differ substantially from the assumptions used or further adverse developments

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

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

The excess purchase price over the fair value of net assets from acquisitions, or goodwill, is evaluated for impairment at least annually and on an interim basis if an event or circumstance indicates that it is likely an impairment has occurred. In testing for impairment, the fair value of net assets will be estimated based on an analysis of our market value. Consequently, the determination of goodwill will be sensitive to market-based trading of our Class A common stock. As such, variability in market conditions could result in impairment of goodwill, which is recorded as a noncash adjustment to income. As of December 31, 2009, we had goodwill of approximately $184 million, which was 3% of our total assets. An impairment of goodwill could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

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

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

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

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

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

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

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

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

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

We may not be able to continue growing our business.

Our total assets have grown from $5.2 billion as of December 31, 2007 to $7.1 billion as of December 31, 2009. Our ability to grow depends, in part, upon our ability to successfully attract deposits, identify favorable loan and investment opportunities, open new branch banking offices and expand into new and complementary markets when appropriate opportunities arise. In the event we do not continue to grow, our results of operations could be adversely impacted.

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

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

Our customers with loan and/or deposit balances are located predominantly in Montana, Wyoming and western South Dakota. Because of the concentration of loans and deposits in these states, existing or future adverse economic conditions in Montana, Wyoming or western South Dakota could cause us to experience higher rates of loss and delinquency on our loans than if the loans were more geographically diversified. The current economic recession has adversely affected the real estate and business environment in certain areas in Montana, Wyoming and western South Dakota, especially in markets dependent upon resort communities and second homes such as Bozeman, Montana,

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Kalispell, Montana, and Jackson, Wyoming. In the future, adverse economic conditions, including inflation, recession and unemployment and other factors, such as political or business developments, natural disasters, wide-spread disease, terrorist activity, environmental contamination and other unfavorable conditions and events that affect these states, could reduce demand for credit or fee-based products and may delay or prevent borrowers from repaying their loans. Adverse conditions and other factors identified above could also negatively affect real estate and other collateral values, interest rate levels and the availability of credit to refinance loans at or prior to maturity. These results could adversely impact our business, financial condition, results of operations and prospects.

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

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

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

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

Non-compliance with laws and regulations could result in fines, sanctions and other enforcement actions and the loss of our financial holding company status.

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

- the appointment of a conservator or receiver for us;
- the issuance of a cease and desist order that can be judicially enforced;
- the termination of our deposit insurance;
- the imposition of civil monetary fines and penalties;
- the issuance of directives to increase capital;

the issuance of formal and informal agreements;

the issuance of removal and prohibition orders against officers, directors and other institution-affiliated parties; and

the enforcement of such actions through injunctions or restraining orders.

The imposition of any such sanctions or other enforcement actions could adversely impact our earnings, financial condition, results of operations and prospects. Furthermore, as a financial holding company, we may engage in authorized financial activities provided we are in compliance with applicable regulatory standards and guidelines. If we fail to meet such standards and guidelines, we may be required to cease certain financial holding company activities and, in certain circumstances, to divest the Bank.

The effects of recent legislative and regulatory efforts are uncertain.

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

Other recent developments include:

- the Federal Reserve s proposed guidance on incentive compensation policies at banking organizations;

- proposals to limit a lender s ability to foreclose on mortgages or make such foreclosures less economically viable, including by allowing Chapter 13 bankruptcy plans to cram down the value of certain mortgages on a consumer s principal residence to its market value and/or reset interest rates and monthly payments to permit defaulting debtors to remain in their home; and

- accelerating the effective date of various provisions of the Credit Card Accountability Responsibility and Disclosure Act of 2009, which restrict certain credit and charge card practices, require expanded disclosures to consumers and provide consumers with the right to opt out of interest rate increases (with limited exceptions).

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

In addition, we may need to modify our strategies and business operations in response to these changes. We may also incur increased capital requirements and constraints or additional costs in order to satisfy new regulatory requirements. Given the volatile nature of the current market and the uncertainties underlying efforts to mitigate or reverse disruptions, we may not timely anticipate or manage existing, new or additional risks, contingencies or developments in the current or future

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environment. Our failure to do so could materially and adversely affect our business, financial condition, results of operations and prospects.

Furthermore, on November 17, 2009, the Federal Reserve published a final rule under Regulation E regarding overdraft fees. Effective July 1, 2010 for new accounts and August 15, 2010 for existing account, this rule generally prohibits financial institutions from charging overdraft fees for ATM and one-time debit card transactions that overdraw consumer deposit accounts, unless the consumer opts in to having such overdrafts authorized and paid. The Federal Reserve s rule will impact the amount of overdraft fees we will be able to charge and could have a material adverse effect on our financial condition and results of operations. In addition, recent legislative proposals in Congress, if enacted, could further impact how we assess fees on deposit accounts for items and transactions that either overdraw an account or that are returned for nonsufficient funds.

We are dependent upon the services of our management team.

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

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

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

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

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

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

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

Our operations depend upon vital infrastructure components including, among other things, transportation systems, power grids and telecommunication systems. A disruption in our operations resulting from failure of transportation and telecommunication systems, loss of power, interruption of other utilities, natural disaster, fire, global climate changes, computer hacking or viruses, failure of technology, terrorist activity or the domestic and foreign response to such activity or other events outside of our control could have an adverse impact on the financial services industry as a whole and/or on our business. Our business recovery plan may not be adequate and may not prevent significant interruptions of our operations or substantial losses.

Recent market disruptions have caused increased liquidity risks.

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

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

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

We may not be able to find suitable acquisition candidates.

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

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

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

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

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

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

- the ability to develop, maintain and build upon long-term customer relationships based on quality service, high ethical standards and safe, sound assets;
- the ability to expand our market position;
- the scope, relevance and pricing of products and services offered to meet customer needs and demands;
- the rate at which we introduce new products and services relative to our competitors;
- customer satisfaction with our level of service; and
- industry and general economic trends.

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

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

A comprehensive and well-integrated risk management function is essential for our business. We have adopted various policies, procedures and systems to monitor and manage risk and are currently implementing a centralized risk oversight function. These policies, procedures and systems may be inadequate to identify and mitigate all risks inherent in our business. In addition, our business and the markets and industry in which we operate are continuously evolving. We may fail to understand fully the implications of changes in our business or the financial markets and fail to adequately or timely enhance our risk framework to address those changes, particularly given the recent turbulent and dynamic market conditions. If our risk framework is ineffective, either because it fails to keep pace with changes in the financial markets or in our business or for other reasons, we could incur losses and otherwise experience harm to our business.

Our systems of internal operating controls may not be effective.

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

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

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

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

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

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

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

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for our products and services or otherwise have a harmful effect on our business and, in turn, on our financial condition, results of operations and prospects.

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

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

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

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

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

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

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

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

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

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

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

Risks Relating to Investments in Our Class A Common Stock

Our dividend policy may change.

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

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

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

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

The initial public offering price has been determined through negotiations between us and the underwriters and may bear no relationship to the price at which our Class A common stock will trade upon completion of this offering. The market price of our Class A common stock following this offering is likely to be volatile and could be subject to wide fluctuations in price in response to various factors, some of which are beyond our control. These factors include:

- prevailing market conditions;
- our historical performance and capital structure;

estimates of our business potential and earnings prospects;

an overall assessment of our management; and

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

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

No assurance can be given that you will be able to resell your shares at a price equal to or greater than the offering price or that the offering price will necessarily indicate the fair market value of our Class A common stock. Consequently, investors of our Class A common stock could realize a substantial or complete loss of their investment.

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

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

In addition, because these holders will have the ability to elect all of our directors they will be able to control our policies and operations, including the appointment of management, future issuances of our common stock or other securities, the payments of dividends on our common stock and entering into extraordinary transactions, and their interests may not in all cases be aligned with your interests. Further, because of our dual class structure, members of the Scott family will continue to be able to control all matters submitted to our stockholder for approval even if they come to own less than 50% of the total outstanding shares of our common stock. The Scott family members have entered into a stockholder agreement giving family members a right of first refusal to purchase shares of common stock that are intended to be sold or transferred, subject to certain exceptions, by other family members. This agreement may have the effect of continuing ownership of the Class B common stock and control within the Scott family. This concentrated control will limit your ability to influence corporate matters. As a result, the market price of our Class A common stock could be adversely affected.

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

If our stockholders sell, or the market perceives that our stockholders intend to sell, in the public market following this offering substantial amounts of our Class A common stock, including Class A common stock issuable upon conversion of Class B common stock, the market price of our Class A common stock could decline significantly. These sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price we deem appropriate. Upon completion of this

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

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

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

We will retain broad discretion in using the net proceeds from this offering remaining after repayment of our variable rate term notes and may not use such proceeds effectively.

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

An investment in our Class A common stock is not an insured deposit.

Our Class A common stock is not a bank savings account or deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund or any other public or private entity. As a result, if you acquire our Class A common stock, you could lose some or all of your investment.

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

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

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

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

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

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

- a majority of the board of directors consist of independent directors;
- the compensation of officers be determined, or recommended to the board of directors for determination, by a majority of the independent directors or a compensation committee comprised solely of independent directors; and
- director nominees be selected, or recommended for the board of directors selection, by a majority of the independent directors or a nominating committee comprised solely of independent directors with a written charter or board resolution addressing the nomination process.

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

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

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

In the future, we may attempt to increase our capital resources or, if our Bank s capital ratios fall below the required minimums, we or the Bank could be forced to raise additional capital by making additional offerings of debt or equity securities, including medium-term notes, trust preferred securities, senior or subordinated notes and preferred stock. Or, we may issue additional debt or equity securities as consideration for future mergers and acquisitions. Such additional debt and equity offerings may place restrictions on our ability to pay dividends on or repurchase our common stock, dilute the holdings of our existing stockholders or reduce the market price of our Class A common stock. Furthermore, acquisitions typically involve the payment of a premium over book and market values and therefore, some dilution of our tangible book value and net income per Class A common stock may occur in connection with any future transaction. Holders of our Class A common stock are not entitled to preemptive rights or other protections against dilution.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

disruption of vital infrastructure and other business interruptions;

illiquidity in the credit markets;

inability to meet liquidity requirements;

lack of acquisition candidates;

failure to manage growth;

competition;

inability to manage risks in turbulent and dynamic market conditions;

ineffective internal operational controls;

environmental remediation and other costs;

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- failure to effectively implement technology-driven products and services;
- litigation pertaining to fiduciary responsibilities;
- capital required to support our Bank subsidiary;
- soundness of other financial institutions;
- impact of Basel II capital standards;
- inability of our Bank subsidiary to pay dividends;
- change in dividend policy;
- lack of public market for our common stock;
- volatility of Class A common stock;
- voting control;
- decline in market price of Class A common stock;
- dilution as a result of future equity issuances;
- use of net proceeds;
- uninsured nature of any investment in Class A common stock;
- anti-takeover provisions;
- controlled company status; and
- subordination of Class A common stock to company debt.

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

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

USE OF PROCEEDS

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

We currently intend to use the net proceeds:

- to support our long-term growth;
- to repay our variable rate term notes issued under our syndicated credit agreement; and
- for general corporate purposes, including potential strategic acquisition opportunities.

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

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

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

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DIVIDEND POLICY

Dividends

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

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

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

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

Dividend Restrictions

For a description of restrictions on the payment of dividends, see Risk Factors Risks Relating to the Market and Our Business Our Bank s ability to pay dividends to us is subject to regulatory limitations, which, to the extent we are not able to receive such dividends, may impair our ability to grow, pay dividends, cover operating expenses and meet debt service requirements and Regulation and Supervision Restrictions on Transfers of Funds to Us and the Bank.

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CAPITALIZATION

The following table sets forth our capitalization and regulatory capital and other ratios as of December 31, 2009, as follows:

- on an actual basis;

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

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

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

	December 31, 2009		
(Dollars in thousands, except per share data)	**Actual**	**Pro Forma**	**Pro Forma As Adjusted**
Borrowings and Obligations:			
Long-term debt:			
Subordinated term loans	$ 35,000	$ 35,000	$ 35,000
Variable rate term notes	33,929	33,929	
Capital lease and other obligations	4,424	4,424	4,424
Total long-term debt	73,353	73,353	39,424
Subordinated debentures held by subsidiary trusts	123,715	123,715	123,715
Stockholders Equity:			
Preferred stock, no par value, 100,000 shares authorized, including Series A preferred stock, no par value, 5,000 shares authorized, 5,000 shares issued and outstanding	50,000	50,000	50,000
Common stock, no par value, 20,000,000 shares authorized, 7,837,397 shares issued and outstanding(1)	112,135		
Class A common stock, no par value, 100,000,000 shares authorized, shares issued and outstanding(1)			
Class B common stock, no par value, 100,000,000 shares authorized, shares issued and outstanding(1)		112,135	
Retained earnings	397,224	397,224	
Accumulated other comprehensive income, net	15,075	15,075	

Total Stockholders Equity	574,434	574,434
Total Capitalization	771,502	771,502
Capital Ratios[2]:		
Tangible common equity to tangible assets[3]	4.76%	4.76%
Tier 1 common capital to total risk weighted assets[4]	6.43	6.43
Leverage ratio	7.30	7.30
Tier 1 risk-based capital	9.74	9.74
Total risk-based capital	11.68	11.68
Common Stock Data:		
Book value per share[5]	$ 66.91	$ 66.91
Tangible book value per share[6]	42.13	42.13

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

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

(2) The net proceeds from our sale of Class A common stock in this offering are presumed to be invested in securities which carry a % risk weighting for purposes of all adjusted risk-based capital ratios. If the underwriters option is exercised in full, net proceeds would be $ million and our tangible common equity to tangible assets, Tier I common capital to total risk weighted assets, leverage ratio, Tier 1 risk-based capital ratio and our total risk-based capital ratio would have been %, %, %, % and %, respectively.

(3) Tangible common equity to tangible assets is a non-GAAP financial measure. The most directly comparable GAAP financial measure is total stockholders equity to total assets. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption Selected Historical Consolidated Financial Data.

(4) For purposes of computing tier 1 common capital to total risk weighted assets, tier 1 common capital is calculated as Tier 1 capital less preferred stock and trust preferred securities.

(5) For purposes of computing book value per share, book value equals common stockholders equity.

(6) Tangible book value per share is a non-GAAP financial measure. The most directly comparable GAAP financial measure is book value per share. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption Selected Historical Consolidated Financial Data.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table sets forth certain of our historical consolidated financial data. The selected consolidated financial data as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated financial data as of December 31, 2007, 2006 and 2005 and for the years ended December 31, 2006 and 2005 have been derived from our audited consolidated financial statements that are not included in this prospectus.

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

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

	As of or for the Year Ended December 31,				
Dollars in thousands, except per share data)	**2009**	**2008**	**2007**	**2006**	**2005**
elected Balance Sheet Data:					
ssets:					
ash and cash equivalents	$ 623,482	$ 314,030	$ 249,246	$ 255,791	$ 240,977
oans	4,528,004	4,772,813	3,558,980	3,310,363	3,034,354
llowance for loan losses	103,030	87,316	52,355	47,452	42,450
et loans	4,424,974	4,685,497	3,506,625	3,262,911	2,991,904
vestment securities	1,446,280	1,072,276	1,128,657	1,124,598	1,019,901
lortgage servicing rights, net of accumulated mortization and impairment reserve	17,325	11,002	21,715	22,644	22,116
oodwill	183,673	183,673	37,380	37,380	37,390
ore deposit intangibles, net of accumulated mortization	10,551	12,682	257	432	1,204
ther assets	431,368	349,187	272,917	270,378	248,821
otal assets	$ 7,137,653	$ 6,628,347	$ 5,216,797	$ 4,974,134	$ 4,562,313
iabilities:					
eposits	$ 5,824,056	$ 5,174,259	$ 3,999,401	$ 3,708,511	$ 3,547,590

ecurities sold under repurchase agreements	474,141	525,501	604,762	731,548	518,718
ther borrowed funds	5,423	79,216	8,730	5,694	7,495
ong-term debt	73,353	84,148	5,145	21,601	54,654
ubordinated debentures held by subsidiary usts	123,715	123,715	103,095	41,238	41,238
ther liabilities	62,531	102,446	51,221	55,167	42,771
otal liabilities	$ 6,563,219	$ 6,089,285	$ 4,772,354	$ 4,563,759	$ 4,212,466

	As of or for the Year Ended December 31,				
ars in thousands, except per share data)	**2009**	**2008**	**2007**	**2006**	**2005**
holders equity:					
rred stock	$ 50,000	$ 50,000	$	$	$
mon stock	112,135	117,613	29,773	45,477	43,239
ned earnings	397,224	362,477	416,425	372,039	314,843
mulated other comprehensive income , net	15,075	8,972	(1,755)	(7,141)	(8,235)
stockholders equity	$ 574,434	$ 539,062	$ 444,443	$ 410,375	$ 349,847
ted Income Statement Data:					
est income	$ 328,034	$ 355,919	$ 325,557	$ 293,423	$ 233,857
est expense	84,898	120,542	125,954	105,960	63,549
nterest income	243,136	235,377	199,603	187,463	170,308
sion for loan losses	45,300	33,356	7,750	7,761	5,847
nterest income after provision for loan s	197,836	202,021	191,853	179,702	164,461
interest income	100,690	128,597	92,367	102,181	70,651
interest expense	217,710	222,541	178,786	164,775	151,087
ne before income taxes	80,816	108,077	105,434	117,108	84,025
ne tax expense	26,953	37,429	36,793	41,499	29,310
ncome	53,863	70,648	68,641	75,609	54,715
rred stock dividends	3,422	3,347			
ncome available to common stockholders	$ 50,441	$ 67,301	$ 68,641	$ 75,609	$ 54,715
non Stock Data:					
ngs per share:					
	$ 6.44	$ 8.55	$ 8.45	$ 9.32	$ 6.84
ed	6.37	8.38	8.25	9.11	6.71
ends per share	2.00	2.60	2.97	2.27	1.88
value per share(1)	66.91	62.00	55.51	50.38	43.20
ble book value per share(2)	42.13	37.07	50.81	45.74	38.43
hted average shares outstanding:					
	7,833,917	7,871,034	8,126,804	8,112,610	8,001,682
ed	7,919,625	8,028,168	8,322,480	8,303,990	8,149,337
cial Ratios:					
n on average assets	0.79%	1.12%	1.37%	1.60%	1.26%
n on average common stockholders y	9.98	14.73	16.14	20.38	16.79
age stockholders equity to average assets	8.16	7.98	8.52	7.85	7.52

on earning assets	5.44	6.37	7.21	6.94	6.12
of average interest bearing liabilities	1.63	2.50	3.43	3.05	1.99
nterest spread	3.81	3.87	3.78	3.89	4.13
nterest margin[3]	4.05	4.25	4.46	4.47	4.48
ency ratio[4]	63.32	61.14	61.23	56.89	62.70
mon stock dividend payout ratio[5]	31.06	30.41	35.15	24.36	27.49
to deposit ratio	77.75	92.24	88.99	89.26	85.53

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(Dollars in thousands, except per share data)	As of or for the Year Ended December 31, 2009	2008	2007	2006	2005
Asset Quality Ratios:					
Non-performing loans to total loans[6]	2.75%	1.90%	0.98%	0.53%	0.63%
Non-performing assets to total loans and OREO[7]	3.57	2.03	1.00	0.55	0.67
Non-performing assets to total assets	2.28	1.46	0.68	0.36	0.45
Allowance for loan losses to total loans	2.28	1.83	1.47	1.43	1.40
Allowance for loan losses to non-performing loans	82.64	96.03	150.66	269.72	220.73
Net charge-offs to average loans	0.63	0.28	0.08	0.09	0.19
Capital Ratios:					
Tangible common equity to tangible assets[8]	4.76%	4.55%	7.85%	7.55%	6.88%
Tier 1 common capital to total risk weighted assets[9]	6.43	5.35	9.95	9.68	8.94
Leverage ratio	7.30	7.13	9.92	8.61	7.91
Tier 1 risk-based capital	9.74	8.57	12.39	10.71	10.07
Total risk-based capital	11.68	10.49	13.64	11.93	11.27

(1) For purposes of computing book value per share, book value equals common stockholders equity.

(2) Tangible book value per share is a non-GAAP financial measure. The most directly comparable GAAP financial measure is book value per share. See below our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures.

(3) Net interest margin ratio is presented on an FTE basis.

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

(5) Common stock dividend payout ratio represents dividends per share divided by basic earnings per share. See Dividend Policy.

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

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

(8) Tangible common equity to tangible assets is a non-GAAP financial measure. The most directly comparable GAAP financial measure is total stockholders equity to total assets. See below our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures.

(9) For purposes of computing tier 1 common capital to total risk weighted assets, tier 1 common capital is calculated as Tier 1 capital less preferred stock and trust preferred securities.

Non-GAAP Financial Measures

In addition to results presented in accordance with generally accepted accounting principals in the United States of America, or GAAP, this prospectus contains the following non-GAAP financial measures that management uses to evaluate our capital adequacy: tangible book value per share and tangible common equity to tangible assets. For purposes of computing tangible book value per share, tangible book value (also referred as tangible common stockholders equity or tangible common equity) equal common stockholders equity less goodwill and other intangible assets (except mortgage servicing rights). Tangible book value per share is calculated as tangible common stockholders equity divided by shares of common stock outstanding. For purposes of computing tangible common equity to tangible assets, tangible assets is calculated as total assets less goodwill and other intangible assets (excluding mortgage servicing rights). Tangible common equity to tangible assets is calculated as tangible common stockholders equity divided by tangible assets.

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Management believes that these non-GAAP financial measures are valuable indicators of a financial institution s capital strength since they eliminate intangible assets from stockholders equity and retain the effect of unrealized losses on securities and other components of accumulated other comprehensive income (loss) in stockholders equity. Management also believes that such financial measures, which are intended to complement the capital ratios defined by banking regulators, are useful to investors in evaluating the Company s performance due to the importance that analysts place on these ratios and also allow investors to compare certain aspects of our capitalization to other companies. These non-GAAP financial measures, however, may not be comparable to similarly titled measures reported by other companies because other companies may not calculate these non-GAAP measures in the same manner. As a result, the usefulness of these measures to investors may be limited, and they should not be considered in isolation or as a substitute for measures prepared in accordance with GAAP.

The following table shows a reconciliation from total stockholders equity (GAAP) to tangible common stockholders equity (non-GAAP) and total assets (GAAP) to tangible assets (non-GAAP), their most directly comparable GAAP financial measures, in each instance as of the periods presented.

	As of the Year Ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
(Dollars in thousands, except per share data)					
Preferred stockholders equity	$ 50,000	$ 50,000	$	$	$
Common stockholders equity	524,434	489,062	444,443	410,375	349,847
Total stockholders equity	574,434	539,062	444,443	410,375	349,847
Less goodwill and other intangible assets (excluding mortgage servicing rights)	194,273	196,667	37,637	37,812	38,595
Less preferred stock	50,000	50,000			
Tangible common stockholders equity	$ 330,161	$ 292,395	$ 406,806	$ 372,563	$ 311,252
Number of shares of common shares outstanding	7,837,397	7,887,519	8,006,041	8,144,788	8,098,933
Book value per share of common stock	$ 66.91	$ 62.00	$ 55.51	$ 50.38	$ 43.20
Tangible book value per share of common stock	42.13	37.07	50.81	45.74	38.43
Total assets	$ 7,137,653	$ 6,628,347	$ 5,216,797	$ 4,974,134	$ 4,562,313
Less goodwill and other intangible assets (excluding mortgage servicing rights)	194,273	196,667	37,637	37,812	38,595
Tangible assets	$ 6,943,380	$ 6,431,680	$ 5,179,160	$ 4,936,322	$ 4,523,718
Tangible common stockholders equity to	4.76%	4.55%	7.85%	7.55%	6.88%

tangible assets

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

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

Executive Overview

We are a financial and bank holding company headquartered in Billings, Montana. As of December 31, 2009, we had consolidated assets of $7.1 billion, deposits of $5.8 billion, loans of $4.5 billion and total stockholders equity of $574 million. We currently operate 72 banking offices in 42 communities located in Montana, Wyoming and western South Dakota. Through the Bank, we deliver a comprehensive range of banking products and services to individuals, businesses, municipalities and other entities throughout our market areas. Our customers participate in a wide variety of industries, including energy, healthcare and professional services, education and governmental services, construction, mining, agriculture, retail and wholesale trade and tourism.

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

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

In furtherance of our strategy to maintain and enhance our long-term performance while we continue to grow and expand our business, we completed two strategic transactions in 2008. In January 2008 we completed the First Western acquisition, which comprised the purchase of two banks (First Western Bank in Wall, South Dakota and The First Western Bank Sturgis in Sturgis, South Dakota) and a data center located in western South Dakota with combined total assets as of the acquisition date of approximately $913 million. Because the results of First Western Bank are not included in our results for the periods prior to the date of acquisition, our results and other financial data for such prior periods may not be comparable in all respects to our results for periods after the date of acquisition. On December 31, 2008, we completed the disposition of our i_Tech subsidiary to Fiserv Solutions, Inc. The disposition eliminated our technology services segment, one of our two historical operating segments, enabling us to focus on our core business and only remaining segment: community banking. Because the operating results attributable to the former segment are not included in our operating results for periods subsequent to the date of disposition, our results for periods prior to the date of that transaction may not be comparable in all respects. See Note 1 of the Notes to Consolidated Financial Statements included in this prospectus.

Primary Factors Used in Evaluating Our Business

As a banking institution, we manage and evaluate various aspects of both our financial condition and our results of operations. We monitor our financial condition and performance on a monthly basis, at our holding company, at the Bank and at 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. Net interest income, the largest source of our operating income, is derived from interest, dividends and fees received on interest earning assets, less interest expense incurred on interest bearing liabilities. Interest earning assets primarily include loans and investment securities. Interest bearing liabilities include deposits and various forms of indebtedness. Net interest income is affected by the level of interest rates, changes in interest rates and changes in the composition of interest earning assets and interest bearing liabilities. The most significant impact on our net interest income between periods is derived from the interaction of changes in the rates earned or paid on interest earning assets and interest bearing liabilities, 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. Given the interest free nature of free funding sources, the net interest margin is generally higher than the interest rate spread. We seek to increase our net interest income over time, and we evaluate our net interest income on factors that include the 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.

Non-interest income. Our principal sources of non-interest income include (1) income from the origination and sale of loans, (2) other service charges, commissions and fees, (3) service charges on deposit accounts, (4) wealth management revenues and (5) other income. Income from the origination and sale of loans includes origination and processing fees on residential real estate loans held for sale and gains on residential real estate loans sold to third parties. Fluctuations in market interest rates have a significant impact on revenues generated from the origination and sale of loans. Higher interest rates can reduce the demand for home loans and loans to refinance existing mortgages. Conversely, lower interest rates generally stimulate refinancing and home loan origination. Other service charges, commissions and fees primarily include debit and credit card interchange income, mortgage servicing fees, insurance and other commissions and ATM service charge revenues. Wealth management revenues principally comprises fees earned for management of trust assets and investment services revenues. Other income primarily includes company-owned life insurance revenues, check printing income, agency stock dividends and gains on sales of miscellaneous assets. 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.

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Non-interest expense. Non-interest expenses include (1) salaries, wages and employee benefits expense, (2) occupancy expense, (3) furniture and equipment expense, (4) FDIC insurance premiums, (5) outsourced technology services expense, (6) impairment of mortgage servicing rights, (7) OREO expense, (8) core deposit intangibles and (9) other expenses, which primarily includes professional fees; advertising and public relations costs; office supply, postage, freight, telephone and travel expenses; donations expense; debit and credit card expenses; board of director fees; and other losses. OREO expense is recorded net of OREO income. Variations in net OREO expense between periods is primarily due to write-downs of the estimated fair value of OREO properties, fluctuations in gains and losses recorded on sales of OREO properties, fluctuations in the number of OREO properties held and the carrying costs and/or operating expenses associated with those properties. We seek to manage our non-interest expenses in consideration of the growth of our business and our community banking model that emphasizes customer service and responsiveness. We evaluate our non-interest expense on factors that include our non-interest expense relative to our average assets, our efficiency ratio and the trends of the individual categories of non-interest expense.

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

Financial Condition

Principal areas of focus in managing and evaluating our financial condition include liquidity, the diversification and quality of our loans, the adequacy of our 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, our ratio of loans to deposits and our reliance on brokered certificates of deposit or other wholesale funding sources.

We seek to maintain a diverse and high quality loan portfolio, and we evaluate our asset quality on factors that include the allocation of our loans among loan types, our 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 potential losses inherent in our loan portfolio at each balance sheet date, and we evaluate the level of our allowance for loan losses relative to our overall loan portfolio and the level of non-performing loans and potential charge-offs.

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

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

Trends and Developments

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

FDIC Insurance Premiums

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

Dividend Policy and Capital Repurchases

In response to the current recession and uncertain market conditions, we implemented changes to our capital management practices designed to ensure our long-term success and conserve capital. Beginning with second quarter 2009, we paid quarterly dividends of $0.45 per share of common stock, a decrease of $0.20 per share of common stock from quarterly dividends paid during 2008 and first quarter 2009. In addition, during 2009 we limited repurchases of our existing common stock outside of our 401(k) retirement plan. In 2009, we repurchased 160,688 shares of our existing common stock with an aggregate value of $11, million compared to repurchases of the 333,393 shares of our existing common stock with an aggregate value of $28 million in 2008. During our first quarter 2010 redemption window, which was concluded in February 2010, we repurchased 60,993 shares of our existing common stock with an aggregate value of $4 million. Our repurchase program will terminate concurrently with the completion of this offering.

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

Asset Quality

Difficult economic conditions continue to have a negative impact on businesses and consumers in our market areas. General declines in the real estate and housing markets resulted in significant deterioration in the credit quality of our loan portfolio, which is reflected by increases in non-performing and internally risk classified loans. Our non-performing assets increased to $163 million, or 3.57% of total loans and OREO, as of December 31, 2009 from $97 million, or 2.03% of total loans and OREO, as of December 31, 2008. Loan charge-offs, net of recoveries, totaled $30 million in 2009, as compared to $13 million in 2008, with all major loan categories reflecting increases. Based on our assessment of the adequacy of our allowance for loan losses, we recorded provisions for loan losses of $45.3 million during 2009, compared to $33.4 million during 2008. Increased provisions for loan losses reflects our estimation of the effect of current economic conditions

on our loan portfolio. Given the current economic conditions and trends, management believes we will continue to experience higher levels of non-performing loans in the near-term, which will likely have an adverse impact on our business, financial condition, results of operations and prospects.

Net OREO expense was $6.4 million in 2009 compared to $215,000 in 2008. The increase in net OREO expense was primarily related to one real estate development property written down by $4.3 million during third quarter 2009 due to a decline in the estimated market value of the property.

Goodwill

During third quarter 2009, we conducted our annual testing of goodwill for impairment and determined that goodwill was not impaired as of July 1, 2009. If goodwill were to become impaired in future periods, we would be required to record a noncash downward adjustment to income, which would result in a corresponding decrease to our stated book value that could under certain circumstances render our Bank unable to pay dividends to us, thereby reducing our cash flow, creating liquidity issues and negatively impacting our ability to pay dividends to our stockholders. Conversely, any such goodwill impairment charge would enable us to record an offsetting favorable tax deduction in the year of the impairment, which could result in a corresponding increase to our tangible book value and benefit to our regulatory capital ratios. Our total goodwill as of December 31, 2009 was $184 million. Approximately $159 million of such goodwill is deductible for tax purposes, of which $41 million has been recognized for tax purposes through December 31, 2009, resulting in a deferred tax liability of $16 million.

Mortgage Servicing Rights

Mortgage servicing rights are evaluated quarterly for impairment. Impairment adjustments, if any, are recorded through a valuation allowance. 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. Changes in estimated servicing period and growth in the serviced loan portfolio cause amortization expense to vary between periods.

In an effort to reduce our exposure to earning charges or credits resulting from volatility in the fair value of our mortgage servicing rights, we sold mortgage servicing rights with a carrying value of $3 million to a secondary market investor during fourth quarter 2009 at a loss of approximately $48,000. In conjunction with the sale, we entered into a sub-servicing agreement with the purchaser whereby we will continue to service the loans for a fee. Management will continue to evaluate opportunities for additional sales of mortgage servicing rights in the future.

Critical Accounting Estimates and Significant Accounting Policies

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

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

Allowance for Loan Losses

The 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 asset 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, liquidity or results of operations. The allowance for loan losses is maintained at an amount we believe is sufficient to provide for estimated losses inherent in our loan portfolio at each balance sheet date, 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 included in this prospectus describes the methodology used to determine the allowance for loan losses. A discussion of the factors driving changes in the amount of the allowance for loan losses is included in this prospectus under the heading Financial Condition Allowance for Loan Losses.

Goodwill

The excess purchase price over the fair value of net assets from acquisitions, or goodwill, is evaluated for impairment at least annually and on an interim basis if an event or circumstance indicates that it is likely an impairment has occurred. In testing for impairment in the past, the fair value of net assets was estimated based on an analysis of market-based trading and transaction multiples of selected profitable banks in the western and mid-western regions of the United States and, if required, the estimated fair value would have been allocated to our assets and liabilities. In future testing for impairment, the fair value of net assets will be estimated based on an analysis of our market value. Determining the fair value of goodwill is considered a critical accounting estimate because of its sensitivity to market-based trading and transaction multiples in prior periods and to market-based trading of our Class A common stock in future periods. In addition, any allocation of the fair value of goodwill to assets and liabilities requires significant management judgment and the use of subjective measurements. Variability in the market and changes in assumptions or subjective measurements used to allocate fair value are reasonably possible and may have a material impact on our consolidated financial statements, liquidity or results of operations. Note 1 of the Notes to Consolidated Financial Statements included in this prospectus describes our accounting policy with regard to goodwill.

Valuation of Mortgage Servicing Rights

We recognize as assets the rights to service mortgage loans for others, whether acquired or internally originated. Mortgage servicing rights are carried on the consolidated balance sheet at the lower of amortized cost or fair value. We utilize the expertise of a third-party consultant to estimate the fair value of our mortgage servicing rights quarterly. In evaluating the mortgage servicing rights, the consultant uses discounted cash flow modeling techniques, which require estimates regarding the amount and timing of expected future cash flows, including assumptions about loan repayment rates based on current industry expectations, costs to service, predominant risk characteristics of the

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underlying loans as well as interest rate assumptions that contemplate the risk involved. During a period of declining interest rates, the fair value of mortgage servicing rights is expected to decline due to anticipated prepayments within the portfolio. Alternatively, during a period of rising interest rates, the fair value of mortgage servicing rights is expected to increase because prepayments of the underlying loans would be anticipated to decline. Impairment adjustments are recorded through a valuation allowance. The valuation allowance is adjusted for changes in impairment through a charge to current period earnings. Management believes the valuation techniques and assumptions used by the consultant are reasonable.

Determining the fair value of mortgage servicing rights is considered a critical accounting estimate because of the assets sensitivity to changes in estimates and assumptions used, particularly loan prepayment speeds and discount rates. Changes in these estimates and assumptions are reasonably possible and may have a material impact on our consolidated financial statements, liquidity or results of operations. As of December 31, 2009, the consultant s valuation model indicated that an immediate 25 basis point decrease in mortgage interest rates would result in a reduction in fair value of mortgage servicing rights of $5 million and an immediate 50 basis point reduction in mortgage interest rates would result in a reduction in fair value of $9 million. Notes 1 and 8 of the Notes to Consolidated Financial Statements included in this prospectus describe the methodology we use to determine fair value of mortgage servicing rights.

Other Real Estate Owned

Real estate acquired in satisfaction of loans is initially carried at current fair value less estimated selling costs. The value of the underlying loan is written down to the fair value of the real estate acquired by charge to the allowance for loan losses, if necessary, at or within 90 days of foreclosure. Subsequent declines in fair value less estimated selling costs are included in OREO expense. Subsequent increases in fair value less estimated selling costs are recorded as a reduction in OREO expense to the extent of recognized losses. Carrying costs, operating expenses, net of related income, and gains or losses on sales are included in OREO expense. Notes 1 and 24 of the Notes to Consolidated Financial Statements included in this prospectus describe our accounting policy with regard to OREO.

Results of Operations

The following discussion of our results of operations compares the years ended December 31, 2009 to December 31, 2008, and the years ended December 31, 2008 to December 31, 2007.

Net Interest Income

Market interest rates, which declined steadily in 2008 and have remained at low levels during 2009, reduced our yield on interest earning assets and our cost of interest bearing liabilities. Our net interest income, on a FTE basis, increased $7.4 million, or 3.1%, to $248.0 million in 2009, compared to $240.6 million in 2008.

Despite growth in net FTE interest income, we experienced lower interest rate spreads and compression of our net FTE interest margin in 2009, as compared to 2008. Our net FTE interest margin decreased 20 basis points to 4.05% in 2009, compared to 4.25% in 2008. Our focus on balancing growth to improve liquidity combined with weak loan demand during 2009 resulted in higher federal funds sold balances, which produce lower yields than other interest earnings assets. In addition, interest-free and low cost funding sources, such as demand deposits, federal funds purchased and short-term borrowings comprised a smaller percentage of our total funding base, which further compressed our net FTE interest margin.

Net FTE interest income increased $37.0 million, or 18.2%, to $240.6 million in 2008, from $203.7 million in 2007, due largely to the net interest income of the acquired First Western entities. Average earning assets grew 24.0% in

2008, with approximately 78.0% of this growth attributable to

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the acquired First Western entities. Despite growth in earning assets and an increase in the interest rate spread, our net FTE interest margin decreased 21 basis points to 4.25% in 2008, as compared to 4.46% for 2007, largely due to the First Western acquisition. In conjunction with the acquisition, we incurred indebtedness to acquire nonearning assets, including goodwill, core deposit intangibles and premises and equipment. In addition, interest free funding sources, including non-interest bearing deposits and common equity comprised a smaller percentage of our funding base during 2008 as compared to 2007. During fourth quarter 2008, the federal funds rate fell 125 to 150 basis points, with the last decrease taking the rate to between 0 and 25 basis points, further compressing our net FTE interest margin ratio during fourth quarter 2008.

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

Average Balance Sheets, Yields and Rates

	Year Ended December 31,								
	2009			2008			2007		
rs in thousands)	**Average Balance**	**Interest**	**Average Rate**	**Average Balance**	**Interest**	**Average Rate**	**Average Balance**	**Interest**	**Ave Ra**
t earning assets:									
1)(2)	$ 4,660,189	$ 281,799	6.05%	$ 4,527,987	$ 306,976	6.78%	$ 3,449,809	$ 274,020	7
overnment agency ortgage-backed ies	1,016,632	41,887	4.12	923,912	43,336	4.69	892,850	42,650	4
l funds sold	105,423	253	0.24	55,205	1,080	1.96	87,460	4,422	5
securities	1,556	50	3.21	5,020	214	4.26	857	3	0
empt securities[2]	134,373	8,398	6.25	147,812	9,382	6.35	111,732	7,216	6
t bearing deposits ks	199,316	520	0.26	5,946	191	3.21	26,165	1,307	5
nterest earnings	6,117,489	332,907	5.44	5,665,882	361,179	6.37	4,568,873	329,618	7
arning assets	687,110			667,206			423,893		
ssets	$ 6,804,599			$ 6,333,088			$ 4,992,766		
t bearing ies:									
nd deposits	$ 1,083,054	4,068	0.38	$ 1,120,807	12,966	1.16	$ 1,004,019	23,631	2
s deposits	1,321,625	10,033	0.76	1,144,553	18,454	1.61	940,521	24,103	2
deposits	2,129,313	59,125	2.78	1,688,859	65,443	3.87	1,105,959	51,815	4
chase agreements	422,713	776	0.18	537,267	7,694	1.43	558,469	21,212	3
vings[3]	56,817	1,367	2.41	126,690	3,130	2.47	8,515	428	5
erm debt	79,812	3,249	4.07	86,909	4,578	5.27	9,230	467	5
	123,715	6,280	5.08	123,327	8,277	6.71	47,099	4,298	9

dinated debenture sidiary trusts									
nterest bearing ies	5,217,049	84,898	1.63	4,828,412	120,542	2.50	3,673,812	125,954	3
nterest bearing ts	965,226			940,968			842,239		
non-interest g liabilities	67,061			58,173			51,529		
holders equity	555,263			505,535			425,186		
iabilities and olders equity	$ 6,804,599			$ 6,333,088			$ 4,992,766		
TE interest income		$ 248,009			$ 240,637			$ 203,664	
TE adjustments[2]		(4,873)			(5,260)			(4,061)	
terest income onsolidated ents of income		$ 243,136			$ 235,377			$ 199,603	
t rate spread			3.81%			3.87%			3
TE interest n[4]			4.05%			4.25%			4

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

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

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

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

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, which we refer to as rate. Changes which are not due solely to volume or rate have been allocated to these categories based on the respective percent changes in average volume and average rate as they compare to each other.

Analysis of Interest Changes Due To Volume and Rates

	Year Ended December 31, 2009 Compared with December 31, 2008			Year Ended December 31, 2008 Compared with December 31, 2007			Year Ended December 31, 2007 Compared with December 31, 2006		
	Volume	**Rate**	**Net**	**Volume**	**Rate**	**Net**	**Volume**	**Rate**	**Net**
lars in thousands)									
est earning assets:									
ns[1]	$ 8,963	$ (34,140)	$ (25,177)	$ 85,640	$ (52,684)	$ 32,956	$ 18,599	$ 8,560	$ 27,1
government agency mortgage-backed rities	4,349	(5,798)	(1,449)	1,484	(798)	686	(1,029)	2,694	1,6
ral funds sold	982	(1,809)	(827)	(1,631)	(1,711)	(3,342)	2,196	30	2,2
r securities	(148)	(16)	(164)	15	196	211	(1)	(2)	
exempt securities[1]	(853)	(131)	(984)	2,330	(164)	2,166	424	(40)	3
est bearing deposits nks	6,212	(5,883)	329	(1,010)	(106)	(1,116)	790	157	9
l change	19,505	(47,777)	(28,272)	86,828	(55,267)	31,561	20,979	11,399	32,3
est bearing lities:									
and deposits	(437)	(8,461)	(8,898)	2,749	(13,414)	(10,665)	2,852	4,927	7,7
ngs deposits	2,855	(11,276)	(8,421)	5,229	(10,878)	(5,649)	1,947	4,732	6,6
e deposits	17,068	(23,386)	(6,318)	27,309	(13,681)	13,628	3,764	8,060	11,8
urchase agreements	(1,640)	(5,278)	(6,918)	(805)	(12,713)	(13,518)	(3,175)	(891)	(4,0
owings[2]	(1,726)	(37)	(1,763)	5,940	(3,238)	2,702	(1,913)	(17)	(1,9
g-term debt	(374)	(955)	(1,329)	3,930	181	4,111	(1,215)	106	(1,1
ordinated ntures held by diary trusts	26	(2,023)	(1,997)	6,956	(2,977)	3,979	495	322	8
l change	15,772	(51,416)	(35,644)	51,308	(56,720)	(5,412)	2,755	17,239	19,9

ease (decrease) in net interest me[1]	$ 3,733	$ 3,639	$ 7,372	$ 35,520	$ 1,453	$ 36,973	$ 18,224	$ (5,840)	$ 12,3

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

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

Provision for Loan Losses

Effects of the broad recession began to impact our market areas in 2008. Ongoing stress from weakening economic conditions in 2008 and 2009 resulted in higher levels of non-performing loans, particularly real estate development loans. Fluctuations in provisions for loan losses reflect our assessment of the estimated effects of current economic conditions on our loan portfolio. The provision for loan losses increased $11.9 million, or 35.8%, to $45.3 million in 2009, as compared to $33.4 million in 2008. Quarterly provisions for loan losses during 2009 increased from $9.6 million during the first quarter to $13.5 million during the fourth quarter.

The provision for loan losses increased $25.6 million, or 330.4%, to $33.4 million in 2008, as compared to $7.8 million in 2007. The majority of the increase in provisions for loan losses in 2008, as compared to 2007, occurred during the fourth quarter when we recorded provisions of $20.0 million, as compared to $5.6 million recorded in third quarter 2008 and $2.1 million recorded in fourth quarter 2007. For additional information concerning non-performing assets, see Financial Condition Non-Performing Assets herein.

Non-Interest Income

Non-interest income decreased $27.9 million, or 21.7%, to $100.7 million in 2009, from $128.6 million in 2008. Non-interest income increased $36.2 million, or 39.2%, to $128.6 million in 2008 from $92.4 million in 2007. Significant components of these fluctuations are discussed below.

Income from the origination and sale of loans increased $18.6 million, or 151.7%, to $30.9 million in 2009, from $12.3 million in 2008, and 9.3% to $12.3 million in 2008, from $11.2 million in 2007. Low market interest rates increased demand for residential mortgage loans, which we generally sell into the secondary market with servicing rights retained. In June 2009, long-term interest rates increased causing a slowdown in application activity associated with fixed rate secondary market loans during the second half of 2009. If long-term rates remain at their existing levels or increase, income from the origination and sale of loans will likely decrease in future periods. Approximately $224,000 of the 2008 increase, as compared to 2007, was attributable to the acquired First Western entities.

Other service charges, commissions and fees increased $554,000, or 2.0%, to $28.7 million in 2009, from $28.2 million in 2008. The increase was primarily due to additional fee income from higher volumes of debit card transactions. This increase was partially offset by decreases in insurance and other commissions of $709,000.

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

Service charges on deposit accounts decreased $389,000, or 1.9%, to $20.3 million in 2009, from $20.7 million in 2008, primarily due to decreases in the number of overdraft fees assessed. Service charges on deposit accounts increased $2.9 million, or 16.4%, to $20.7 million in 2008, from $17.8 million in 2007. Substantially all of the 2008 increase was attributable to the acquired First Western entities.

Wealth management revenues decreased $1.5 million, or 12.4%, to $10.8 million in 2009, from $12.4 million in 2008. Approximately 61% of the decrease occurred in investment services revenues, primarily the result of decreases in brokerage transaction volumes. In addition, fees earned for management of trust funds, which are generally based on the market value of trust assets managed, were lower in 2009 due to declines in the market values of assets under trust administration. Wealth management revenues increased 5.3% to $12.4 million in 2008, from $11.7 million in 2007, due to the addition of new trust and investment services customers in 2008.

On December 31, 2008, we completed the sale of our technology services subsidiary, i_Tech, to a national technology services provider. We recorded a $27.1 million net gain on the sale in 2008. i_Tech provided technology support services to us, our Bank and nonbank subsidiaries and to non-affiliated customers in our market areas and nine additional states. During 2008 and 2007, i_Tech generated $17.7 million and $19.1 million, respectively, in non-affiliate revenues. Subsequent to the sale, we no longer receive technology services revenues from non-affiliates.

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

Other income decreased $420,000, or 4.1%, to $9.7 million in 2009, from $10.2 million in 2008. During third quarter 2009, we recorded a non-recurring gain of $2.1 million on the sale of our shares of Visa Inc. Class B common stock. This increase was offset by first quarter 2008 non-recurring gains of $1.6 million on the mandatory redemption of Visa Inc. Class B common stock and $1.1 million from the release of escrow funds related to the December 2006 sale of our interest in an internet bill payment company. For additional information regarding the conversion and sale of our shares of Visa Inc. Class B common stock, see Notes to Consolidated Financial Statement Commitments and Contingencies.

Other income increased $1.9 million, or 23.2%, to $10.2 million in 2008, from $8.2 million in 2007. Exclusive of the acquired First Western entities, non-interest income decreased $1.7 million, or 20.2%, in 2008, as compared to 2007. During first quarter 2008, we recorded a gain of $1.6 million resulting from the mandatory redemption of our class B shares of Visa Inc. The net gain was split between our community banking and technology services operating segments. In addition, during first quarter 2008, we recorded a nonrecurring gain of $1.1 million due to the release of funds escrowed in conjunction with the December 2006 sale of our interest in an internet bill payment company. These gains were offset by decreases in earnings of securities held under deferred compensation plans and one-time gains recorded in 2007 of $986,000 on the sale of mortgage servicing rights and $737,000 from the conversion and subsequent sale of our MasterCard stock.

Non-Interest Expense

Non-interest expense decreased $4.8 million, or 2.2%, to $217.7 million in 2009, from $222.5 million in 2008. Non-interest expense increased $43.8 million, or 24.5%, to $222.5 million in 2008, from $178.8 million in 2007. Significant components of these fluctuations are discussed below.

Salaries, wages and employee benefits expense decreased $455,000, or less than 1.0%, to $113.6 million in 2009 compared to $114.0 million in 2008. Normal inflationary and other increases in salaries, wages and employee benefits were offset by a reduction of approximately 120 full-time equivalent employees due to the sale of i_Tech in December 2008.

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

Occupancy expense decreased $463,000, or 2.8%, to $15.9 million in 2009, from $16.4 million in 2008. The decrease in occupancy expense was due to the discontinuation of a building lease in conjunction with the sale of i_Tech in December 2008. Occupancy expense increased $1.6 million, or 11.0%, to $16.4 million in 2008, from $14.7 million in 2007 due to the acquired First Western entities.

Furniture and equipment expense decreased $6.5 million, or 34.3%, to $12.4 million in 2009, from $18.9 million in 2008. The decrease in equipment maintenance and depreciation was due primarily to the sale of i_Tech in December 2008. Furniture and equipment expense increased $2.7 million, or 16.3%, to $18.9 million in 2008, from $16.2 million in 2007. Approximately $1.2 million of the increase was attributable to the acquired First Western entities. The remaining increase was primarily due to higher depreciation and maintenance expenses resulting from the addition, replacement and repair of equipment in the ordinary course of business.

FDIC insurance premiums increased $9.2 million, or 316.6%, to $12.1 million in 2009, from $2.9 million in 2008. For the first quarter of 2009 only, the FDIC increased all FDIC deposit assessment rates by 7 basis points and on February 27, 2009, the FDIC issued a final rule setting base assessment rates for Risk Category I institutions at 12 to 16 basis points, beginning April 1, 2009. On May 22, 2009, the FDIC issued a final rule which levied a special assessment applicable to all insured depository institutions totaling 5 basis points of each institution s total assets less tier 1 capital as of June 30, 2009, not to exceed 10 basis points of domestic deposits. Increases in deposit insurance expense were due to increases in fee assessment rates during 2009 and the special assessment of $3.1 million. The increases were also partly related to the additional 10 basis point per annum assessment paid on covered transaction accounts exceeding $250,000 under the deposit insurance coverage guarantee program and the full utilization of available credits to offset assessments during the first nine months of 2008. We expect FDIC insurance premiums to remain at their current high levels for the foreseeable future.

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

Outsourced technology services expense increased $6.6 million, or 163.1%, to $10.6 million in 2009, from $4.0 million in 2008. Concurrent with the December 31, 2008 sale of i_Tech, we entered into a service agreement with the purchaser to receive data processing, electronic funds transfer and other technology services previously provided by i_Tech. This increase in outsourced technology services expense was largely offset by decreases in salaries, wages and benefits; furniture and equipment; occupancy; and other expenses. Outsourced technology services expense increased $900,000, or 28.9%, to $4.0 million in 2008, from $3.1 million in 2007, primarily due to increases in ATM fees resulting from higher transaction volumes.

Mortgage servicing rights amortization increased $1.7 million, or 27.9%, to $7.6 million in 2009, from $5.9 million in 2008 and $1.5 million, or 33.3%, to $5.9 million in 2008, from $4.4 million in 2007. During 2009, we reversed previously recorded impairment of $7.2 million, as compared to a recording additional impairment of $10.9 million in 2008 and $1.7 million in 2007.

OREO expense was $6.4 million in 2009, as compared to $215,000 in 2008. This increase was primarily due to a $4.3 million write-down of the carrying value of one real estate development property due to a decline in the estimated market value of the property. During 2008, we recorded OREO expense of $215,000, compared to OREO income of $81,000 recorded in 2007.

Core deposit intangibles represent the intangible value of depositor relationships resulting from deposit liabilities assumed and are amortized based on the estimated useful lives of the related deposits. We recorded core deposit intangibles of $14.9 million in conjunction with the acquisition of the First Western entities. These intangibles are being amortized using an accelerated method over their weighted average expected useful lives of 9.2 years. Core deposit intangible amortization expense was $2.1 million in 2009, compared to $2.5 million in 2008 and $174,000 in 2007. Core deposit intangible amortization expense is expected to decrease 18.0% to $1.7 million in 2010. For additional information regarding core deposit intangibles, see Notes to Consolidated Financial Statements Summary of Significant Accounting Policies.

Other expenses decreased $2.5 million, or 5.4%, to $44.3 million in 2009, from $46.8 million in 2008. This decrease was primarily the result of a $1.3 million other-than-temporary impairment charge related to an available-for-sale corporate security and fraud losses of $708,000 recorded during 2008. Also contributing to the decrease in other expenses were reductions in expense due to the sale of i_Tech in December 2008 and a continuing focus on reducing targeted controllable expenses during

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2009. These reductions were partially offset by higher debit card expense resulting from higher transaction volumes.

Other expenses increased $6.9 million, or 17.3%, to $46.8 million in 2008, from $39.9 million in 2007. Exclusive of other expenses of the acquired First Western entities, which included a $1.3 million other-than-temporary impairment charge on an available-for-sale corporate investment security, other expenses decreased $1.9 million, or 4.9%, in 2008, as compared to 2007. During 2007, we recorded loss contingency accruals of $1.5 million related to an indemnification agreement with Visa USA and two potential operational losses incurred in the ordinary course of business. During 2008, we reversed $625,000 of the loss contingency accrual related to our indemnification agreement with Visa USA. In addition, during 2008 we recorded expenses of $450,000 related to employee recruitment and relocation and $708,000 related to fraud losses.

Income Tax Expense

Our effective federal tax rate was 29.1% for the year ended December 31, 2009, 30.3% for the year ended December 31, 2008 and 31.0% for the year ended December 31, 2007. State income tax applies primarily to pretax earnings generated within Montana and South Dakota. Wyoming levies no corporate income tax. Our effective state tax rate was 4.2% for the year ended December 31, 2009, 4.4% for the year ended December 31, 2008 and 3.9% for the year ended December 31, 2007. Changes in effective federal and state income tax rates are primarily due to fluctuations in tax exempt interest income as a percentage of total income.

Net Income Available to Common Stockholders

Net income available to common stockholders was $50.4 million, or $6.37 per diluted share, in 2009, as compared to $67.3 million, or $8.38 per diluted share, in 2008 and $68.6 million, or $8.25 per diluted share in 2007.

Summary of Quarterly Results

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

Quarterly Results

(Dollars in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Year Ended December 31, 2009:					
Interest income	$ 81,883	$ 81,148	$ 82,325	$ 82,678	$ 328,034
Interest expense	22,820	21,958	21,026	19,094	84,898
Net interest income	59,063	59,190	61,299	63,584	243,136
Provision for loan losses	9,600	11,700	10,500	13,500	45,300
Net interest income after provision for loan losses	49,463	47,490	50,799	50,084	197,836
Non-interest income	26,213	27,267	25,000	22,210	100,690
Non-interest expense	50,445	54,737	57,376	55,152	217,710
Income before income taxes	25,231	20,020	18,423	17,142	80,816
Income tax expense	8,543	6,684	6,105	5,621	26,953
Net income	16,688	13,336	12,318	11,521	53,863
Preferred stock dividends	844	853	862	863	3,422
Net income available to common stockholders	$ 15,844	$ 12,483	$ 11,456	$ 10,658	$ 50,441
Basic earnings per share of common stock	$ 2.01	$ 1.59	$ 1.47	$ 1.36	$ 6.44
Diluted earnings per share of common stock	1.98	1.57	1.46	1.35	6.37
Dividends per share of common stock	0.65	0.45	0.45	0.45	2.00
Year Ended December 31, 2008:					
Interest income	$ 91,109	$ 88,068	$ 89,928	$ 86,814	$ 355,919
Interest expense	34,306	29,697	29,234	27,305	120,542
Net interest income	56,803	58,371	60,694	59,509	235,377
Provision for loan losses	2,363	5,321	5,636	20,036	33,356
Net interest income after provision for loan losses	54,440	53,050	55,058	39,473	202,021
Non-interest income	26,383	25,240	24,389	52,585	128,597
Non-interest expense	53,169	49,677	55,190	64,505	222,541
Income before income taxes	27,654	28,613	24,257	27,553	108,077
Income tax expense	9,578	9,988	8,362	9,501	37,429
Net income	18,076	18,625	15,895	18,052	70,648
Preferred stock dividends	768	853	863	863	3,347

Net income available to common stockholders	$ 17,308	$ 17,772	$ 15,032	$ 17,189	$ 67,301
Basic earnings per share of common stock	$ 2.19	$ 2.27	$ 1.93	$ 2.17	$ 8.55
Diluted earnings per share of common stock	2.14	2.22	1.89	2.13	8.38
Dividends per share of common stock	0.65	0.65	0.65	0.65	2.60

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Financial Condition

Total assets increased $509 million, or 7.7%, to $7,138 million as of December 31, 2009, from $6,628 million as of December 31, 2008, due to organic growth. Total assets increased $1,412 million, or 27.1%, to $6,628 million as of December 31, 2008, from $5,217 million as of December 31, 2007, primarily due to the First Western acquisition in January 2008. As of the date of acquisition, the acquired entities had combined total assets of $913 million, combined total loans of $727 million, combined premises and equipment of $27 million and combined total deposits of $814 million. In connection with the acquisition, we recorded goodwill of $146 million and core deposit intangibles of $15 million.

Loans

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

Total loans decreased $245 million, or 5.1%, to $4,528 million as of December 31, 2009 from $4,773 million as of December 31, 2008, primarily due to weak loan demand in our market areas. Total loans increased 34.1% to $4,773 million as of December 31, 2008, from $3,559 million as of December 31, 2007. Approximately $723 million of the 2008 increase was attributable to the acquired First Western entities. Excluding loans of the acquired entities, total loans increased $491 million, or 13.8%, in 2008, with the most significant growth occurring in commercial, commercial real estate, construction and residential real estate loans.

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

Loans Outstanding

					As of December 31,				
nds)	**2009**	**%**	**2008**	**%**	**2007**	**%**	**2006**	**%**	**2005**
	$ 1,556,273	34.4%	$ 1,483,967	31.1%	$ 1,018,831	28.6%	$ 937,695	28.3%	$ 926,
	636,892	14.1	790,177	16.5	664,272	18.7	579,603	17.5	403,
	539,098	11.9	587,464	12.3	419,001	11.8	402,468	12.2	408,
	195,045	4.3	191,831	4.0	142,256	4.0	137,659	4.1	116,
	36,430	0.8	47,076	1.0	26,080	0.7	25,360	0.8	19,
	677,548	14.9	669,731	14.0	608,002	17.1	605,858	18.3	587,

	750,647	16.6	853,798	17.9	593,669	16.7	542,325	16.4	494,8
	134,470	3.0	145,876	3.1	81,890	2.3	76,644	2.3	74,
	1,601		2,893	0.1	4,979	0.1	2,751	0.1	2,9
	4,528,004	100.0%	4,772,813	100.0%	3,558,980	100.0%	3,310,363	100.0%	3,034,
r loan	103,030		87,316		52,355		47,452		42,4
	$ 4,424,974		$ 4,685,497		$ 3,506,625		$ 3,262,911		$ 2,991,9
to	2.28%		1.83%		1.47%		1.43%		1

Real Estate Loans. We provide interim construction and permanent financing for both single-family and multi-unit properties, medium-term loans for commercial, agricultural and industrial property and/or buildings and equity lines of credit secured by real estate. Residential real estate loans are typically sold in the secondary market. Those residential real estate loans not sold are typically secured by first liens on the financed property and generally mature in less than 5 years.

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Commercial real estate loans. Commercial real estate loans increased $72 million, or 4.9%, to $1,556 million as of December 31, 2009 from $1,484 million as of December 31, 2008. Management attributes this increase to the current year permanent financing for loans on projects under construction as of December 31, 2008 combined with increased refinancing activity. Approximately 53% of our commercial real estate loans as of December 31, 2009 and 2008 were owner occupied, which typically involves less risk than loans on investment property. Commercial real estate loans increased 45.7% to $1,484 million as of December 31, 2008, from $1,019 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, commercial real estate loans increased 15.3% as of December 31, 2008, as compared to December 31, 2007, primarily due to real estate development loans. Demand for improved lots declined in 2008 reducing the cash flow of real estate developers, which resulted in increases in outstanding loan balances.

Construction loans. Real estate construction loans are primarily to commercial builders for residential lot development and the construction of single-family residences and commercial real estate properties. Construction loans are generally underwritten pursuant to the same guidelines used for originating permanent commercial and residential mortgage loans. Terms and rates typically match those of permanent commercial and residential mortgage loans, except that during the construction phase the borrower pays interest only. Construction loans decreased $153 million, or 19.4%, to $637 million as of December 31, 2009 from $790 million as of December 31, 2008. Management attributes this decrease to general declines in demand for housing, particularly in markets dependent upon resort communities and second home sales; the movement of lower quality loans out of our loan portfolio through charge-off, pay-off or foreclosure; and replacement of construction loans with loans for permanent financing. Construction loans increased 19.0% to $790 million as of December 31, 2008, from $664 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, construction loans increased 2.9% as of December 31, 2008, as compared to December 31, 2007. Growth in construction loans in 2008 and 2007 was primarily the result of demand for housing and overall growth in our market areas.

As of December 31, 2009, our real estate construction loan portfolio was divided among the following categories: approximately $135 million, or 21.2%, residential construction; approximately $98 million, or 15.4%, commercial construction; and approximately $404 million, or 63.4%, land acquisition and development.

Residential real estate loans. Residential real estate loans decreased $48 million, or 8.2%, to $539 million as of December 31, 2009 from $587 million as of December 31, 2008. The decrease occurred primarily in 1-4 family residential real estate loans, which decreased $31 million as compared to 2008. In addition, home equity loans and lines of credit, which are typically secured by first or second liens on residential real estate and generally do not exceed a loan to value ratio of 80%, decreased $17 million to $364 million as of December 31, 2009, from $381 million as of December 31, 2008.

Residential real estate loans increased 40.2% to $587 million as of December 31, 2008, from $419 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, residential real estate loans increased 25.4% as of December 31, 2008, as compared to December 31, 2007. The 2008 increases in residential real estate loans primarily occurred in home equity loans and lines of credit.

Agricultural real estate loans. Agricultural real estate loans increased $3 million, or 1.7%, to $195 million as of December 31, 2009 from $192 million as of December 31, 2008. Agricultural real estate loans increased 34.8% to $192 million as of December 31, 2008, from $142 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, agricultural real estate loans increased 12.5% as of December 31, 2008, as compared to December 31, 2007.

Consumer Loans. Our consumer loans include direct personal loans, credit card loans and lines of credit; and indirect loans created when we purchase consumer loan contracts advanced for the purchase of automobiles, boats and other consumer goods from the consumer product dealer network within the market areas we serve. Personal loans and indirect dealer loans are generally secured by automobiles, boats and other types of personal property and are made on an installment basis. Credit cards are offered to individual and business customers in our market areas. Lines of credit are generally floating rate loans that are unsecured or secured by personal property. Approximately 62% and 61% of our consumer loans as of December 31, 2009 and December 31, 2008, respectively, were indirect dealer loans.

Consumer loans increased $8 million, or 1.2%, to $678 million as of December 31, 2009 from $670 million as of December 31, 2008. Consumer loans increased 10.2% to $670 million as of December 31, 2008, from $608 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, consumer loans increased 4.4% as of December 31, 2008, as compared to December 31, 2007.

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

Commercial loans decreased $103 million, or 12.1%, to $751 million as of December 31, 2009 from $854 million as of December 31, 2008. Management attributes this decrease to the continuing impact of the broad recession on borrowers in our market areas and, to a lesser extent, the movement of lower quality loans out of our loan portfolio through charge-off, pay-off or foreclosure. Commercial loans increased 43.8% to $854 million as of December 31, 2008, from $594 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, commercial loans increased 23.0% as of December 31, 2008, as compared to December 31, 2007. Management attributes 2008 growth to an overall increase in borrowing activity during most of 2008 due to retail business expansion in our market areas. This expansion began to decline in late 2008 as retail businesses in our market areas were impacted by the effects of the recession.

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

Agricultural loans decreased $11 million, or 7.8%, to $134 million as of December 31, 2009 from $146 million as of December 31, 2008. Agricultural loans increased 78.1% to $146 million as of December 31, 2008, from $82 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, agricultural loans increased 16.6% as of December 31, 2008, as compared to December 31, 2007.

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The following table presents the maturity distribution of our loan portfolio as of December 31, 2009:

Maturity Distribution of Loan Portfolio

(Dollars in thousands)	**Within One Year**	**One Year to Five Years**	**After Five Years**	**Total**
Real estate	$ 1,944,565	$ 901,020	$ 118,153	$ 2,963,738
Consumer	349,664	302,390	25,494	677,548
Commercial	608,652	131,102	10,893	750,647
Agricultural	121,664	12,728	78	134,470
Other loans	1,601			1,601
Total loans	$ 3,026,146	$ 1,347,240	$ 154,618	$ 4,528,004
Loans at fixed interest rates	$ 913,394	$ 1,332,110	$ 139,927	$ 2,385,431
Loans at variable interest rates	1,997,722	15,130	14,691	2,027,543
Nonaccrual loans	115,030			115,030
Total loans	$ 3,026,146	$ 1,347,240	$ 154,618	$ 4,528,004

Non-Performing Assets

Non-performing assets include loans past due 90 days or more and still accruing interest, nonaccrual loans, loans renegotiated in troubled debt restructurings and OREO. Restructured loans are loans on which we have granted a concession on the interest rate or original repayment terms due to financial difficulties of the borrower that we would not otherwise consider. OREO consists of real property acquired through foreclosure on the collateral underlying defaulted loans. We initially record OREO at fair value less estimated costs to sell by a charge against the allowance for loan losses, if necessary. Estimated losses that result from the ongoing periodic valuation of these properties are charged to earnings in the period in which they are identified.

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

Non-Performing Assets by Quarter

llars in thousands)	**December 31, 2009**	**September 30, 2009**	**June 30, 2009**	**March 31, 2009**	**December 31, 2008**	**September 30, 2008**	**June 30, 2008**	**March 3 2008**
n-performing loans:								
naccrual loans	$ 115,030	$ 120,026	$ 120,500	$ 90,852	$ 85,632	$ 84,244	$ 71,100	$ 50,98
ruing loans past 90 days or more	4,965	4,069	13,954	11,348	3,828	3,676	20,276	6,03
tructured loans	4,683	988	1,030	1,453	1,462	1,880	1,027	1,02

al non-performing ns	124,678	125,083	135,484	103,653	90,922	89,800	92,403	58,04
EO	38,400	31,875	31,789	18,647	6,025	3,171	2,705	87
al non-performing ets	$ 163,078	$ 156,958	$ 167,273	$ 122,300	$ 96,947	$ 92,971	$ 95,108	$ 58,92
n-performing loans otal loans	2.75%	2.72%	2.90%	2.19%	1.90%	1.89%	2.02%	1.3
n-performing assets otal loans and EO	3.57	3.38	3.56	2.58	2.03	1.96	2.08	1.3
n-performing assets otal assets	2.28	2.27	2.47	1.82	1.46	1.43	1.49	0.9

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Non-Performing Assets by Year

	As of December 31,				
(Dollars in thousands)	2009	2008	2007	2006	2005
Non-performing loans:					
Nonaccrual loans	$ 115,030	$ 85,632	$ 31,552	$ 14,764	$ 17,142
Accruing loans past due 90 days or more	4,965	3,828	2,171	1,769	1,001
Restructured loans	4,683	1,462	1,027	1,060	1,089
Total non-performing loans	124,678	90,922	34,750	17,593	19,232
OREO	38,400	6,025	928	529	1,091
Total non-performing assets	$ 163,078	$ 96,947	$ 35,678	$ 18,122	$ 20,323
Non-performing loans to total loans	2.75%	1.90%	0.98%	0.53%	0.63%
Non-performing assets to total loans and OREO	3.57	2.03	1.00	0.55	0.67
Non-performing assets to total assets	2.28	1.46	0.68	0.36	0.45

Total non-performing assets increased $66 million, or 68.2%, to $163 million as of December 31, 2009, from $97 million as of December 31, 2008. This increase in non-performing assets is attributable to general declines in markets dependent upon resort communities and second home sales and declines in real estate prices. In addition, increasing unemployment has negatively impacted the credit performance of commercial and real estate related loans. This market turmoil and tightening of credit has led to increased levels of delinquency, a lack of consumer confidence, increased market volatility and a widespread reduction of general business activities in our market areas. We expect the continuing impact of the current difficult economic conditions and rising unemployment levels in our market areas to further increase non-performing loans in future quarters.

Non-performing assets increased $61 million, or 171.7%, to $97 million as of December 31, 2008, from $36 million as of December 31, 2007. This increase in non-performing assets was primarily related to land development loans and was reflective of deterioration of economic conditions in certain of our market areas during 2008, as well as overall growth in our loan portfolio.

Non-Performing Loans

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

Non-Performing Loans by Loan Type by Quarter

ousands)	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008	M

	$ 101,751	$ 105,855	$ 117,112	$ 93,503	$ 79,167	$ 72,053	$ 80,057	$
	2,265	2,302	1,421	1,531	2,944	3,099	2,541	
	19,774	16,304	16,326	8,100	8,594	14,320	9,441	
	888	622	625	519	217	328	364	
rforming	124,678	125,083	135,484	103,653	90,922	89,800	92,403	
	4,528,004	4,606,454	4,665,550	4,725,681	4,772,813	4,744,675	4,570,655	
ce for loan	103,030	101,748	98,395	92,223	87,316	77,094	72,650	
	$ 4,424,974	$ 4,504,706	$ 4,567,155	$ 4,633,458	$ 4,685,497	$ 4,667,581	$ 4,498,005	$
vance to	2.28%	2.21%	2.11%	1.95%	1.83%	1.62%	1.59%	

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Non-Performing Loans by Loan Type by Year

(Dollars in thousands)	As of December 31, 2009	2008	2007	2006	2005
Real estate	$ 101,751	$ 79,167	$ 27,513	$ 9,645	$ 8,702
Consumer	2,265	2,944	1,202	1,359	1,563
Commercial	19,774	8,594	5,722	5,583	8,499
Agricultural	888	217	313	1,006	468
Total Non-Performing Loans	$ 124,768	$ 90,922	$ 34,750	$ 17,593	$ 19,232

Total non-performing loans increased $34 million, or 37.1%, to $125 million as of December 31, 2009, from $91 million as of December 31, 2008, and $56 million, or 161.6% to $91 million as of December 31, 2008, from $35 million as of December 31, 2007. Increases in non-performing loans during 2009 and 2008 were primarily attributable to higher levels of nonaccrual loans.

We generally place loans on nonaccrual when they become 90 days past due, unless they are well secured and in the process of collection. When a loan is placed on nonaccrual status, any interest previously accrued but not collected is reversed from income. Approximately $6.4 million, $4.6 million and $1.7 million of gross interest income would have been accrued if all loans on nonaccrual had been current in accordance with their original terms for the years ended December 31, 2009, 2008 and 2007, respectively.

Nonaccrual loans increased $29 million, or 34.3%, to $115 million at December 31, 2009, from $86 million at December 31, 2008. Approximately 69.1% of the increase occurred in commercial and commercial real estate loans and is primarily attributable to the loans of six borrowers placed on nonaccrual status in 2009. The remaining increase was spread among the remaining major loan categories. Nonaccrual loans increased $54 million, or 171.4%, to $86 million as of December 31, 2008, from $32 million as of December 31, 2007. Approximately 50.0% of this increase was related to the loans of six borrowers adversely affected by weakening demand for residential real estate lots.

In addition to the non-performing loans included in the non-performing assets table above, as of December 31, 2009, we had potential problem loans of $223 million. Potential problem loans consist of performing loans that have been internally risk classified due to uncertainties regarding the borrowers ability to continue to comply with the contractual repayment terms of the loans. Although these loans have been identified as potential non-performing loans, they may never become delinquent, non-performing or impaired. As of December 31, 2009, approximately 99% of these loans were less than 60 days past due. Additionally, these loans are generally secured by commercial real estate or other assets, thus reducing the potential for loss should they become non-performing. Potential problem loans are considered in the determination of our allowance for loan losses.

OREO increased $32 million, or 537.3%, to $38 million as of December 31, 2009 from $6 million as of December 31, 2008. Approximately 73.4% of this increase relates to the foreclosure on properties collateralizing the loans of residential real estate developers. The majority of these loans were included in nonaccrual loans as of December 31, 2008. The remaining 2009 increase, as compared to 2008, occurred in commercial and residential real estate properties. OREO increased $5 million to $6 million as of December 31, 2008, as compared to $928,000 as of

December 31, 2007. This increase was due to foreclosure on the collateral underlying the loans of two commercial real estate borrowers during 2008.

Our non-performing real estate loans comprise commercial, construction, residential, agricultural and other real estate loans. As of December 31, 2009, our non-performing real estate loans were divided among the foregoing categories as follows: approximately $29 million, or 28.0%, commercial; approximately $62 million, or 61.1%, construction; approximately $10 million, or 10.1%, residential; and approximately $785,000, or less than 1%, agricultural.

Our non-performing real estate construction loans comprise residential, commercial and land acquisition and development. As of December 31, 2009, our non-performing real estate construction loans were divided among the foregoing categories as follows: approximately $15 million, or 15.2%, residential; approximately $4 million, or 4.4%, commercial; and approximately $42 million, or 41.5%, land acquisition and development.

Allowance for Loan Losses

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 Polices Allowance for Loan Losses above.

The allowance for loan losses is increased by provisions charged against earnings and reduced by net loan charge-offs. Loans are charged-off when we determine that collection has become unlikely. Consumer loans are generally charged off when they become 120 days past due. Credit card loans are charged off when they become 180 days past due. Recoveries are recorded only when cash payments are received.

The allowance for loan losses consists of three elements: (1) historical valuation allowances based on loan loss experience for similar loans with similar characteristics and trends; (2) specific valuation allowances based on probable losses on specific loans; and (3) general valuation allowances determined based on general economic conditions and other qualitative risk factors both internal and external to us. 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 over a ten year period, designed to account for credit deterioration. For consumer loans, loss factor percentages are based on a one-year loss history. Specific allowances are established for loans where we have determined that probability of a loss exists and will exceed the historical loss factors applied based on internal risk classification of the loans. 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, political and regulatory factors and the estimated impact of current economic, political, environmental and regulatory conditions on historical loss rates.

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

Allowance for Loan Losses

	As of and for the Year Ended December 31,				
(Dollars in thousands)	**2009**	**2008**	**2007**	**2006**	**2005**
Balance at the beginning of period	$ 87,316	$ 52,355	$ 47,452	$ 42,450	$ 42,141
Allowance of acquired banking offices		14,463			
Charge-offs:					
Real estate					
Commercial	5,156	995	382	42	560
Construction	14,153	3,035		9	15
Residential	1,086	325	134	86	382
Agricultural	11	642	155		
Consumer	8,134	5,527	3,778	4,030	4,133
Commercial	3,346	3,523	643	963	2,228
Agricultural	92	648	116	80	133
Total charge-offs	31,978	14,695	5,208	5,210	7,451
Recoveries:					
Real estate					
Commercial	108	88	52	329	44
Construction	7	1	1	10	
Residential	38	67	34	63	13
Agricultural					
Consumer	1,850	1,404	1,390	1,568	1,297
Commercial	328	211	854	360	552
Agricultural	61	66	30	121	7
Total recoveries	2,392	1,837	2,361	2,451	1,913
Net charge-offs	29,586	12,858	2,847	2,759	5,538
Provision for loan losses	45,300	33,356	7,750	7,761	5,847
Balance at end of period	$ 103,030	$ 87,316	$ 52,355	$ 47,452	$ 42,450
Period end loans	$ 4,528,004	$ 4,772,813	$ 3,558,980	$ 3,310,363	$ 3,034,354
Average loans	4,660,189	4,527,987	3,449,809	3,208,102	2,874,723
Net charge-offs to average loans	0.63%	0.28%	0.08%	0.09%	0.19%
Allowance to total loans	2.28	1.83	1.47	1.43	1.40

The allowance for loan losses was $103 million, or 2.28% of period-end loans, at December 31, 2009, compared to $87 million, or 1.83% of period-end loans, at December 31, 2008, and $52 million, or 1.47% of period-end loans, at December 31, 2007. Increases in the allowance for loan losses as a percentage of total loans were primarily attributable to additional reserves recorded based on the estimated effects of current economic conditions on our loan portfolio and increases in past due, non-performing and internally risk classified loans.

Net charge-offs in 2009 increased $17 million to $30 million, or 0.63% of average loans, from $13 million, or 0.28% of average loans in 2008, primarily due the charge-off of six residential real estate development projects in our Montana and Wyoming market areas. In addition, we partially charged-off three land development loan participations acquired in the First Western acquisition.

Net charge-offs increased $10 million to $13 million, or 0.28% of average loans in 2008, from $3 million, or 0.08% of average loans in 2007. The increase in net charge-offs in 2008, as compared to 2007, was primarily due to the loans of two commercial real estate borrowers and one commercial borrower and was reflective of the increase in internally classified loans related to the deterioration of economic conditions in 2008, as well as overall loan growth.

Although we believe that we have established our allowance for loan losses in accordance with accounting principles generally accepted in the United States and that the allowance for loan losses was adequate to provide for known and inherent losses in the portfolio at all times during the five-year period ended December 31, 2009, future provisions will be subject to on-going evaluations of the risks in the loan portfolio. If the economy continues to decline or asset quality continues to deteriorate, material additional provisions could be required.

The allowance for loan losses is allocated to loan categories based on the relative risk characteristics, asset classifications and actual loss experience of the loan portfolio. The following table provides a summary of the allocation of the allowance for loan losses for specific loan categories as of the dates indicated. The allocations presented should not be interpreted as an indication that charges to the allowance for loan losses will be incurred in these amounts or proportions, or that the portion of the allowance allocated to each loan category represents the total amount available for future losses that may occur within these categories. The unallocated portion of the allowance for loan losses and the total allowance are applicable to the entire loan portfolio.

Allocation of the Allowance for Loan Losses

	As of December 31,									
	2009		2008		2007		2006		2005	
s in thousands)	Allocated Reserves	% of Loan Category to Total Loans	Allocated Reserves	% of Loan Category to Total Loans	Allocated Reserves	% of Loan Category to Total Loans	Allocated Reserves	% of Loan Category to Total Loans	Allocated Reserves	% L Cat T Lo
ate	$ 76,357	65.5%	$ 69,280	64.9%	$ 39,420	63.8%	$ 33,532	62.9%	$ 22,622	
ner	6,220	14.9	5,092	14.0	4,838	17.1	5,794	18.3	7,544	
rcial	18,608	16.6	11,021	17.9	7,170	16.7	6,746	16.4	7,607	
tural	1,845	3.0	1,923	3.1	779	2.3	908	2.3	1,147	
oans				0.1		0.1	14	0.1	15	
ated(1)		N/A		N/A	148	N/A	458	N/A	3,515	
	$ 103,030	100.0%	$ 87,316	100.0%	$ 52,355	100.0%	$ 47,452	100.0%	$ 42,450	1

(1) During 2006, we refined the methodology for determining the allocated components of the allowance for loan losses. This refinement included improved evaluation of qualitative risk factors internal and external to us and use of a migration analysis of historical loan losses. This refinement resulted in a reallocation among specific loan categories and the allocation of previously unallocated allowance amounts to specific loan categories. As a result, allocation of the allowance for loan losses in 2005 is not directly comparable to the 2006, 2007, 2008 and 2009 presentation.

The allocated allowance for loan losses on real estate loans increased 10.2% to $76 million as of December 31, 2009, from $69 million as of December 31, 2008, and 75.7% to $69 million as of December 31, 2008, from $39 million as of December 31, 2007. Increases in allowance for loan losses allocated to real estate loans were primarily the result of weakening demand for residential lots, particularly in three of the communities we serve in Montana and one of the communities we serve in Wyoming, a general slow down in housing across our market areas, the effect of increases in net charge-offs on our historical loss factors and the application of historical loss factors to higher levels of internally risk classified real estate loans, including land development loans and loans secured by commercial real estate.

The allocated allowance for loan losses on commercial loans increased 68.8% to $19 million as of December 31, 2009, from $11 million as of December 31, 2008, and 53.7% to $11 million as of December 31, 2008, from $7 million as of December 31, 2007. Increases in allowance for loan losses allocated to commercial loans were primarily due to the application of historical loss factors to higher levels of internally risk classified commercial loans and the effect of increases in net charge-offs on our historical loss factors.

Deposits

We emphasize developing total client relationships with our customers in order to increase our core deposit base, which is our primary funding source. Our deposits consist of non-interest bearing and interest bearing demand, savings, individual retirement and time deposit accounts.

The following table summarizes our deposits as of the dates indicated:

Deposits

	As of December 31,								
usands)	**2009**		**2008**		**2007**		**2006**		**20**
earing	$ 1,026,584	17.6%	$ 985,155	19.0%	$ 836,753	20.9%	$ 888,694	24.0%	$ 864,12
g:									
	1,197,254	20.6	1,059,818	20.5	1,019,208	25.5	964,312	26.0	792,26
	1,362,410	23.4	1,198,783	23.2	992,571	24.8	798,497	21.5	879,58
d over	996,839	17.1	821,437	15.9	464,560	11.6	408,813	11.0	352,32
	1,240,969	21.3	1,109,066	21.4	686,309	17.2	648,195	17.5	659,28
earing	4,797,472	82.4	4,189,104	81.0	3,162,648	79.1	2,819,817	76.0	2,683,46
	$ 5,824,056	100.0%	$ 5,174,259	100.0%	$ 3,999,401	100.0%	$ 3,708,511	100.0%	$ 3,547,59

Total deposits increased $650 million, or 12.6%, to $5,824 million as of December 31, 2009 from $5,174 million as of December 31, 2008. All categories of deposits demonstrated growth during the first nine months of 2009 and there was a shift in the mix of deposits from interest-free and lower-cost deposits to higher costing savings and time deposits. Management attributes our organic deposit growth to ongoing business development in our market areas and increases in consumer savings. In addition, we participate in the Certificate of Deposit Account Registry Service, or CDARS, program, which allows us to provide competitive certificate of deposit products while maintaining FDIC insurance for customers with larger balances. Total deposits increased 29.4% to $5,174 million as of December 31, 2008, from $3,999 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, total deposits increased 9.1% as of December 31, 2008, as compared to December 31, 2007. All deposit categories demonstrated growth in 2008, as compared to 2007 and there was a shift in the mix of deposits, with interest bearing demand deposits decreasing to 20.5% of total deposits in 2008, as compared to 25.5% in 2007 and time deposits increasing to 37.3% of total deposits in 2008, as compared to 28.8% in 2007.

Time deposits of $100,000 or more increased 21.4% to $997 million as of December 31, 2009, from $821 million as of December 31, 2008. Management attributes this growth to a continued focused effort to grow deposits combined with increases in deposit insurance coverage to $250,000 per account. Time deposits of $100,000 or more increased 76.8% to $821 million as of December 31, 2008, from $465 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, time deposits of $100,000 or more increased 42.2% as of December 31, 2008, as compared to December 31, 2007. During third quarter 2008, we issued an aggregate of $100 million of certificates of deposit in brokered transactions. These certificates, which were included in time deposits of $100,000 or more, generally matured within four months and were issued to customers outside of our market areas. As of December 31, 2008, $24 million of these deposits were outstanding. The remaining increase in time deposits of $100,000 or more was primarily due to internal growth, the result of management s focus to increase deposits combined with increases in deposit insurance coverage to $250,000 per account.

Other time deposits increased $132 million, or 11.9%, to $1,241 million as of December 31, 2009, from $1,109 million as of December 31, 2008. Other time deposits increased 61.6% to

$1,109 million as of December 31, 2008, from $686 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, other time deposits increased 24.1% as of December 31, 2008, as compared to December 31, 2007. Increases in time deposits in 2009 and 2008 were primarily due increases in CDARS deposits. Under the CDARS program, large certificates of deposit are exchanged through a network of banks in smaller increments to ensure they are eligible for full FDIC insurance coverage. As of December 31, 2009, we had CDARS deposits of $253 million compared to $141 million as of December 31, 2008.

For additional information concerning customer deposits, including the use of repurchase agreements, see Business Deposit Products and Notes to Consolidated Financial Statements Deposits.

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. As of December 31, 2009, our portfolio principally comprised mortgage-backed securities, U.S. government agency securities and tax exempt securities. Federal funds sold are additional investments that are classified as cash equivalents rather than as investment securities. Investment securities classified as available-for-sale are recorded at fair value, while investment securities classified as held-to-maturity are recorded at amortized cost. Unrealized gains or losses, net of the deferred tax effect, on available-for-sale securities are reported as increases or decreases in accumulated other comprehensive income or loss, a component of stockholders equity.

Investment securities increased $374 million, or 34.9%, to $1,446 million as of December 31, 2009 from $1,072 million as of December 31, 2008. During third quarter 2009, we began investing our excess liquidity, as represented by higher levels of federal funds sold, into investment securities maturing within thirty-six months. Management expects investment securities to continue to increase in future quarters as excess liquidity continues to be reinvested. Investment securities decreased 5.0% to $1,072 million as of December 31, 2008, from $1,129 million as of December 31, 2007. Excluding investment securities of the acquired First Western entities, our investment securities decreased 11.5% as of December 31, 2008, compared to December 31, 2007. During 2008, proceeds from maturities, calls and principal paydowns of investment securities were used to fund loan growth.

In conjunction with the merger of our three bank subsidiaries during third quarter 2009, we transferred available-for-sale state, county and municipal investment securities with amortized costs of $28 million and fair market values of $29 million into the held-to-maturity category. This transfer more closely aligns the investment portfolios of the merged banks with that of First Interstate Bank, the surviving institution. Unrealized net gains of $1.1 million included in accumulated other comprehensive income at the time of transfer are being amortized to yield over the remaining lives of the transferred securities.

As of December 31, 2009, our investments in non-agency mortgage-backed securities totaled $1 million, or less than 1% of our total investment portfolio. As of December 31, 2009, investment securities with amortized costs and fair values of $1,069 million and $1,095 million, respectively, were pledged to secure public deposits and securities sold under repurchase agreements, as compared to $894 million and $907 million, respectively, as of December 31, 2008. The weighted average yield on investment securities decreased 55 basis points to 4.37% in 2009, from 4.92% in 2008, and 4 basis points to 4.92% in 2008, from 4.96% in 2007. For additional information concerning securities sold under repurchase agreements, see Financial Condition Federal Funds Purchased and Securities Sold Under Repurchase Agreements included in this section below.

The following table sets forth the book value, percentage of total investment securities and average yield on investment securities as of December 31, 2009:

Securities Maturities and Yield

(Dollars in thousands)	Book Value	% of Total Investment Securities	Weighted Average Yield[1]
U.S. Government agency securities			
Maturing within one year	$ 2,679	0.2%	4.94%
Maturing in one to five years	554,674	38.3	2.56
Maturing in five to ten years	11,352	0.8	4.01
Mark-to-market adjustments on securities available-for-sale	2,741	0.2	NA
Total	571,446	39.5	2.59
Mortgage-backed securities			
Maturing within one year	180,768	12.5	4.72
Maturing in one to five years	325,310	22.5	4.74
Maturing in five to ten years	86,749	6.0	4.67
Maturing after ten years	130,124	9.0	4.73
Mark-to-market adjustments on securities available-for-sale	22,032	1.5	NA
Total	744,983	51.5	4.59
Tax exempt securities			
Maturing within one year	9,648	0.7	6.21
Maturing in one to five years	31,743	2.2	6.14
Maturing in five to ten years	41,147	2.9	6.12
Maturing after ten years	46,843	3.2	6.02
Mark-to-market adjustments on securities available-for-sale	NA	NA	NA
Total	129,381	9.0	6.10
Other securities[2]			
No stated maturity	470		NA
Mark-to-market adjustments on securities available-for-sale	NA	NA	NA
Total	470		NA
Total	$ 1,446,280	100.0%	3.93%

(1) Average yields have been calculated on a FTE basis.

(2)

Equity investments in community development entities. Investment income is in the form of credits that reduce income tax expense.

Maturities of U.S. government agency securities noted above reflect $383 million of investment securities at their final maturities although they have call provisions within the next year. Mortgage-backed securities and to a limited extent other securities, have uncertain cash flow characteristics that present additional interest rate risk in the form of prepayment or extension risk primarily caused by changes in market interest rates. This additional risk is generally rewarded in the form of higher yields. Maturities of mortgage-backed securities presented above are based on prepayment assumptions at December 31, 2009.

There were no significant concentrations of investments at December 31, 2009 (greater than 10% of stockholders equity) in any individual security issuer, except for U.S. government or agency-backed securities.

As of December 31, 2008, we had U.S. government agency securities with carrying values of $270 million and a weighted average yield of 4.09%; mortgage-backed securities with carrying values of $655 million and a weighted average yield of 4.85%; tax exempt securities with carrying values of $143 million and a weighted average yield of 6.22%; other securities with carrying values of $4 million and a weighted average yield of 4.35%; and mutual funds with carrying values of $4,000 and a weighted average yield of 1.15%.

As of December 31, 2007, we had U.S. government agency securities with carrying values of $453 million and a weighted average yield of 4.52%; mortgage-backed securities with carrying values of $562 million and a weighted average yield of 4.90%; tax exempt securities with carrying values of $114 million and a weighted average yield of 6.43%; other securities with carrying values of $767,000 and a weighted average yield of 0.00%; and mutual funds with carrying values of $3,000 and a weighted average yield of 3.62%.

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 December 31, 2009, we had investment securities with fair values of $3 million that had been in a continuous loss position more than twelve months. Gross unrealized losses on these securities totaled $140,000 as of December 31, 2009 and were primarily attributable to changes in interest rates. We recorded impairment losses of $1.3 million in 2008, all of which was related to one corporate bond. Subsequent to the impairment loss, the carrying value of this bond was zero. No impairment losses were recorded during 2007.

For additional information concerning investment securities, see Notes to Consolidated Financial Statements Investment Securities.

Cash and Cash Equivalents

Cash and cash equivalents increased $309 million, or 98.5%, to $623 million as of December 31, 2009 from $314 million as of December 31, 2008, largely due to management s focus on increasing liquidity through balanced internal growth combined with weak loan demand in 2009.

Premises and Equipment

Premises and equipment increased $19 million, or 10.4%, to $196 million as of December 31, 2009 from $178 million as of December 31, 2008. This increase is primarily due to capitalization of the costs associated with the construction of two new branch banking offices and an operations center, which were placed into service during fourth quarter 2009. Premises and equipment increased $54 million, or 43.3% to $178 million in 2008, from $124 million in 2007. Exclusive of premises and equipment acquired in the First Western acquisition, premises and equipment increased $12 million, or 9.7%.

Mortgage Servicing Rights

Net mortgage servicing rights increased $6 million, or 57.4%, to $17 million as of December 31, 2009 from $11 million as of December 31, 2008. Recent low market interest rates increased demand for residential real estate loans, which we generally sell into the secondary market with servicing rights retained. In addition, increases in long-term interest rates in June 2009 resulted in a recovery of previously recorded impairment, which increased the carrying value of our mortgage servicing rights. Net mortgage servicing rights decreased 49.3% to $11 million as of December 31, 2008, from $22 million as of December 31, 2007, primarily due to increases in impairment reserves. Impairment reserves increased $11 million, or 187.1%, to $17 million as of December 31, 2008, compared to $6 million as of December 31, 2007, primarily due to increases in the estimated level of expected prepayments.

During fourth quarter 2009, we sold mortgage servicing rights with a carrying value of $3 million to a secondary market investor. For additional information regarding mortgage servicing rights, see Notes to Consolidated Financial

Statements Mortgage Servicing Rights and

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Management s Discussion and Analysis of Financial Condition and Results of Operations Trends and Developments.

Goodwill

Our total goodwill as of December 31, 2009 was $184 million. Approximately $159 million of our goodwill is deductible for tax purposes, of which $41 million has been recognized for tax purposes through December 31, 2009, resulting in a deferred tax liability of $16 million.

Other Real Estate Owned

OREO increased $32 million, or 537.3%, to $38 million as of December 31, 2009 from $6 million as of December 31, 2008, primarily due to the foreclosure on properties collateralizing the loans of three residential real estate developers and one commercial real estate borrower. For additional information regarding OREO, see Non-Performing Assets included herein.

Deferred Tax Asset/Liability

As of December 31, 2009, we had a net deferred tax liability of $2 million included in accounts payable and other accrued expenses, as compared to a deferred tax asset of $7 million as of December 31, 2008. Changes in net deferred tax asset/liability are primarily due to fluctuations in net unrealized gains on available-for-sale investment securities, tax amortization of goodwill and core deposit intangibles and the write-down of OREO to fair value. Net deferred tax asset increased $660,000, or 9.8%, to $7 million as of December 31, 2008, from $7 million as of December 31, 2007, primarily due to fluctuations in net unrealized gains on available-for-sale investment securities.

Other Assets

Other assets increased $38 million, or 77.2%, to $88 million as of December 31, 2009, from $50 million as of December 31, 2008. Approximately $32 million of the increase is due to a required prepayment of estimated quarterly FDIC insurance assessments for 2010, 2011 and 2012. In addition, $5 million of the increase relates to the capitalization of costs of two condominium units located inside one of the newly constructed branch banking offices. We completed the sale of one unit in January 2010 and are actively marketing the second unit.

Other assets increased $8 million, or 18.7% to $50 million as of December 31, 2008, from $42 million as of December 31, 2007, due to the acquisition of Federal Reserve Bank stock in conjunction with obtaining Federal Reserve membership for the acquired First Western entities.

Federal Funds Purchased and Securities Sold Under Repurchase Agreements

In addition to deposits, we use federal funds purchased as a source of funds to meet the daily liquidity needs of our customers, maintain required reserves with the Federal Reserve Bank and fund growth in earning assets. As of December 31, 2009, our federal funds purchased were zero.

Under repurchase agreements with commercial and municipal depositors, customer 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 agreements decreased $51 million, or 9.8%, to $474 million as of December 31, 2009 from $526 million as of December 31, 2008, primarily due to fluctuations in the liquidity needs of our customers and the introduction of full FDIC deposit insurance coverage for certain non-interest bearing transaction deposits under the Temporary Liquidity Guarantee, or TLG, Program.

The following table sets forth certain information regarding federal funds purchased and repurchase agreements as of the dates indicated:

Federal Funds Purchased and Securities Sold Under Repurchase Agreements

(Dollars in thousands)	Year Ended December 31, 2009	2008	2007
Federal funds purchased:			
Balance at period end	$	$ 30,625	$
Average balance	9,323	64,994	5,172
Maximum amount outstanding at any month-end	57,230	121,390	29,470
Average interest rate:			
During the year	0.21%	2.14%	5.17%
At period end		0.22	
Securities sold under repurchase agreements:			
Balance at period end	$ 474,141	$ 525,501	$ 604,762
Average balance	422,713	537,267	558,469
Maximum amount outstanding at any month-end	474,141	576,845	679,247
Average interest rate:			
During the year	0.18%	1.43%	3.80%
At period end	0.38	0.34	3.09

Other Borrowed Funds

Other borrowed funds decreased $74 million, or 93.2% to $5 million as of December 31, 2009 from $79 million as of December 31, 2008, primarily, due to scheduled repayments and maturities of short-term borrowings from the FHLB.

Other borrowed funds increased $70 million to $79 million as of December 31, 2008, from $9 million as of December 31, 2007, primarily due to short-term borrowings from the FHLB. On September 11, 2008, we borrowed $25 million on a note bearing interest of 2.96% that matured and was repaid on March 11, 2009 and on September 22, 2008, we borrowed $50 million on a note maturing September 22, 2009 bearing interest of 3.57%. Proceeds from these borrowings were used to fund growth in earning assets.

For additional information on other borrowed funds, see Notes to Consolidated Financial Statements Long-Term Debt and Other Borrowed Funds.

Long-Term Debt

Long-term debt decreased $11 million, or 12.8%, to $73 million as of December 31, 2009, from $84 million as of December 31, 2008 primarily due to scheduled repayments of term notes under our syndicated credit agreement and, to a lesser extent, scheduled repayments of long-term FHLB borrowings.

Long-term debt increased $79 million to $84 million as of December 31, 2008, from $5 million as of December 31, 2007. In conjunction with the First Western acquisition, on January 10, 2008 we entered into a credit agreement with four syndicated banks. The syndicated credit agreement is secured by all of the outstanding stock of First Interstate Bank. As of December 31, 2009, $34 million was outstanding on variable rate term notes issued under the syndicated credit agreement. The term notes are payable in equal quarterly principal installments of $2 million, with one final installment of $29 million due at maturity on December 31, 2010. Interest on the term notes is payable quarterly. As of December 31, 2009, the term notes had a weighted average interest rate of 3.75%.

The syndicated credit agreement contains various covenants that, among other things, establish minimum capital and financial performance ratios; and place certain restrictions on capital expenditures, indebtedness, redemptions or repurchases of common stock and the amount of dividends payable to stockholders. During 2008 and 2009, we entered into amendments to our syndicated credit agreement that, among other things, eliminated the revolving credit facility, changed the maturity date on the term notes to December 31, 2010 from January 10, 2013, changed the interest rate charged on the term notes to a maximum non-default rate of LIBOR plus 3.75%, modified certain definitions and debt covenants and waived debt covenant violations existing as of the dates of the amendments. In connection with the amendments, we paid aggregate amendment and waiver fees of $259,000 and $85,000 in 2009 and 2008, respectively.

The debt covenant ratios included in the syndicated credit agreement, as last amended, require us to, among other things, (1) maintain our ratio of non-performing assets to primary equity capital at a percentage not greater than 45.0%, (2) maintain our allowance for loan and lease losses in an amount not less than 65.0% of non-performing loans, (3) maintain our return on average assets at not less than 0.70% through March 30, 2010 and 0.65% thereafter, (4) maintain a consolidated total risk-based capital ratio of not less than 11.00% and a total risk-based capital ratio at the Bank of not less than 10.00%, (5) limit cash dividends to stockholders such that the aggregate amount of cash dividends in any four consecutive fiscal quarters does not exceed 37.5% of net income during such four-quarter period and (6) limit repurchases of our common stock, less cash proceeds from the issuance of our common stock, in any period of four consecutive fiscal quarters, as a percentage of consolidated book net worth as of the end of that period to 2.75% through March 31, 2010 and 2.25% thereafter.

Also in conjunction with the First Western acquisition, on January 10, 2008 we entered into a subordinated credit agreement and borrowed $20 million on a 6.81% unsecured subordinated term loan maturing January 9, 2018. Interest on the subordinated term loan is payable quarterly and principal is due at maturity.

Unrelated to the First Western acquisition, in February 2008 we borrowed $15 million on a variable rate unsecured subordinated term loan maturing February 28, 2018, with interest payable quarterly and principal due at maturity. The interest rate on the subordinated term loan was 2.26% as of December 31, 2009.

For additional information regarding long-term debt, see Notes to Consolidated Financial Statements Long Term Debt and Other Borrowed Funds.

Subordinated Debentures Held by Subsidiary Trusts

Subordinated debentures held by subsidiary trusts were $124 million as of December 31, 2009 and December 31, 2008. Subordinated debentures held by subsidiary trusts increased $21 million to $124 million as of December 31, 2008, from $103 million as of December 31, 2007. During fourth quarter 2007, we completed a series of four financings involving the sale of Trust Preferred Securities to third-party investors and the issuance of 30-year junior subordinated deferrable interest debentures, or Subordinated Debentures, in the aggregate amount of $62 million to wholly-owned business trusts. During January 2008, we completed two additional financings involving the sale of Trust Preferred Securities to third-party investors and the issuance of Subordinated Debentures in the aggregate amount of $21 million to wholly-owned business trusts. All of the Subordinated Debentures are unsecured with interest payable quarterly at various interest rates and may be redeemed, subject to approval of the Federal Reserve Bank of Minneapolis, at our option on or after five years from the date of issue, or at any time in the event of unfavorable changes in laws or regulations. Proceeds from these issuances, together with the financing obtained under the syndicated credit agreement and unsecured subordinated term loan agreement described above, were used to fund the First Western acquisition. For additional information regarding the Subordinated Debentures, see Notes to Consolidated Financial Statements Subordinated Debentures Held by Subsidiary Trusts. For additional information

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regarding the First Western acquisition see Notes to Consolidated Financial Statements Acquisitions and Dispositions.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses decreased $6 million, or 12.4%, to $45 million as of December 31, 2009, from $51 million as of December 31, 2008, primarily due to the timing of corporate tax payments. Accounts payable and accrued expenses increased 70.3% to $51 million as of December 31, 2008, from $30 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, accounts payable and accrued expenses increased 51.2% as of December 31, 2008, compared to December 31, 2007, primarily due to the timing of corporate income tax payments and the deferral of a portion of the gain recognized on the sale of i_Tech.

Contractual Obligations

Contractual obligations as of December 31, 2009 are summarized in the following table.

Contractual Obligations

	Payments Due				
(Dollars in thousands)	**Within One Year**	**One Year to Three Years**	**Three Years to Five Years**	**After Five Years**	**Total**
Deposits without a stated maturity	$ 3,586,248	$	$	$	$ 3,586,248
Time deposits	1,882,363	281,425	73,995	25	2,237,808
Securities sold under repurchase agreements	474,141				474,141
Other borrowed funds[(1)]	5,423				5,423
Long-term debt obligations[(2)]	35,816	216	218	35,256	71,506
Capital lease obligations	34	77	93	1,643	1,847
Operating lease obligations	3,258	5,785	4,344	6,860	20,247
Purchase obligations[(3)]	14,779				14,779
Subordinated debentures held by subsidiary trusts[(4)]				123,715	123,715
Total contractual obligations	$ 6,002,062	$ 287,503	$ 78,650	$ 167,499	$ 6,535,714

(1) Included in other borrowed funds are tax deposits made by customers pending subsequent withdrawal by the federal government and borrowings with original maturities of less than one year. For additional information concerning other borrowed funds, see Notes to Consolidated Financial Statements Long Term Debt and Other Borrowed Funds.

(2) Long-term debt consists of various notes payable to FHLB at various rates with maturities through October 31, 2017; variable rate term notes issued under our syndicated credit agreement maturing on December 31, 2010; a fixed rate subordinated term loan bearing interest of 6.81% and maturing January 9, 2018; and a variable rate subordinated term loan maturing February 28, 2018. For additional information concerning long-term debt, see

Notes to Consolidated Financial Statements Long Term Debt and Other Borrowed Funds.

(3) Purchase obligations relate to obligations under construction contracts to build or renovate banking offices and obligations to purchase investment securities.

(4) The subordinated debentures are unsecured, with various interest rates and maturities from March 26, 2033 through April 1, 2038. Interest distributions are payable quarterly; however, we may defer interest payments at any time for a period not exceeding 20 consecutive quarters. For additional information concerning the subordinated debentures, see Notes to Consolidated Financial Statements Subordinated Debentures held by Subsidiary Trusts.

We also have obligations under a postretirement healthcare benefit plan. These obligations represent actuarially determined future benefit payments to eligible plan participants. See Notes to Consolidated Financial Statements Employee Benefit Plans.

In addition, on December 31, 2008 we entered into a contractual obligation pursuant to a technology services agreement maturing December 31, 2015. Amounts payable under the service agreement are primarily based on the number of transactions or accounts processed. Payments made under the service agreement in 2009 were approximately $8.5 million, net of deferred gain amortization of $643,000.

Off-Balance Sheet Arrangements

We have entered into various arrangements not reflected on the consolidated balance sheet that have or are reasonably likely to have a current or future effect on our financial condition, results of operations or liquidity. These include guarantees, commitments to extend credit and standby letters of credit.

We guarantee the distributions and payments for redemption or liquidation of capital trust preferred securities issued by our wholly-owned subsidiary business trusts to the extent of funds held by the trusts. Although the guarantees are not separately recorded, the obligations underlying the guarantees are fully reflected on our consolidated balance sheets as subordinated debentures held by subsidiary trusts. The subordinated debentures currently qualify as tier 1 capital under the Federal Reserve capital adequacy guidelines. For additional information regarding the subordinated debentures, see Notes to Consolidated Financial Statements Subordinated Debentures Held by Subsidiary Trusts.

We are a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit and standby letters of credit. For additional information regarding our off-balance sheet arrangements, see Notes to Consolidated Financial Statements Financial Instruments with Off-Balance Sheet Risk.

Capital Resources and Liquidity Management

Capital Resources

Stockholders equity is influenced primarily by earnings, dividends, sales and redemptions of common stock and, to a lesser extent, changes in the unrealized holding gains or losses, net of taxes, on available-for-sale investment securities. Stockholders equity increased $35 million, or 6.6%, to $574 million as of December 31, 2009 from $539 million as of December 31, 2008, due to the retention of earnings and fluctuations in unrealized gains on available-for-sale investment securities. In addition, we raised capital through our annual stock offering to our employees and directors. The 2009 annual offering resulted in the issuance of 62,828 shares of common stock with an aggregate value of $4 million. We paid aggregate cash dividends of $15.7 million to common stockholders and $3.0 million to preferred stockholders during 2009.

Stockholders equity increased 21.3% to $539 million as of December 31, 2008, from $444 million as of December 31, 2007, primarily due to retention of earnings and the issuance of capital stock. In January 2008, we issued 5,000 shares of 6.75% Series A noncumulative redeemable preferred stock, or Series A preferred stock, with an aggregate value of $50 million in partial consideration for the First Western acquisition. For more information regarding the Series A preferred stock, see Description of Capital Stock Preferred Stock. In addition, during 2008 we raised additional capital of $12 million through the sale of 153,662 shares of our common stock, including 58,799 shares sold in a private placement to members or affiliates of the Scott family and 94,863 shares sold to our employees and directors pursuant to our annual stock offering. The remaining increase in stockholder s equity was primarily due to the retention of earnings, net of stock redemptions and dividends.

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Approximately 92% of our existing common stock is subject to stockholder agreements that give us a right of first refusal to repurchase the restricted stock. In response to the current recession and uncertain market conditions, we implemented changes to our capital management practices to conserve capital. Beginning with second quarter 2009, we paid quarterly dividends to $0.45 per share of common stock, a decrease of $0.20 per share from quarterly dividends paid during 2008 and first quarter 2009. In addition, during 2009 we limited repurchase of common stock outside of our 401(k) retirement plan. During 2009, we repurchased 160,688 shares of common stock with an aggregate value of $11 million compared to repurchases of 333,393 shares with an aggregate value of $28 million in 2008 and 294,760 shares with an aggregate value of $26 million in 2007. Our ability to repurchase common stock is limited by our liquidity, capital resources and debt covenants. We intend to continue to limit repurchases of common stock in 2010. During our first quarter of 2010 redemption window, which was concluded in February 2010, we repurchased 60,933 shares of our existing common stock with an aggregate value of $4 million. This repurchase program will terminate concurrently with the completion of this offering.

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

Pursuant to the Federal Deposit Insurance Corporation Improvement Act, or FDICIA, the Federal Reserve and FDIC have adopted regulations setting forth a five-tier system for measuring the capital adequacy of the financial institutions they supervise. At December 31, 2009 and December 31, 2008, our Bank had capital levels that, in all cases, exceeded the well capitalized guidelines. During third quarter 2009, we were notified of an inter-agency letter issued by the federal banking regulators that negatively impacted the calculation of our regulatory capital ratios, causing us to be in breach of our recently amended syndicated credit agreement. We recently negotiated further amendments to the syndicated credit agreement to eliminate the breach. For additional information concerning our capital levels, see Notes to Consolidated Financial Statements Regulatory Capital contained herein and for additional information concerning our syndicated credit agreement, see Financial Condition Long-Term Debt contained herein.

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 stockholders. 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, 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. We do not engage in derivatives or hedging activities to support our liquidity position.

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 stockholder 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 Consolidated Financial Statements Consolidated Statements of Cash Flows.

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As a holding company, we are a corporation separate and apart from our subsidiary Bank and, therefore, we provide for our own liquidity. Our main sources of funding include management fees and dividends declared and paid by our subsidiaries and access to capital markets. There are statutory, regulatory and debt covenant limitations that affect the ability of our Bank to pay dividends to us. Management believes that such limitations will not impact our ability to meet our ongoing short-term cash obligations. For additional information regarding dividend restrictions, see Financial Condition Long-Term Debt and Capital Resources and Liquidity Management above and Regulation an Supervision Restrictions on Transfers of Funds to Us and the Bank and Risk Factors Our Bank s ability to pay dividends to us is subject to regulatory limitations, which, to the extent we are not able to receive such dividends, may impair our ability to grow, pay dividends, cover operating expenses and meet debt service requirements.

Asset Liability Management

The goal of asset liability management is the prudent control of market risk, liquidity and capital. Asset liability management is governed by policies, goals and objectives adopted and reviewed by the Bank s board of directors. The Board delegates its responsibility for development of asset liability management strategies to achieve these goals and objectives to the Asset Liability Committee, or ALCO, which is comprised of members of senior management.

Interest Rate Risk

Interest rate risk is the risk of loss of future earnings or long-term value due to changes in interest rates. Our primary source of earnings is the net interest margin, which is affected by changes in interest rates, the relationship between rates on interest bearing assets and liabilities, the impact of interest rate fluctuations on asset prepayments and the mix of interest bearing assets and liabilities.

The ability to optimize the net interest margin is largely dependent upon the achievement of an interest rate spread that can be managed during periods of fluctuating interest rates. Interest sensitivity is a measure of the extent to which net interest income will be affected by market interest rates over a period of time. Interest rate sensitivity is related to the difference between amounts of interest earning assets and interest bearing liabilities which either reprice or mature within a given period of time. The difference is known as interest rate sensitivity gap.

The following table shows interest rate sensitivity gaps and the earnings sensitivity ratio for different intervals as of December 31, 2009. The information presented in the table is based on our mix of interest earning assets and interest bearing liabilities and historical experience regarding their interest rate sensitivity.

Interest Rate Sensitivity Gaps

	Projected Maturity or Repricing				
(Dollars in thousands)	**Three Months Or Less**	**Three Months to One Year**	**One Year to Five Years**	**After Five Years**	**Total**
Interest earning assets:					
Loans[(1)]	$ 1,765,672	$ 732,447	$ 1,750,533	$ 164,322	$ 4,412,974
Investment securities[(2)]	168,566	330,452	667,101	280,161	1,446,280
Interest bearing deposits in banks	398,979				398,979
Federal funds sold	11,474				11,474
Total interest earning assets	$ 2,344,691	$ 1,062,899	$ 2,417,634	$ 444,483	$ 6,269,707
Interest bearing liabilities:					
Interest bearing demand accounts[(3)]	$ 89,794	$ 269,382	$ 838,078	$	$ 1,197,254
Savings deposits[(3)]	239,862	845,291	277,257		1,362,410
Time deposits, $100 or more[(4)]	279,903	573,098	143,838		996,839
Other time deposits	389,681	639,624	211,639	25	1,240,969
Securities sold under repurchase agreements	474,141				474,141
Other borrowed funds	5,423				5,423
Long-term debt	49,320	1,535	630	21,868	73,353
Subordinated debentures held by subsidiary trusts	77,322		46,393		123,715
Total interest bearing liabilities	$ 1,605,446	$ 2,328,930	$ 1,517,835	$ 21,893	$ 5,474,104
Rate gap	$ 739,245	$ (1,266,031)	$ 899,799	$ 422,590	$ 795,603
Cumulative rate gap	739,245	(526,786)	373,013	795,603	
Cumulative gap as a percentage of total interest earning assets	11.79%	(8.40)%	5.95%	12.69%	12.69%

(1) Does not include nonaccrual loans of $115,030.

(2) Adjusted to reflect: (1) expected shorter maturities based upon our historical experience of early prepayments of principal and (2) the redemption of callable securities on their next call date.

(3) Includes savings deposits paying interest at market rates in the three month or less category. All other deposit categories, while technically subject to immediate withdrawal, actually display sensitivity characteristics that generally fall within one to five years. Their allocation is presented based on that historical analysis. If these deposits were included in the three month or less category, the above table would reflect a negative three month gap of $1,491 million, a negative cumulative one year gap of $1,692 million and a positive cumulative one to five year gap of $323 million.

(4) Included in the three month to one year category are deposits of $212 million maturing in three to six months.

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Net Interest Income Sensitivity

The view presented in the preceding interest rate sensitivity gap table illustrates a static view of the effect on our net interest margin of changing interest rate scenarios. We believe net interest income sensitivity provides the best perspective of how day-to-day decisions affect our interest rate risk profile. We monitor net interest margin sensitivity by utilizing an income simulation model to subject twelve month net interest income to various rate movements. Simulations modeled quarterly include scenarios where market rates change suddenly up or down in a parallel manner and scenarios where market rates gradually change up or down at nonparallel rates resulting in a change in the slope of the yield curve. Estimates produced by our income simulation model are based on numerous assumptions including, but not limited to, the nature and timing of changes in interest rates, prepayments of loans and investment securities, volume of loans originated, level and composition of deposits, ability of borrowers to repay adjustable or variable rate loans and reinvestment opportunities for cash flows. Given these various assumptions, the actual effect of interest rate changes on our net interest margin may be materially different than estimated.

We target a mix of interest earning assets and interest bearing liabilities such that no more than 5% of the net interest margin will be at risk over a one-year period should short-term interest rates shift up or down 2%. As of December 31, 2009, our income simulation model predicted net interest income would decrease $3.0 million, or 1.1%, assuming a 2% increase in short-term market interest rates and 1.0% increase in long-term interest rates over a twelve-month period. This scenario predicts that our funding sources will reprice faster than our interest earning assets.

We did not simulate a decrease in interest rates due to the extremely low rate environment as of December 31, 2009. Prime rate has historically been set at a rate of 300 basis points over the targeted federal funds rate, which is currently set between 0 and 25 basis points. Our income simulation model has an assumption that prime will continue to be set at a rate of 300 basis points over the targeted federal funds rate. Additionally, rates that are currently below 2% are modeled not to fall below 0% with an overall decrease of 2% in interest rates. In a declining rate environment, our income simulation model predicts our net interest income and net interest rate spread will decrease and our net interest margin will compress because interest expense will not decrease in direct proportion to a simulated downward shift in interest rates.

The preceding interest rate sensitivity analysis does not represent a forecast and should not be relied upon as being indicative of expected results of operations. In addition, if the actual prime rate falls below a 300 basis point spread to targeted federal funds rates, we could experience a continued decrease in net interest income as a result of falling yields on earning assets tied to prime rate.

Recent Accounting Pronouncements

The expected impact of accounting standards recently issued but not yet adopted are discussed in Notes to Consolidated Financial Statements Authoritative Accounting Guidance.

BUSINESS

Our Company

We are a financial and bank holding company headquartered in Billings, Montana. As of December 31, 2009, we had consolidated assets of $7.1 billion, deposits of $5.8 billion, loans of $4.5 billion and total stockholders equity of $574 million. We currently operate 72 banking offices in 42 communities located in Montana, Wyoming and western South Dakota. Through the Bank, we deliver a comprehensive range of banking products and services to individuals, businesses, municipalities and other entities throughout our market areas. Our customers participate in a wide variety of industries, including energy, healthcare and professional services, education and governmental services, construction, mining, agriculture, retail and wholesale trade and tourism.

Our History

Our company was established on the principles and values of our founder, Homer Scott, Sr. In 1968, Mr. Scott purchased the Bank of Commerce in Sheridan, Wyoming and began building his vision of a premier community bank committed to providing quality customer service, attracting high quality employees and serving the local community with long-term perspective and discipline. Two years later, Mr. Scott purchased the Security Trust and Savings Bank in Billings, Montana. These two bank acquisitions formed the foundation on which our company would begin a period of sustained growth and expansion.

In 1971, Mr. Scott incorporated our company as a holding company and over the next 10 years acquired two more banks and established six de novo banks within various communities of Montana and Wyoming. By 1981, our company had grown to 10 branches.

We entered into a franchise agreement with First Interstate Bancorp, headquartered in Los Angeles, California, in 1984 to use the First Interstate name in Montana and Wyoming. In 1996, Wells Fargo Bank acquired First Interstate Bancorp. At the time of the acquisition, we purchased six banking offices in Montana and Wyoming previously operated by First Interstate Bancorp and obtained an exclusive license to use the First Interstate name and logo in Montana, Wyoming and the six neighboring states of Idaho, Utah, Colorado, Nebraska, South Dakota and North Dakota.

By the end of 1999, we had grown to 42 branch locations through a combination of de novo start-ups and acquisitions. We also experienced significant organic growth with increases in total assets, deposits and loans. This pattern of organic, de novo and acquisition growth has since resulted in further expansion of our business and market areas. In January 2008, we expanded into South Dakota by acquiring 18 banking offices pursuant to the purchase of the First Western Bank.

Today, we have 72 branch locations throughout Montana, Wyoming and western South Dakota. Our history and market leadership position not only reflect the vision and values of our founder, but of the entire Scott family, our principal stockholders. Members of the Scott family have continuously provided effective leadership to the company and the communities we serve. Our growth has resulted from our adherence to the principles and values of our founder and the alignment of these principles and values among our management, directors, employees and stockholders.

Our Competitive Strengths

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

Attractive Footprint The states in which we operate, Montana, Wyoming and South Dakota, have all displayed stronger economic trends and asset quality characteristics relative to the national averages during the recent economic downturn. In particular, the markets we serve have diversified economies and favorable growth characteristics. Notwithstanding challenging market conditions nationally and elsewhere in the West, we have experienced sustained profitability and stable growth due, in part, to our presence in these states. The percentage of unprofitable FDIC-insured financial institutions in all three states has remained below the national average of nearly 30%, with Montana at 23%, South Dakota at 13% and Wyoming at 14%. Non-current commercial real estate loan levels in these states have also been lower than the national average of 3.82% as of December 31, 2009. Specifically, Montana, Wyoming and South Dakota had 2.53%, 1.77% and 4.26%, respectively, of commercial real estate loans that were non-current as of such date.

Market Leadership As of June 30, 2009, the most recent available published data, we were ranked first by deposits in 53% of our MSAs and were ranked one of the top three depositories in 87% of our MSAs, as reported by SNL Financial. We were also ranked, as of June 30, 2009, first by deposits in Montana, second in Wyoming and either first or second in each of the counties we serve in western South Dakota. We believe our market leading position is an important factor in maintaining long-term customer loyalty and community relationships. We also believe this leadership provides us with pricing benefits for our products and services and other competitive advantages. Market leadership has also been critical to our ability to attract and retain management and other personnel necessary to grow our business in our footprint and surrounding regions.

Proven Model with Branch Level Accountability Our growth and profitability are due, in part, to the implementation of our community banking model and practices. We support our branches with resources, technology, brand recognition and management tools, while at the same time encouraging local decision-making and community involvement. Our 28 local branch presidents and their teams have responsibility and discretion, within company-wide guidelines, with respect to the pricing of loans and deposits, local advertising and promotions, loan underwriting and certain credit approvals. The additional authority that comes with this responsibility enables our branches to tailor products and pricing to their specific customers needs, as dictated by the customers personal circumstances, as well as local market conditions. We enhance this community banking model with monthly reporting focused on branch-level accountability for financial performance and asset quality, while providing regular opportunities for the sharing of information and best practices among our local branch management teams. This combination of authority and accountability allows our banking offices to provide personalized customer service and be in close contact with our communities, while at the same time promoting strong performance at the branch level and remaining focused on our overall financial performance.

Disciplined Underwriting and Credit Culture A vital component of the success of our company is maintaining high asset quality in varying economic cycles. This results from a business model that emphasizes local market knowledge, strong customer relationships, long-term perspective and branch-level accountability. Moreover, we have developed conservative credit standards and disciplined underwriting skills to maintain proper credit risk management. We seek to diversify loans among local market areas, loan types and industries, our largest customer loans are made well below legal lending limits and we forego loans that involve large credit exposures to any entity or individual. By maintaining strong asset quality, we are able to reduce our exposure to significant loan charge-offs and keep our management team focused on serving our customers and growing our business. Our credit culture promotes a diversified portfolio of loan assets that are actively managed. As of December 31, 2009, our non-performing loans represented approximately 2.75% of total loans, compared to the average of 5.08% for our UBPR peer group as of such date. Furthermore, our net charge-offs were 0.63% as a percentage of average loans for the year ended December 31, 2009, compared to the average of 1.78% for our UBPR peer group for the same period.

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Stable Base of Core Deposits We fund customer loans and other assets principally with core deposits from our customers. We do not generally utilize brokered deposits and do not rely heavily on wholesale funding sources. At December 31, 2009, our total deposits were approximately $5.8 billion, 83% of which were core deposits. Our core deposits provide us with a stable funding source while generating opportunities to build and strengthen our relationships with our customers. Furthermore, we believe that over long periods of time covering different economic cycles, our core deposits will continue to provide us with a relatively low cost of funds, an advantage that we anticipate will become more pronounced if interest rates rise. Our cost of interest bearing liabilities for the quarter ended December 31, 2009 was 1.41%, compared to the average of 1.47% for our UBPR peer group.

Experienced and Talented Management Team Our success has been built, beginning with our formation as a family-owned and operated commercial bank, upon a foundation of strong leadership. The Scott family has provided effective leadership for many years and has successfully integrated a management team of seasoned banking professionals. Members of our current executive management team have, on average, over 30 years of experience in the community or regional banking industry. This expertise has been a vital component in the development of high quality products and services designed to meet or exceed the needs of our customers. Our chairman spent 25 years as our previous chief executive officer. Our current president and chief executive officer, together with our chief operating officer, have an average of more than 30 years of experience in the management of large, multi-branch banks. Furthermore, our banking expertise is broadly dispersed throughout the organization, including 28 experienced branch presidents with oversight responsibility for multiple banking offices. The Scott family, members of which own a majority of our stock, is committed to our long-term success and plays a significant role in providing leadership and developing our strategic vision.

Sustained Profitability and Favorable Stockholder Returns We focus on long-term financial performance and have maintained positive earnings despite challenging economic times. We have generated net earnings in each of the past 22 years. We have used a combination of organic growth, new branch openings and strategic acquisitions to expand our business while maintaining positive operating results and favorable stockholder returns. During the ten years from 1999 through 2008, our annual return on average common equity ranged from 14.7% to 20.4%. Even during 2009, a period of challenging market conditions for many banks, we generated a return on average common equity of 10.0%.

Our Strategy

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

Remain a Leader in Our Markets We have established market leading positions in Montana, Wyoming and western South Dakota. We intend to remain a leader in our markets by continuing to adhere to the core principles and values that have contributed to our growth and success. We believe we can continue to expand our market leadership by following our proven community banking model and conservative banking practices, by offering high-quality financial products and services, by maintaining a comprehensive understanding of our markets and the needs of our customers and by providing superior customer service. We recognize that long-term success requires a commitment to building strong relationships with the customers and communities that we serve. We intend to continue to deliver products and services that are responsive to customer needs and competitive by understanding and maintaining close relationships with our customers. As we expand to new markets, we will seek to continue our emphasis upon market leadership.

Focus on Profitability and Favorable Stockholder Returns We focus on long-term profitability and providing attractive stockholder returns by maintaining or improving asset quality, increasing our interest and non-interest income and achieving operating efficiencies. We intend to continue to concentrate on increasing customer deposits, loans and otherwise expanding our business in a

disciplined and prudent manner. Moreover, we will seek to extend our track record of over 15 years of continuous quarterly dividend payments, as such payments are important to our stockholders. We believe successfully focusing on these factors will allow us to continue to achieve positive operating results and deliver favorable returns to our stockholders.

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

Selectively Examine Acquisition Opportunities We believe that evolving regulatory and market conditions will enable us to consider acquisition opportunities, including both traditional and FDIC-assisted transactions. We have been successful in integrating acquired franchises into our family of banks while achieving favorable operating results, as demonstrated by our 42-year history and the successful completion of fourteen acquisitions since our inception. We intend to direct any strategic expansion efforts primarily within our existing states of operation, but we will also consider compelling opportunities in surrounding markets. While we have no present agreement or plan concerning any specific acquisition or similar transaction, we believe that the capital raised from this offering, together with the ability to use our publicly-traded stock as currency should enhance our strategic expansion opportunities.

Continue to Attract and Develop High-Quality Management Professionals The leadership skills and talents of our management team are critical to maintaining our competitive advantage and to the future of our business. We provide training and development programs to strengthen the abilities of our existing and future management employees. We strive to be the employer of choice in our region and have experienced a low officer turnover rate. We intend to continue hiring and developing high-quality management professionals to maintain effective leadership at all levels of our company. We believe that our branch level management model, which gives our employees additional responsibilities, will continue to attract high quality talent who will appreciate the opportunity to be able to make decisions, while also having the benefit of our centralized resources and guidance. We attribute much of our success to the quality of our management personnel and will continue to emphasize this critical aspect of our business and our culture.

Contribute to Our Communities Our success is dependent upon the communities we serve. We believe our business is driven not just by meeting or exceeding our customers needs and expectations, but also by establishing long-term relationships and active involvement and leadership within our communities. We believe in the importance of corporate social responsibility and have developed strong ties with our communities. As an enterprise, we are dedicated to assisting these communities through our First Interstate BancSystem Foundation, which was established in 1990. This foundation, together with the generous support of our local branch banking offices, has provided over $20.2 million in contributions and support over the past 10 years to local community projects and charitable efforts. We also encourage our directors, officers and employees to participate in community service activities throughout our region.

Our Market Areas

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

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Wyoming and South Dakota have maintained low unemployment rates relative to the national average of 10.0% as of December 2009, with Montana at 6.7%, Wyoming at 7.5% and South Dakota at 4.7%.

Montana We operate primarily in the metropolitan areas of Billings, Missoula, Kalispell, Bozeman, Great Falls and Helena. For the principal Montana communities in which we operate, the estimated weighted average population growth for 2009 through 2014 is 6.83% as compared to the estimated national average growth rate for the same period of 4.63%. Growth within our markets in Montana is being driven by trends that include power and energy-related developments, expanding healthcare and professional services, in-flow of retirees, growing regional trade center activities and continued expansion of the governmental service sector. Based on FDIC data dated June 30, 2009, we are ranked first out of 70 institutions by deposit market share in Montana. At December 31, 2009, approximately $2.9 billion, or 50%, of our total deposits were in Montana.

Wyoming We operate primarily in the metropolitan areas of Casper, Sheridan, Gillette, Laramie, Jackson, Riverton and Cheyenne. For the principal Wyoming communities in which we operate, the estimated weighted average population growth for 2009 through 2014 is 5.16%. Growth within our markets in Wyoming is being driven by trends that include oil and gas exploration and development, coal mining, expansion of education and governmental services and non-resident expenditures associated with tourism and vacation homes. We have also seen stable trends in Wyoming with new home construction continuing despite the difficult market environment. Based on FDIC data dated June 30, 2009, we are ranked second out of 47 institutions by deposit market share in Wyoming. At December 31, 2009, approximately $2.1 billion, or 36%, of our total deposits were in Wyoming.

Western South Dakota With the acquisition of First Western Bank in January 2008, we expanded our franchise into western South Dakota. We operate primarily in the metropolitan areas of Rapid City and Spearfish. For the principal western South Dakota communities in which we operate, the estimated weighted average population growth for 2009 through 2014 is 4.45%. Growth of our markets in western South Dakota is being driven by trends that include federal government expenditures at Ellsworth Air Force Base, transportation and utility activities, expanding health care services, tourism and growing regional trade center activities. Based on FDIC data dated June 30, 2009, we are ranked either first or second in each of the South Dakota counties in which we operate by deposit market share. At December 31, 2009, approximately $804 million, or 14%, of our total deposits were in western South Dakota.

The following table contains information regarding each major MSA we serve and our banking offices located in such areas:

MSA	First Interstate Rank in MSA	Number of Branches	Deposits (in millions)	2009 Population	Median Household Income	Projected Growth 2009-2014 Population	Projected Growth 2009-2014 Median Household Income
Billings, MT	1	6	$1,028	153,163	$ 45,811	4.83%	4.49%
Missoula, MT	1	5	546	106,831	42,561	5.63	4.98
Casper, WY	1	4	518	72,894	48,383	4.83	5.85
Rapid City, SD	1	8	490	123,933	49,780	4.71	4.10
Sheridan, WY	1	2	317	28,620	43,160	3.98	1.48
Kalispell, MT	2	6	295	88,555	41,430	9.41	3.69
Gillette, WY	2	2	275	41,742	62,291	11.29	0.15
Bozeman, MT	2	5	252	90,485	47,977	16.29	0.99
Laramie, WY	1	3	225	32,471	36,960	(0.73)	4.65
Great Falls, MT	2	3	224	81,061	41,325	0.30	4.21
Jackson, WY-ID	3	3	213	30,533	69,947	11.96	(0.70)
Riverton, WY	1	3	205	38,089	41,035	3.21	5.14
Spearfish, SD	1	4	163	23,563	41,309	3.09	1.71
Cheyenne, WY	4	2	128	88,680	52,435	3.58	5.68
Helena, MT	6	2	56	72,642	46,940	5.21	1.79
Average				71,551	$ 47,423	5.84%	3.21%
United States				309,731,508	54,719	4.63	4.06

Source: SNL Financial

Note: MSA data as of June 30, 2009. Does not include counties not included in any MSA.

Our principal markets generally range in size from approximately 25,000 to approximately 150,000 people, have favorable growth prospects and usually serve as trade centers for much larger rural areas. Both the median household incomes and the cost of living in these areas are typically below national averages. Factors contributing to the growth of our market areas include power and energy-related developments; expanding healthcare, professional and governmental services; growing regional trade center activities; and the in-flow of retirees. We expect to leverage our resources and competitive advantages to benefit from diversified economic characteristics and favorable population growth trends in our area.

Community Banking

Community banking encompasses commercial and consumer banking services provided through our Bank, primarily the acceptance of deposits; extensions of credit; mortgage loan origination and servicing; and trust, employee benefit, investment and insurance services. Our community banking philosophy emphasizes providing customers with commercial and consumer banking products and services locally using a personalized service approach while strengthening the communities in our market areas through community service activities. We grant our banking offices significant authority in delivering and pricing products in response to local market considerations and customer needs. This authority enables our banking offices to remain competitive by responding quickly to local market conditions and enhances their relationships with the customers they serve by tailoring our products and price points to each individual customer s needs. Consistent with the goals and strategies of the Bank as a whole, we also require accountability by having company-wide standards and established limits on the authority and discretion of each banking office. The Bank s board of directors, with recommendation from the credit committee, oversees and approves any loans or prices which our branch offices do not have authority to discretion to execute, which provides us with overall control

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while affording each branch office flexibility. We also hold each of our banking offices accountable for its operating decisions and performance. The amount of compensation and incentives that our branch presidents and senior branch executives receive is based, in part, upon their respective banking office s performance and asset quality. This combination of authority and accountability allows our banking offices to provide personalized customer service and be in close contact with our communities, while at the same time promoting strong performance at the branch level and remaining focused on our overall financial performance.

Lending Activities

We offer short and long-term real estate, consumer, commercial, agricultural and other loans to individuals and businesses in our market areas. We have comprehensive credit policies establishing company-wide underwriting and documentation standards to assist management in the lending process and to limit our risk. These credit policies establish lending guidelines based on the experience and authority levels of the personnel located in each banking office and market. The policies also establish thresholds at which loan requests must be recommended by our credit committee and/or approved by the Bank s board of directors. While each loan must meet minimum underwriting standards established in our credit policies, lending officers are granted certain levels of authority in approving and pricing loans to assure that the banking offices are responsive to competitive issues and community needs in each market area.

Real Estate Loans. We provide interim construction and permanent financing for both single-family and multi-unit properties and medium-term loans for commercial, agricultural and industrial property and/or buildings and equity lines of credit secured by real estate. Residential real estate loans are typically sold in the secondary market. Those residential real estate loans not sold are typically secured by first liens on the financed property and generally mature in less than 5 years. Our construction loans comprise residential construction, commercial construction, land and land development and other construction loans. Real estate loans, in the aggregate, comprised 65.5% of our total loan portfolio as of December 31, 2009.

Consumer Loans. Our consumer loans include direct personal loans, credit card loans and lines of credit; and indirect loans created when we purchase consumer loan contracts advanced for the purchase of automobiles, boats and other consumer goods from consumer product dealers. Personal loans and indirect dealer loans are generally secured by personal property. Lines of credit are generally floating rate loans that are unsecured or secured by personal property. Consumer loans comprised 14.9% of our total loan portfolio as of December 31, 2009.

Commercial Loans. Our commercial loans are generally made to small and medium-sized manufacturing, wholesale, retail and service businesses. The loans are generally repaid by the business operations of the borrower, but are also secured by the borrower s inventory, accounts receivable, equipment and/or personal guarantees. Commercial loans generally have maturities of five years or less. Commercial loans comprised 16.6% of our total loan portfolio as of December 31, 2009.

Agricultural Loans. Our agricultural loans generally consist of short and medium-term loans and lines of credit. Agricultural loans are ordinarily secured by assets such as livestock or equipment and are repaid from the operations of the farm or ranch. Agricultural loans generally have maturities of five years or less. Agricultural loans comprised 3.0% of our total loan portfolio as of December 31, 2009.

The following table presents the composition of our loan portfolio as of December 31, 2009:

(Dollars in thousands)	**As of December 31, 2009**	
Loans:		
Real estate:		
Commercial	$ 1,556,273	34.4%
Construction	636,892	14.1
Residential	539,098	11.9
Agricultural	195,045	4.3
Other	36,430	0.8
Consumer	677,548	14.9
Commercial	750,647	16.6
Agricultural	134,470	3.0
Other loans	1,601	
Total loans	$ 4,528,004	100.0%

Deposit Products

We offer traditional depository products including checking, savings and time deposits. Deposits at the Bank are insured by the FDIC up to statutory limits. We also offer repurchase agreements primarily to commercial and municipal depositors. Under repurchase agreements, we sell investment securities held by the Bank to our customers under an agreement to repurchase the investment securities at a specified time or on demand. The Bank does not, however, physically transfer the investment securities. All outstanding repurchase agreements are due in one business day.

The following table presents the composition of our deposits as of December 31, 2009:

(Dollars in thousands)	**Balance**	**Average Rate**	**% of Total Deposits**
Deposits:			
Interest bearing deposits:			
Demand deposits	$ 1,197,254	0.38%	20.6%
Savings deposits	1,362,410	0.76	23.4
Time deposits	2,237,808	2.78	38.4
Total interest bearing deposits	4,797,472	1.62	82.4
Non-interest bearing deposits	1,026,584		17.6
Total deposits	$ 5,824,056		100.0%

Wealth Management

We provide a wide range of trust, employee benefit, investment management, insurance, agency and custodial services to individuals, businesses and nonprofit organizations. These services include the administration of estates and personal trusts; management of investment accounts for individuals, employee benefit plans and charitable foundations; and insurance planning. As of December 31, 2009, the estimated fair value of trust assets held in a fiduciary or agent capacity was in excess of $2.4 billion.

Centralized Services

We have centralized certain operational activities to provide consistent service levels to our customers company-wide, to gain efficiency in management of those activities and to ensure regulatory compliance. Centralized operational activities generally support our banking offices in the delivery of products and services to customers and include marketing; credit review; credit cards; mortgage loan sales and servicing; indirect consumer loan purchasing and processing; loan collections and, other operational activities. Additionally, policy and management direction and specialized staff support services have been centralized to enable our branches to serve their markets more effectively. These services include credit administration, finance, accounting, human resource management, internal audit and other support services.

Competition

Commercial banking is highly competitive. We compete with other financial institutions located in Montana, Wyoming, South Dakota and adjoining states for deposits, loans and trust, employee benefit, investment and insurance accounts. We also compete with savings and loan associations, savings banks and credit unions for deposits and loans. In addition, we compete with large banks in major financial centers and other financial intermediaries, such as consumer finance companies, brokerage firms, mortgage banking companies, insurance companies, securities firms, mutual funds and certain government agencies as well as major retailers, all actively engaged in providing various types of loans and other financial services. We generally compete on the basis of customer service and responsiveness to customer needs, available loan and deposit products, rates of interest charged on loans, rates of interest paid for deposits and the availability and pricing of trust, employee benefit, investment and insurance services.

Employees

At December 31, 2009, we employed 1,730 full-time equivalent employees, none of whom are represented by a collective bargaining agreement. We strive to be the employer of choice in the markets we serve and consider our employee relations to be good.

Properties

Our principal executive offices and one of our banking offices are anchor tenants in an eighteen story commercial building located in Billings, Montana. The building is owned by a 50-50 joint venture partnership in which the Bank is one of two partners. We lease approximately 96,532 square feet of office space in the building. We also own a 65,226 square foot building that houses our operations center in Billings, Montana. We provide banking services at 71 additional locations in Montana, Wyoming and the western South Dakota, of which 18 properties are leased from independent third parties and 53 properties are owned by us. We believe each of our facilities is suitable and adequate to meet our current operational needs.

Legal Proceedings

In the normal course of business, we are named or threatened to be named as a defendant in various lawsuits. Management, following consultation with legal counsel, does not expect the ultimate disposition of any or a combination of these matters to have a material adverse effect on our business.

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REGULATION AND SUPERVISION

Regulatory Authorities

We are subject to extensive regulation under federal and state laws. A description of the material laws and regulations applicable to us is summarized below. This description is not intended to include a summary of all laws and regulations applicable to us. In addition to laws and regulations, state and federal banking regulatory agencies may issue policy statements, interpretive letters and similar written guidance applicable to us. Those issuances may affect the conduct of our business or impose additional regulatory obligations.

As a financial and bank holding company, we are subject to regulation under the Bank Holding Company Act of 1956, as amended, or the Bank Holding Company Act, and to supervision, regulation and regular examination by the Federal Reserve. Because we are a public company, we are also subject to the disclosure and regulatory requirements of the Securities Act and the Securities Exchange Act of 1934, as amended, as administered by the SEC.

The Bank is subject to supervision and regular examination by its primary banking regulators, the Federal Reserve and the State of Montana, Department of Administration, Division of Banking and Financial Institutions, with respect to its activities in Wyoming, the State of Wyoming, Department of Audit, and with respect to its activities in South Dakota, the State of South Dakota, Department of Revenue & Regulation, Division of Banking.

The Bank s deposits are insured by the deposit insurance fund of the FDIC in the manner and to the extent provided by law. The Bank is subject to the Federal Deposit Insurance Act, or FDIA and FDIC regulations relating to deposit insurance and may also be subject to supervision and examination by the FDIC.

The extensive regulation of the Bank limits both the activities in which the Bank may engage and the conduct of its permitted activities. Further, the laws and regulations impose reporting and information collection obligations on the Bank. The Bank incurs significant costs relating to compliance with the various laws and regulations and the collection and retention of information.

Financial and Bank Holding Company

The Bank is a bank holding company and has registered as a financial holding company under regulations issued by the Federal Reserve. As a matter of policy, the Federal Reserve expects a bank holding company to act as a source of financial and managerial strength to its subsidiary banks and to commit resources to support its subsidiary banks. Under this source of strength doctrine, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank. The Federal Reserve may also determine that the bank holding company is engaging in unsafe and unsound practices if it fails to commit resources to such a subsidiary bank. A capital injection or other financial or managerial support may be required at times when the bank holding company does not have the resources to provide it. Such capital injections in the form of loans are also subordinate to deposits and to certain other indebtedness of its subsidiary banks.

We are required by the Bank Holding Company Act to obtain Federal Reserve approval prior to acquiring, directly or indirectly, ownership or control of voting stock of any bank, if, after such acquisition, we would own or control more than 5% of its voting stock. Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, or the Riegle-Neal Act, a bank holding company may acquire banks in states other than its home state, subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the bank holding company not control, prior to or following the proposed acquisition, more than 10% of the total amount of deposits of insured depository institutions nationwide or, unless the acquisition is the bank holding company s initial entry into the state, more than 30% of such deposits in the state, or such lesser or greater amount set by state law of such deposits in that state. The Riegle-Neal Act also authorizes banks to merge across state lines, thereby creating interstate branches. Banks are also permitted to acquire and to establish new branches in other states where authorized under the laws of those states. With regard to interstate bank mergers, a state can prohibit them entirely or prohibit them to the extent that they would exceed such a specified percentage of insured bank deposits, provided such prohibition does not discriminate against out-of-state banks. Under Montana law, banks, bank holding companies and their respective subsidiaries cannot acquire control of a bank located in Montana if, after the acquisition, the acquiring institution and its affiliates would directly or indirectly control, in the aggregate, more than 22% of the total deposits of insured depository institutions located in Montana.

Under the Gramm-Leach-Bliley Act of 1999, or GLB Act, and as a financial holding company, we may engage in certain business activities that are determined by the Federal Reserve to be financial in nature or incidental to financial activities as well as all activities authorized to bank holding companies generally. In most circumstances, we must notify the Federal Reserve of our financial activities within a specified time period following our initial engagement in each business or activity. If the type of proposed business or activity has not been previously determined by the Federal Reserve to be financially related or incidental to financial activities, we must receive the prior approval of the Federal Reserve before engaging in the activity.

We may engage in authorized financial activities, such as providing investment services, provided that we remain a financial holding company and meet certain regulatory standards of being well capitalized and well managed. If we fail to meet the well capitalized or well managed regulatory standards, we may be required to cease our financial holding company activities or, in certain circumstances, to divest of the Bank. We do not currently engage in significant financial holding company businesses or activities not otherwise permitted for bank holding companies generally. Should we engage in certain financial activities currently authorized to financial holding companies, we may become subject to additional laws, regulations, supervision and examination by regulatory agencies.

In addition, in order to assess the financial strength of the bank holding company, the Federal Reserve and the State of Montana also conducts throughout the year periodic onsite and offsite periodic inspections and credit reviews of us.

Our ability to redeem shares of company stock is limited under Federal Reserve regulations. In general, those regulations permit us to redeem stock without prior approval of the Federal Reserve only if the company is well-capitalized both before and immediately after the redemption. In February 2009, the Federal Reserve issued SR 09-4 which, among other things, requires all bank holding companies to consult with the Federal Reserve prior to redeeming stock without regard to the bank holding company s capital status or regulations otherwise permitting redemptions without prior approval of the Federal Reserve. The Federal Reserve has not indicated whether SR 09-4 will be rescinded.

Restrictions on Transfers of Funds to Us and the Bank

Dividends from the Bank are the primary source of funds for the payment of our expenses of operating and for the payment of dividends to and the repurchase of stock from our stockholders. Under both state and federal law, the amount of dividends that may be paid by the Bank from time to time is limited. In general, the Bank is limited to paying dividends that do not exceed the current year net profits together with retained earnings from the two preceding calendar years unless the prior consents of the Montana and federal banking regulators are obtained.

A state or federal banking regulator may impose, by regulatory order or agreement of the Bank, specific dividend limitations or prohibitions in certain circumstances. The Bank is not currently subject to a specific regulatory dividend limitation other than generally applicable limitations.

In general, banks are also prohibited from making capital distributions, including dividends and are prohibited from paying management fees to control persons if it would be undercapitalized under the regulatory framework for corrective action after making such payments. See Capital Standards and Prompt Corrective Action.

Certain restrictive covenants in future debt instruments may also limit the Bank s ability to make dividend payments to us. Also, under Montana corporate law, a dividend may not be paid if, after giving effect to the dividend: (1) the company would not be able to pay its debts as they become due in the usual course of business; or (2) the company s total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the company were to be dissolved at the time of the dividend, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the dividend.

In addition, under the Federal Reserve Act, the Bank may not lend funds to, or otherwise extend credit to or for our benefit or the benefit of our affiliates, except on specified types and amounts of collateral and other terms required by state and federal law. This may limit our ability to obtain funds from the Bank for our cash needs, including funds for payment of dividends, interest and operational expenses. The Federal Reserve also has authority to define and limit the transactions between banks and their affiliates. The Federal Reserve s Regulation W and relevant federal statutes, among other things, impose significant additional limitations on transactions in which the Bank may engage with us, with each other, or with other affiliates.

Furthermore, because we are a legal entity separate and distinct from the Bank, our right to participate in the distribution of assets of the Bank upon its liquidation or reorganization will be subject to the prior claims of the Bank s creditors. In the event of such a liquidation or other resolution, the claims of depositors and other general or subordinated creditors of the Bank are entitled to a priority of payment of the claims of holders of any obligation of the Bank to its stockholders, including us, or our stockholders or creditors.

Capital Standards and Prompt Corrective Action

Banks and bank holding companies are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors.

The Federal Reserve Board and the FDIC have substantially similar risk-based capital ratio and leverage ratio guidelines for banking organizations. The guidelines are intended to ensure that banking organizations have adequate capital given the risk levels of assets and off-balance sheet financial instruments. Under the guidelines, banking organizations are required to maintain minimum ratios for tier 1 capital and total capital to risk-weighted assets (including certain off-balance sheet items, such as letters of credit). For purposes of calculating the ratios, a banking organization s assets and some of its specified off-balance sheet commitments and obligations are assigned to various risk categories. Generally, under the applicable guidelines, a financial institution s capital is divided into two tiers. These tiers are:

> *Core Capital (tier 1).* Tier 1 capital includes common equity, noncumulative perpetual preferred stock (excluding auction rate issues) and minority interests in equity accounts of consolidated subsidiaries, less both goodwill and, with certain limited exceptions, all other intangible assets. Bank holding companies, however, may include up to a limit of 25% of cumulative preferred stock in their tier 1 capital.
>
> *Supplementary Capital (tier 2).* Tier 2 capital includes, among other things, cumulative and limited-life preferred stock, hybrid capital instruments, mandatory convertible securities, qualifying

subordinated debt and the allowance for loan and lease losses, subject to certain limitations.

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Institutions that must incorporate market risk exposure into their risk-based capital requirements may also have a third tier of capital in the form of restricted short-term subordinated debt.

We, like other bank holding companies, currently are required to maintain tier 1 capital and total capital (the sum of tier 1 and tier 2 capital) equal to at least 4.0% and 8.0%, respectively, of our total risk-weighted assets. The Bank, like other depository institutions, is required to maintain similar capital levels under capital adequacy guidelines. For a depository institution to be considered well capitalized under the regulatory framework for prompt corrective action its tier 1 and total capital ratios must be at least 6.0% and 10.0% on a risk-adjusted basis, respectively.

Bank holding companies and banks are also required to comply with minimum leverage ratio requirements. The leverage ratio is the ratio of a banking organization s tier 1 capital to its total adjusted quarterly average assets (as defined for regulatory purposes). The requirements necessitate a minimum leverage ratio of 3.0% for financial holding companies and banks that either have the highest supervisory rating or have implemented the appropriate federal regulatory authority s risk-adjusted capital measure for market risk. All other financial holding companies and banks are required to maintain a minimum leverage ratio of 4.0%, unless a different minimum is specified by an appropriate regulatory authority. For a depository institution to be considered well capitalized under the regulatory framework for prompt corrective action, its leverage ratio must be at least 5.0%.

The capital guidelines also provide that banking organizations experiencing significant internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels, without significant reliance on intangible assets. In addition, the regulations of the bank regulators provide that concentration of credit risks arising from non-traditional activities, as well as an institution s ability to manage these risks, are important factors to be taken into account by regulatory agencies in assessing an organization s overall capital adequacy. The Federal Reserve has not advised us of any specific minimum leverage ratio applicable to us or the Bank.

The FDIA requires, among other things, the federal banking agencies to take prompt corrective action in respect of depository institutions that do not meet minimum capital requirements. The FDIA sets forth the following five capital tiers: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. A depository institution s capital tier will depend upon how its capital levels compare with various relevant capital measures and certain other factors, as established by regulation. The relevant capital measures are the total capital ratio, the tier 1 capital ratio and the leverage ratio.

Under the regulations adopted by the federal regulatory authorities, a bank will be: (1) well capitalized if the institution has a total risk-based capital ratio of 10.0% or greater, a tier 1 risk-based capital ratio of 6.0% or greater and a leverage ratio of 5.0% or greater and is not subject to any order or written directive by any such regulatory authority to meet and maintain a specific capital level for any capital measure; (2) adequately capitalized if the institution has a total risk-based capital ratio of 8.0% or greater, a tier 1 risk-based capital ratio of 4.0% or greater and a leverage ratio of 4.0% or greater (3.0% in certain circumstances) and is not well capitalized ; (3) undercapitalized if the institution has a total risk-based capital ratio that is less than 8.0%, a tier 1 risk-based capital ratio of less than 4.0% or a leverage ratio of less than 4.0% (3.0% in certain circumstances); (4) significantly undercapitalized if the institution has a total risk-based capital ratio of less than 6.0%, a tier 1 risk-based capital ratio of less than 3.0% or a leverage ratio of less than 3.0%; and (5) critically undercapitalized if the institution s tangible equity is equal to or less than 2.0% of average quarterly tangible assets. An institution may be downgraded to, or deemed to be in, a capital category that is lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. Our regulatory capital ratios and those of the Bank are in excess of the levels established for well capitalized institutions. A bank s capital category is determined solely for the purpose of applying prompt

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corrective action regulations and the capital category may not constitute an accurate representation of the bank s overall financial condition or prospects for other purposes.

The FDIA generally prohibits a depository institution from making any capital distributions (including payment of a dividend) or paying any management fee to its parent holding company if the depository institution would thereafter be undercapitalized. Undercapitalized institutions are subject to growth limitations and are required to submit a capital restoration plan. The agencies may not accept such a plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution s capital. In addition, for a capital restoration plan to be acceptable, the depository institution s parent holding company must guarantee that the institution will comply with such capital restoration plan. The aggregate liability of the parent holding company is limited to the lesser of (1) an amount equal to 5.0% of the depository institution s total assets at the time it became undercapitalized and (2) the amount which is necessary (or would have been necessary) to bring the institution into compliance with all capital standards applicable with respect to such institution as of the time it fails to comply with the plan. If a depository institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized.

Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions, including mandated capital raising activities such as orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, restrictions for interest rates paid, removal of management and cessation of receipt of deposits from correspondent banks. Critically undercapitalized institutions are subject to the appointment of a receiver or conservator.

Safety and Soundness Standards and Other Enforcement Mechanisms

The federal banking agencies have adopted guidelines establishing standards for safety and soundness, asset quality and earnings, internal controls and audit systems, among others, as required by the FDICIA. These standards are designed to identify potential concerns and ensure that action is taken to address those concerns before they pose a risk to the deposit insurance fund, or DIF. If a federal banking agency determines that an institution fails to meet any of these standards, the agency may require the institution to submit an acceptable plan to achieve compliance with the standard. If the institution fails to submit an acceptable plan within the time allowed by the agency or fails in any material respect to implement an accepted plan, the agency must, by order, require the institution to correct the deficiency.

Federal banking agencies possess broad enforcement powers to take corrective and other supervisory action on an insured bank and its holding company. Moreover, federal laws require each federal banking agency to take prompt corrective action to resolve the problems of insured banks. Bank holding companies and insured banks are subject to a wide range of potential enforcement actions by federal regulators for violation of any law, rule, regulation, standard, condition imposed in writing by the regulator, or term of a written agreement with the regulator.

Emergency Economic Stabilization Act of 2008

In response to the financial crisis affecting the banking system and financial markets, the EESA was enacted on October 3, 2008. The EESA authorizes the Treasury to provide up to $700 billion in funding to stabilize and provide liquidity to the financial markets. Pursuant to the EESA, the Treasury was initially authorized to use $350 billion for the TARP. Of this amount, the Treasury allocated $250 billion to the TARP Capital Purchase Program described below. On January 15, 2009, the second $350 billion of TARP monies was released to the Treasury. On February 17, 2009, the ARRA was enacted which amended, in certain respects, the EESA and provided an additional $787 billion in economic stimulus funding.

Under the TARP Capital Purchase Program, the Treasury will invest up to $250 billion in senior preferred stock of U.S. banks and savings associations or their holding companies. Qualifying financial institutions may issue senior preferred stock with a value equal to not less than 1% of risk-weighted assets and not more than the lesser of $25 billion or 3% of risk-weighted assets. In conjunction with the issuance of the senior preferred stock, participating institutions must issue to the Treasury immediately exercisable 10-year warrants to purchase common stock with an aggregate market price equal to 5% of the amount of senior preferred stock. Participating financial institutions are required to adopt the Treasury s standards for executive compensation and corporate governance for the period during which the Treasury holds equity issued under the TARP Capital Purchase Program. Although we received notification that our application for participation in the TARP Capital Purchase Program was approved, we elected not to participate in this program.

Deposit Insurance

The FDIC is an independent federal agency that insures deposits, up to prescribed statutory limits, of federally insured banks and savings institutions and safeguards the safety and soundness of the banking and savings industries. The FDIC insures our customer deposits through the DIF up to prescribed limits for each depositor. Pursuant to the EESA, the maximum deposit insurance amount has been increased from $100,000 to $250,000 per depositor. The EESA, as amended by the Helping Families Save Their Homes Act of 2009, provides that the basic deposit insurance limit will return to $100,000 after December 31, 2013. The amount of FDIC assessments paid by each DIF member institution is based on its relative risk of default as measured by regulatory capital ratios and other supervisory factors. Pursuant to the Federal Deposit Insurance Reform Act of 2005, the FDIC is authorized to set the reserve ratio for the DIF annually at between 1.15% and 1.50% of estimated insured deposits. The FDIC may increase or decrease the assessment rate schedule on a semi-annual basis.

The FDIC made several adjustments to the assessment rate during 2009 including a special assessment permitted under statutory authority granted in 2008. The assessment schedule published as of April 1, 2009 and effective for assessments on and after September 30, 2009 provides for assessment ranges, based upon risk assessment of each insured depository institution, of between 7 and 77.5 cents per $100 of domestic deposits. The Bank is currently in Risk Category 1, the lowest risk category, which provides for a base assessment range of 7 to 24 cents per $100 of domestic deposits.

On November 21, 2008, the FDIC adopted a final rule relating to the TLG Program. Under the TLG Program, the FDIC will (1) guarantee, through the earlier of maturity or June 30, 2012, certain newly issued senior unsecured debt issued by participating institutions on or after October 14, 2008 and before June 30, 2009 and (2) provide full FDIC deposit insurance coverage for non-interest bearing transaction deposit accounts, NOW accounts paying less than 0.5% interest per annum and Interest on Lawyers Trust Accounts, or IOLTA, held at participating FDIC-insured institutions through December 31, 2009. On March 17, 2009, the FDIC extended the debt guarantee program through October 31, 2009. The Bank elected to participate in the deposit insurance coverage guarantee program. The Bank has not elected to participate in the unsecured debt guarantee program because more cost-effective liquidity sources are available to us. Coverage under the TLG Program was available for the first 30 days without charge. The fee assessment for deposit insurance coverage is 10 basis points per annum on amounts in covered accounts exceeding $250,000.

All FDIC-insured institutions are required to pay assessments to the FDIC to fund interest payments on bonds issued by the Financing Corporation, or FICO, an agency of the Federal government established to recapitalize the predecessor to the DIF. The FICO assessment rates, which are determined quarterly, averaged 0.01% of insured deposits in fiscal 2009. These assessments will continue until the FICO bonds mature in 2017.

On November 17, 2009, the FDIC imposed a prepayment requirement on most insured depository organizations, requiring that the organizations prepay estimated quarterly risk-based assessments for the fourth quarter of 2009 and for each calendar quarter for calendar years 2010, 2011

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and 2012. The FDIC has stated that the prepayment requirement was imposed in response to a negative balance in the DIF.

The Bank made its prepayment on December 31, 2009 in the total amount of $32 million. The actual assessments becoming due from the Bank on the last day of each calendar quarter will be applied against the prepaid amount until the prepayment amount is exhausted. If the prepayment amount is not exhausted before June 30, 2013 any remaining balance will be returned to the Bank. The prepayment amount does not bear interest.

Insolvency of an Insured Depository Institution

If the FDIC is appointed the conservator or receiver of an insured depository institution upon its insolvency or in certain other events, the FDIC has the power, among other things: (1) to transfer any of the depository institution s assets and liabilities to a new obligor without the approval of the depository institution s creditors; (2) to enforce the terms of the depository institution s contracts pursuant to their terms; or (3) to repudiate or disaffirm any contract or lease to which the depository institution is a party, the performance of which is determined by the FDIC to be burdensome and the disaffirmation or repudiation of which is determined by the FDIC to promote the orderly administration of the depository institution.

Depositor Preference

The FDIA provides that, in the event of the liquidation or other resolution of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including the parent bank holding company, with respect to any extensions of credit they have made to such insured depository institution.

Customer Privacy and Other Consumer Protections

The GLB Act imposes customer privacy requirements on any company engaged in financial activities, including the Bank and us. Under these requirements, a financial company is required to protect the security and confidentiality of customer nonpublic personal information. In addition, for customers who obtain a financial product such as a loan for personal, family or household purposes, a financial holding company is required to disclose its privacy policy to the customer at the time the relationship is established and annually thereafter. The financial company must also disclose its policies concerning the sharing of the customer s nonpublic personal information with affiliates and third parties. Finally, a financial company is prohibited from disclosing an account number or similar item to a third party for use in telemarketing, direct mail marketing or marketing through electronic mail.

The Bank is subject to a variety of federal and state laws and reporting obligations aimed at protecting consumers including the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act, the Truth in Lending Act, the Fair Credit Reporting Act, the Equal Credit Opportunity Act, the Fair Debt Collection Practices Act and the Electronic Fund Transfer Act.

On November 17, 2009, the Federal Reserve Board published a final rule amending Regulation E, which implements the Electronic Fund Transfer Act. The final rule limits the ability of a financial institution to assess an overdraft fee for paying automated teller machine and one-time debit card transactions that overdraw a customer s account, unless the customer affirmatively consents, or opts in, to the institution s payment of overdrafts for these transactions.

There have been numerous attempts at the federal level to expand consumer protection measures. A major focus of recent legislation has been aimed at the creation of a consumer financial protection agency that would be dedicated to administering and enforcing fair lending and consumer compliance laws with respect to financial products. If enacted, such legislation may have a substantial impact on the Bank s operations. However, because any final legislation may differ significantly from current proposals, the specific effects of the legislation cannot be evaluated at this time.

In addition, the Community Reinvestment Act, or CRA, generally requires the federal banking agencies to evaluate the record of a financial institution in meeting the credit needs of its local communities, including low and moderate income neighborhoods. In addition to substantial penalties and corrective measures that may be required for a violation of fair lending laws, the federal banking agencies may take compliance with such laws and CRA into account when regulating and supervising our other activities or in authorizing new activities.

In connection with its assessment of CRA performance, the appropriate bank regulatory agency assigns a rating of outstanding, satisfactory, needs to improve or substantial noncompliance. The Bank received an outstanding rati its most recent published examination. Although the Bank s policies and procedures are designed to achieve compliance with all fair lending and CRA requirements, instances of non-compliance are occasionally identified through normal operational activities. Management responds proactively to correct all instances of non-compliance and implement procedures to prevent further violations from occurring.

USA PATRIOT Act

The USA PATRIOT Act of 2001 amended the Bank Secrecy Act of 1970 and adopted additional measures requiring insured depository institutions, broker-dealers and certain other financial institutions to have policies, procedures and controls to detect, prevent and report money laundering and terrorist financing. These acts and their regulations also provide for information sharing, subject to conditions, between federal law enforcement agencies and financial institutions, as well as among financial institutions, for counter-terrorism purposes. Federal banking regulators are required, when reviewing bank holding company acquisition or merger applications, to take into account the effectiveness of the anti-money laundering activities of the applicants. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious legal and reputational consequences for the institution. The USA PATRIOT Improvement and Reauthorization Act of 2005, among other things, made permanent or otherwise generally extended the effectiveness of provisions applicable to financial institutions.

Effect of Economic Conditions, Government Policies and Legislation

Banking depends on interest rate differentials. In general, the difference between the interest rate paid by each Bank on deposits and borrowings and the interest rate received by the Bank on loans extended to customers and on investment securities comprises a major portion of the Bank s earnings. These rates are highly sensitive to many factors that are beyond the control of the Bank. Accordingly, the earnings and potential growth of the Bank are subject to the influence of domestic and foreign economic conditions, including inflation, recession and unemployment.

The commercial banking business is not only affected by general economic conditions but is also influenced by the monetary and fiscal policies of the federal government and the policies of regulatory agencies, particularly the Federal Reserve. The Federal Reserve implements national monetary policies (with objectives such as curbing inflation and combating recession) by its open-market operations in United States government securities, by adjusting the required level of reserves for financial institutions subject to the Federal Reserve s reserve requirements and by varying the discount rates applicable to borrowings by depository institutions. The actions of the Federal Reserve in these areas influence the growth of bank loans, investments and deposits and also affect interest rates charged on loans and paid on deposits. The nature and impact of any future changes in monetary policies cannot be predicted.

From time to time, legislative and regulatory initiatives are introduced in Congress and state legislatures, as well as by regulatory agencies. Such initiatives may include proposals to expand or contract the powers of financial and bank holding companies and depository institutions, proposals to substantially change the financial institution regulatory system or proposals to increase the required capital levels of insured depository organization such as the Bank. Such legislation could change banking statutes and our operating environment in substantial and unpredictable ways. If enacted, such legislations could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks and other financial services providers. We cannot predict whether such legislation will be enacted and, if enacted, the effect that it, or any implementing regulations, would have on our financial condition, results of operations or cash flows.

MANAGEMENT

Directors and Executive Officers

The following table sets forth information concerning each of our directors and executive officers.

Name	Age	Position
Thomas W. Scott	66	Chairman of the Board
James R. Scott	60	Vice Chairman of the Board
Lyle R. Knight	64	President, Chief Executive Officer and Director
Terrill R. Moore	57	Executive Vice President and Chief Financial Officer
Edward Garding	60	Executive Vice President and Chief Credit Officer
Gregory A. Duncan	54	Executive Vice President and Chief Operating Officer
Julie G. Castle	49	President, First Interstate Bank Wealth Management
Steven J. Corning	57	Director
David H. Crum	65	Director
William B. Ebzery	59	Director
Charles E. Hart, M.D., M.S.	60	Director
James W. Haugh	72	Director
Charles M. Heyneman	49	Director
Ross E. Leckie	51	Director
Terry W. Payne	68	Director
Jonathan R. Scott	35	Director
Julie A. Scott	38	Director
Randall I. Scott	56	Director
Michael J. Sullivan	70	Director
Sandra A. Scott Suzor	50	Director
Martin A. White	68	Director

Thomas W. Scott has been our Chairman since January 2004 and a director since 1971. Mr. Scott served as our Chief Executive Officer from 1978 through 2003. In addition, Mr. Scott has been Chairman of the Board of First Interstate Bank since January 2002 and had been Chairman of the Board of First Western Bank and The First Western Bank Sturgis until they were merged into First Interstate Bank in the third quarter of 2009. Mr. Scott has also served as a director of First Interstate BancSystem Foundation since 1990 and has been a member of the Federal Reserve Bank Board of Minneapolis since 2007. Mr. Scott is the brother of James R. Scott, the father of Julie A. Scott and Jonathan R. Scott and the uncle of Charles M. Heyneman, Sandra A. Scott Suzor and Randall I. Scott.

James R. Scott has been a director of ours since 1971 and the Vice Chairman of the Board since 1990. He has served as a director of First Interstate Bank since 2007. In addition, Mr. Scott had been a director of First Western Bank and The First Western Bank Sturgis until they were merged into First Interstate Bank in the third quarter of 2009. Mr. Scott is Chairman of the Padlock Ranch Corporation, Chairman of Scott Family Services, Inc., Managing Partner of J.S. Investments, Trustee of the Homer and Mildred Scott Foundation, board member of the Foundation for Community Vitality and President and Board member of the Fountain Valley School. Mr. Scott served as Chairman of First Interstate BancSystem Foundation from 1990 to 2006. Mr. Scott is the brother of Thomas W. Scott and the uncle of Charles M. Heyneman, Sandra A. Scott Suzor, Randall I. Scott, Julie A. Scott and Jonathan R. Scott.

Lyle R. Knight has been our Chief Executive Officer since January 2004, our President since 1998 and was the Chief Operating Officer of First Interstate Bank from 1998 to 2002. Mr. Knight has also served as a director of ours, First Interstate Bank and First Interstate BancSystem Foundation since 1998. In addition, Mr. Knight had served as CEO and had been a director of First Western Bank and The First Western Bank Sturgis until they were merged into First Interstate Bank in the third quarter of 2009. Prior to working for us, Mr. Knight was President and Chief Executive Officer of a large multi-branch bank in Nevada and the President and Chief Executive Officer of a large Arizona-based bank. Mr. Knight is a past member of the Federal Advisory Council. Mr. Knight plans to retire March 31, 2012 and we expect to identify a successor by mid-year 2010.

Terrill R. Moore has been an Executive Vice President of ours since January 2004 and our Chief Financial Officer since 1989. In addition, Mr. Moore has served as a director of First Interstate Bank since 2001 and was a director of First Western Bank and The First Western Bank Sturgis since January 2008 until they were merged into First Interstate Bank in the third quarter of 2009. Prior to his current appointments, Mr. Moore was our Senior Vice President from 1989 through 2003. Prior to joining our management team, Mr. Moore served as controller within our company since 1979.

Edward Garding has been an Executive Vice President of ours since January 2004 and our Chief Credit Officer since 1999. In addition, Mr. Garding has served as a director of First Interstate Bank since 1998 and was a director of First Western Bank and The First Western Bank Sturgis since January 2008 until they were merged into First Interstate Bank in the third quarter of 2009. Mr. Garding served as our Senior Vice President from 1996 through 2003, President of First Interstate Bank from 1998 to 2001 and President of the Sheridan branch of First Interstate Bank from 1988 to 1996. Prior to joining our management team in 1996, Mr. Garding served in various positions within our company since 1971.

Gregory A. Duncan has been an Executive Vice President and Chief Operating Officer of ours since September 2009 and was our Chief Banking Officer from May 2008 to September 2009. In addition, Mr. Duncan has served as a director of First Interstate Bank since June 2008 and was a director of First Western Bank and The First Western Bank Sturgis since June 2008 until they were merged into First Interstate Bank in the third quarter of 2009. Prior to joining our management team, Mr. Duncan served as President and Chief Executive Officer of Susquehanna Bank PA since October 2005 and Executive Vice President of Susquehanna Bancshares, Inc. since 2000. Prior to those appointments, Mr. Duncan served in various executive positions within Susquehanna Bancshares, Inc. or its subsidiaries since 1987.

Julie G. Castle has been an executive officer of ours since June 2008 and President of Wealth Management of First Interstate Bank since July 2007. In addition, Ms. Castle has served as a director of First Interstate Bank since June 2008 and was a director of First Western Bank and The First Western Bank Sturgis since June 2008 until they were merged into First Interstate Bank in the third quarter of 2009. Prior to joining our management team, Ms. Castle served as Senior Vice President and Regional Executive of Bank of America in Boston, Massachusetts from 2003 to July 2007. Prior to those appointments, Ms. Castle served in various executive positions within Bank of America since 1988.

Steven J. Corning has been a director of ours since 2008. Mr. Corning has served as President and Chief Executive Officer of Corning Companies and has been the owner, President and Broker of Corning Companies Commercial Real Estate Services since 1979.

David H. Crum has been a director of ours since 2001. Mr. Crum founded Crum Electric Supply Co., Inc., a distributor of electrical equipment, in 1976 and has been President and Chief Executive Officer of that company since its inception.

William B. Ebzery has been a director of ours since 2001. Mr. Ebzery is a certified public accountant and registered investment advisor. Mr. Ebzery has been the owner of Cypress Capital Management, LLC since 2004. Prior to Cypress Capital Management, LLC, Mr. Ebzery was a partner in the certified public accounting firm of Pradere, Ebzery, Mohatt & Rinaldo since 1975.

Charles E. Hart, M.D., M.S. has been a director of ours since 2008. Dr. Hart has been the President and Chief Executive Officer of Regional Health, Inc., a not-for-profit healthcare system serving western South Dakota and eastern Wyoming since 2003. Dr. Hart serves as a director of the South Dakota Foundation for Medical Care, as a member of the Governor s South Dakota Health Care Commission, as a board member of the Rapid City Chamber of Commerce and as a member of the Black Hills State University Advisory Board. Dr. Hart is also a faculty member of the University of South Dakota Sanford School of Medicine.

James W. Haugh has been a director of ours since 1997. Mr. Haugh formed American Capital, LLC, a financial consulting firm, in 1994 and has operated this firm since its inception. Prior to forming American Capital LLC, Mr. Haugh was a partner in KPMG LLP, a certified public accounting firm where he served as National Practice Director, Bank Tax Services. Mr. Haugh was employed by KPMG, LLP for 25 years, including 21 years as a partner. Mr. Haugh served as a director of Harris Bank Hinsdale from 1994 to 1997 and as a director of First Bank of the Americas in 2004.

Charles M. Heyneman has been a director of ours since 2004. Mr. Heyneman is a director of First Interstate Bank Foundation. Mr. Heyneman has served as an information technology project manager for First Interstate Bank since 2004 and as an enterprise architect for First Interstate Bank since 2006. Prior to this appointment, Mr. Heyneman was an application developer for i_Tech Corporation, a former nonbank subsidiary of ours, from 2000 to 2004 and held loan review officer and credit analyst positions with First Interstate Bank from 1993 to 2003. Mr. Heyneman is the nephew of James R. Scott and Thomas W. Scott and the cousin of Sandra A. Scott Suzor, Randall I. Scott, Julie A. Scott and Jonathan R. Scott.

Ross E. Leckie has been a director of ours since May 2009. Mr. Leckie is a certified public accountant. Although recently retired, he continues to provide advisory services on a selective basis for global and domestic financial services companies. In October 2008, Mr. Leckie completed a 27 year career as a partner with KPMG. During that time, his focus was on public companies and clients within the financial services sector. Since 2000, Mr. Leckie was based in Germany, where, most recently, he served as the lead partner for a major global investment/universal bank. In addition, he had been serving as a KPMG senior technical and quality review partner for a major global investment/universal bank based in Switzerland.

Terry W. Payne has been a director of ours since 2000. Mr. Payne has served as President and Chief Executive Officer of Terry Payne & Co., Inc., an insurance agency, since its inception in 1972. Mr. Payne has also been part-owner and Chairman of the board of directors of Payne Financial Group, Inc. since 1993. Mr. Payne has also been a member of the boards of directors of several private Washington companies.

Jonathan R. Scott has been a director of ours since 2006. Mr. Scott has served as community development officer of First Interstate Bank since June 2008. Prior to that appointment, Mr. Scott served as President of FIB CT, LLC, d/b/a, Crytech from 2004 to 2008. Crytech is a nonbank subsidiary of ours. Prior to that appointment, Mr. Scott was an employee of First Interstate Bank from 1998 to 2004 serving in the Financial Services and Marketing Divisions. Mr. Scott is the son of Thomas W. Scott, the brother of Julie A. Scott, the nephew of James R. Scott and the cousin of Charles M. Heyneman, Randall I. Scott and Sandra A. Scott Suzor.

Julie A. Scott has been a director of ours since 2003. Ms. Scott serves as a Trustee for the Homer A. and Mildred S. Scott Foundation. Ms. Scott was a commercial loan officer at the Sheridan, Wyoming branch of First Interstate Bank until August 2005. Prior to that appointment, Ms. Scott served in various management and other banking positions within our company since February 1994, including serving as branch manager of the Billings Grand Avenue branch from 2001 to 2003. Since August 2005, Ms. Scott has devoted her full time attention to personal investment and family matters. Ms. Scott is the daughter of Thomas W. Scott, the sister of Jonathan R. Scott, the niece of James R. Scott and the cousin of Charles M. Heyneman, Randall I. Scott and Sandra A. Scott Suzor.

Randall I. Scott has been a director of ours since 2003 and previously served as a director of ours from 1993 to 2002. Mr. Scott is a certified financial planner and has been the managing general partner of Nbar5 Limited Partnership since 1994. In addition, Mr. Scott has served as a director of First Interstate BancSystem Foundation since 1999 and Chairman of the foundation since 2006. Mr. Scott has also served as Vice Chair of Scott Family Services since 2003. Previously, Mr. Scott worked in various capacities for the company over a period of 19 years including as a Trust Officer of First Interstate Bank from 1991 through 1996 and as a consultant from 1996 through 1998. Mr. Scott is the nephew of Thomas W. Scott and James R. Scott and the cousin of Charles M. Heyneman, Sandra A. Scott Suzor, Julie A. Scott and Jonathan R. Scott.

Michael J. Sullivan has been a director of ours since 2003. Mr. Sullivan has been a partner of the Denver, Colorado law firm of Rothgerber Johnson & Lyons, LLP since 2003, practicing in Casper Wyoming and was special counsel from 2001 to 2003. Prior to 2001, Mr. Sullivan practiced law with a Wyoming firm since 1964, taking leave to serve as U.S. Ambassador to Ireland from 1998 to 2001 and as Governor of the State of Wyoming from 1986 through 1994. Mr. Sullivan was a director of Allied Irish Bank, PLC in Dublin, Ireland from 2001 to 2009. Mr. Sullivan has been a director of Cimarex Energy Co. and Sletten Construction, Inc. since 2002 and Kerry Group PLC since 2004.

Sandra A. Scott Suzor has been a director of ours since 2007 and previously served as a director of ours from 2000 to 2006. Ms. Suzor has been a partial owner and the Director of Sales and Marketing for Powder Horn Ranch and Golf Club since 1995. In addition, Ms. Suzor has also owned Powder Horn Realty, a full service real estate brokerage, since 1997. Ms. Suzor has also served as a director of First Interstate BancSystem Foundation since 2002. Ms. Suzor is the Chairperson of the Homer and Mildred Scott Foundation. Ms. Suzor also is a partial owner and serves as Vice Chair of Sugarland Enterprises, is an owner of Bison Meadows, LLC, a real estate development company, and is a partner of Powder River Partners LLC, a real estate leasing company. Ms. Suzor is the niece of James R. Scott and Thomas W. Scott and the cousin of Charles M. Heyneman, Randall I. Scott, Julie A. Scott and Jonathan R. Scott.

Martin A. White has been a director of ours since 2005. Mr. White is a director of Mainline Management, LLC and managing partner of Buckeye Partners. Mr. White was the Senior Advisor of the Tharaldson School of Business and Technology of the University of Mary from August 2006 to August 2007. From 1991 to August 2006, Mr. White served in various executive officer positions with MDU Resources Group, Inc., including Chief Executive Officer from 1998 to August 2006 and Chairman of the board of directors from 2001 to August 2006. Mr. White currently serves as the Chairman of the Board of Trustees at the University of Mary and as a director of Plum Creek Timber Company, Inc.

Board and Committee Matters

We intend to apply to list our Class A common stock on the NASDAQ Stock Market. The Scott family, owns approximately 78% of our common stock and thus control us. As a result of the combined voting power of the members of the Scott family, we are a controlled company within the meaning of NASDAQ Marketplace Rules. Under these rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain NASDAQ corporate governance requirements, including the requirements that:

- a majority of the board of directors consist of independent directors;
- the compensation of officers be determined, or recommended to the board of directors for determination, by a majority of the independent directors or a compensation committee comprised solely of independent directors; and
- director nominees be selected, or recommended for the board of directors selection, by a majority of the independent directors or a nominating committee comprised solely of independent directors with a written charter or board resolution addressing the nomination process.

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While we expect immediately following the offering to maintain a Board consisting of a majority of independent directors, we have elected to avail ourselves of the other exemptions available to controlled companies. Regardless of whether a company is a controlled company, however, the NASDAQ Marketplace Rules require that a company have an audit committee of at least three members, each of whom must:

- be independent as defined under the NASDAQ Marketplace Rules;
- meet the criteria for independence set forth in the applicable SEC rules (subject to applicable exemptions);
- not have participated in the preparation of the financial statement of the company or any current subsidiary of the company at any time during the past three years; and
- be able to read and understand financial statements, including a balance sheet, income statement and cash flow statement.

During 2009, the Board met 7 times with each serving director attending at least 75% of the meetings. The Board is accountable to our stockholders to build long-term financial performance and value and to assure that we operate consistently with stockholder values and strategic vision. The Board s responsibilities include:

- identifying organizational values and vision on behalf of our stockholders;
- hiring and evaluating our chief executive officer;
- ensuring management succession;
- providing guidance, counsel and direction to management in formulating and evaluating operating strategies and plans;
- monitoring our performance against established criteria;
- ensuring prudence and adherence to ethical practices;
- ensuring compliance with federal and state law;
- ensuring that full and fair disclosure is provided to stockholders, regulators and other constituents;
- overseeing risk management;
- exercising all powers reserved to us by organizational documents of limited liability companies and partnerships in which we are a member or stockholder; and
- establishing policies for board operations.

Applicable SEC rules require that we make certain disclosures regarding the independence of our directors pursuant to the NASDAQ Marketplace Rules governing independent board members. The Board has determined that the following directors are independent in accordance with such standards:

- Steven J. Corning

David H. Crum

William B. Ebzery

Charles E. Hart, M.D., M.S.

James W. Haugh

Ross E. Leckie

Terry W. Payne

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Michael J. Sullivan

Martin A. White

In its determination of independence, the Board also considered the following: (1) the company conducts banking and credit transactions in the ordinary course of business with certain independent directors, and purchases insurance through an agency in which Mr. Payne has a controlling ownership interest, as described under Certain Relationships and Related Transactions; (2) the company purchases electrical services from an entity owned by Mr. Crum; and (3) an entity owned by certain members of the Scott family obtains financial consulting services from Mr. Haugh. None of these transactions or relationships were deemed by the Board to impair the determination of independence for these directors.

We have a credit committee, an executive committee, a compensation committee, a governance & nominating committee, a technology committee and an audit committee, all established by our Board and each of which consists of members of the Board.

In addition to these committees, our Chairman and Vice Chairman of the Board may from time to time designate and appoint, on a temporary basis, one or more directors to assist in the form of a limited or special assignment in the performance or discharge of any powers and duties of the Board or any committee thereof.

Credit Committee

Credit committee members currently include William B. Ebzery (Chair), Steven J. Corning, Lyle R. Knight, James R. Scott, Jonathan R. Scott, Julie A. Scott and Thomas W. Scott. The credit committee s primary responsibility is to advise the chief credit officer in the establishment of a loan portfolio and credit policies that will assure the safety of depositors money, earn sufficient income to provide an adequate return on capital and enable communities in our market area to prosper. The credit committee met 12 times in 2009 with each serving committee member attending at least 75% of the meetings.

Executive Committee

Executive committee members currently include James R. Scott (Chair), Steven J. Corning, James W. Hough, Charles M. Heyneman, Lyle R. Knight, Jonathan R. Scott, Randall I. Scott and Thomas W. Scott. The executive committee is to function and act on behalf of the Board between regularly scheduled board meetings, usually when time is critical and to assist the Board in carrying out its responsibility to monitor the company s capital management policy. The executive committee met 15 times in 2009 with each serving committee member attending at least 75% of the meetings.

Compensation Committee

Compensation committee members currently include Martin A. White (Chair), Terry W. Payne, James R. Scott, Randall I. Scott, Thomas W. Scott, Michael J. Sullivan and Sandra A. Scott Suzor. James R. Scott, Randall I. Scott, Thomas W. Scott and Sandra A. Scott Suzor are not independent members of the compensation committee based upon the definition of independence contained in the NASDAQ Marketplace Rules. The compensation committee has the following responsibilities:

reviewing and approving corporate goals relevant to compensation for executive officers;

evaluating the effectiveness of our compensation practices in achieving our strategic objectives, in encouraging behaviors consistent with our values and in aligning performance objectives consistent with our vision;

evaluating the performance of our chief executive officer in determining compensation;

approving the compensation of our chief executive officer and other executive officers;

- evaluating the performance of our Board chairman and vice chairman;
- overseeing succession planning for executive officers;
- recommending compensation for board members;
- recommending adjustments to director and officer insurance;
- reviewing the financial performance and operations of employee benefit plans, excluding plans subject to Title I of the Employment Retirement Income Security Act of 1974, as amended; and
- administering incentive compensation and other employee benefit plans.

The compensation committee met 9 times during 2009 with each serving committee member attending at least 75% of the meetings, with the exception of Martin White who attended 56% of the meetings. A current copy of the compensation committee charter is available to stockholders on our website at www.firstinterstatebank.com.

Governance & Nominating Committee

Governance & nominating committee members currently include Michael J. Sullivan (Chair), Charles M. Heyneman, Lyle R. Knight, Terry W. Payne, James R. Scott, Sandra A. Scott Suzor, James W. Haugh and Thomas W. Scott. Michael J. Sullivan, James W. Haugh and Terry W. Payne are the only members of the governance & nominating committee who are independent directors based upon the definition of independence contained in the NASDAQ Marketplace Rules. The governance & nominating committee has the following responsibilities:

- ensuring we have an effective and efficient system of governance, including development of criteria for board membership;
- identifying, screening and recommending candidates to the Board;
- nominating candidates for election to the Board at our annual meeting of stockholders;
- filling vacancies on the Board that may occur between annual meetings of stockholders;
- overseeing the orientation, development and evaluation of board members; and
- evaluating services provided to and communications with stockholders.

The governance & nominating committee met 4 times in 2009 with each serving committee member attending at least 75% of the meetings.

The Board has reviewed, assessed the adequacy of and approved a written charter for the governance & nominating committee. A current copy of the governance & nominating committee charter is available to stockholders on our website at www.firstinterstatebank.com.

When formulating its recommendations for director nominees, the governance & nominating committee will consider recommendations offered by our chief executive officer, stockholders who are members of the Scott family, other stockholders and any outside advisors the governance & nominating committee may retain.

The Scott family, through a family council, makes recommendations to the governance & nominating committee with respect to candidates for board membership from the Scott family. The governance & nominating committee gives due and significant consideration to recommendations made by the Scott family. All candidates for the Board are evaluated on the basis of broad experience, financial acumen, professional and personal accomplishments, educational background, wisdom, integrity, ability to make independent analytical inquiries, understanding of our business environment and willingness to devote adequate time to board duties. These same qualifications, attributes and

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skills, together with the business experience described above with respect to each director, led to the conclusion that our existing Board members should serve as directors of our company.

Technology Committee

Technology committee members currently include David H. Crum (Chair), Charles E. Hart, M.D., M.S., Lyle R. Knight, James R. Scott and Thomas W. Scott. The technology committee s primary responsibility is to monitor the alignment between our overall business strategies and our information technology strategic plan. The technology committee met 6 times in 2009 with each serving committee member attending at least 75% of the meetings.

Audit Committee

Audit committee members currently include Ross E. Leckie (Chair), Steven J. Corning, David H. Crum, William B. Ebzery and Charles E. Hart, M.D., M.S. All members of the audit committee are independent directors based upon the definition of independence contained in the NASDAQ Marketplace Rules and in accordance with the Sarbanes-Oxley Act requirements and our governance guidelines. The audit committee has the following responsibilities:

- reviewing our accounting and financial reporting processes, internal and disclosure control systems and external and internal auditing systems;
- overseeing risk management functions;
- reviewing and recommending the appointment or dismissal of the general auditor selected to develop and carry out the annual audit;
- reviewing and approving the annual report on Form 10-K;
- reviewing and approving the quarterly reports on Form 10-Q;
- reviewing the effectiveness of the systems for monitoring adherence with laws, regulations, our policies and our codes of ethics;
- appointing or dismissing the external auditors;
- meeting with the external auditors to discuss the results of the annual audit and any related matters; and
- establishing procedures to handle complaints regarding accounting, internal controls or audit matters.

The audit committee met 9 times during 2009 with each serving committee member attending at least 75% of the meetings.

The Board has determined that each of William B. Ebzery and Ross E. Leckie qualifies as an audit committee financial expert, as that term is defined in applicable SEC regulations. The Board has reviewed, assessed the adequacy of and approved a written charter for the audit committee. A current copy of the audit committee charter is available on our website at www.firstinterstatebank.com.

COMPENSATION OF EXECUTIVE OFFICERS

In this prospectus, the individuals who served as our chief executive officer and chief financial officer during 2009, as well as the other individuals included in the summary compensation table, are collectively referred to as the named executive officers.

Compensation Discussion and Analysis

Overview of Compensation Program

The compensation committee has overall responsibility to review and approve our compensation structure, policy and programs and to assess whether the compensation structure establishes appropriate incentives for management and employees. The independent members of the compensation committee annually review and determine the salary, bonus and equity compensation awarded to our chief executive officer, or CEO. The independent members of the compensation committee also review all executive officers compensation with non-binding recommendations from the CEO. The compensation committee oversees the administration of our equity plans and incentive compensation plans. The compensation committee is also responsible for oversight of executive officer succession planning. The compensation committee charter, a copy of which is posted on our website at www.firstinterstatebank.com, sets forth the various responsibilities and duties of the compensation committee. The charter is periodically reviewed and revised as appropriate. The compensation committee in its annual review of the charter determined that the charter, as recently revised, was appropriate with regard to the responsibilities and duties as specified therein.

The compensation committee s chairman regularly reports to the Board on compensation committee actions and recommendations. The compensation committee has authority to retain, at our expense, outside counsel, experts, compensation consultants and other advisors as needed.

2009 Company Performance

In considering executive compensation, the compensation committee took into account the company s 2009 financial performance. Net income to common stockholders totaled $50,441,000, or $6.37 per diluted share, as compared to $67,301,000, or $8.38 per diluted share for 2008. Return on average common equity was 9.98% in 2009, as compared to 14.73% in 2008 and return on average assets was 0.79% in 2009, as compared to 1.12% in 2008.

In 2009, we continued to face one of the most challenging banking environments in history. Although our market areas were not as severely impacted by the recession as other areas, we experienced adverse effects and earnings pressure. The economic downturn and market turmoil not only affected our company s performance, but the decisions of the compensation committee as well. As discussed below, the committee awards executive bonuses based on corporate performance and on the achievement of specified performance objectives.

Although our earnings were lower in 2009 from 2008, the company s operating performance during 2009 was favorable compared to the negative performance of many regional and national banking institutions. Therefore, the compensation committee approved increases ranging from approximately $9,000 to $22,000 for each of the named executive officers. Even with the increases, however, bonuses for the executive officers were still significantly lower than in years prior to 2008 due to lower earnings.

Target bonus for 2010 is set at 50% of the base salary for the CEO, 45% for the Chief Operating Officer and 40% for the other named executive officers. Actual payout for 2010 is to be a percentage of that target based on actual performance of six key strategic objectives and on meeting budgeted net income, with discretion to be applied.

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Compensation Philosophy

Our general compensation philosophy is designed to link an employee s total cash compensation with company performance, the employee s department performance and individual performance. As an employee s level of responsibility increases, there is a more significant level of pay tied to company performance. The compensation committee believes linking incentive compensation to our performance creates an environment in which our employees are stakeholders in our success and, thus, benefits all stockholders. The Company discourages undue risk taking by reserving the right to use discretion in the payout of incentives.

Executive Compensation Policy

Our executive compensation policy is designed to establish an appropriate relationship between executive pay and our annual performance, our long-term growth objectives, individual performance of the executive officer and our ability to attract and retain qualified executive officers. The compensation committee seeks to achieve these goals by integrating competitive annual base salaries with (1) bonuses based on corporate performance and on the achievement of specified performance objectives and (2) long-term incentives of stock option awards through our equity compensation plan. The compensation committee believes that cash compensation in the form of salary and bonus provides our executives with short-term rewards for success in operations. Long-term compensation, through the award of stock options, restricted stock or other equity-related vehicles, encourages growth in management stock ownership, which leads to expansion of management s increased commitment to our long-term performance and success.

In 2008, the compensation committee made a comprehensive review of our executive compensation. The committee engaged the services of Pearl Meyer & Partners, a leading compensation consulting firm, to assist in this review and to provide competitive market data for a comparable group of banks. Pursuant to the terms of its engagement, the consulting firm reported directly to the compensation committee. Pearl Meyer & Partners prepared a custom peer group of similar companies that included 22 publicly-traded banks, primarily with multi-state operations and total assets ranging from $3.0 billion to $15.0 billion. Excluded from the group were banks with dissimilar operations, banks in California and the East Coast and thrifts. Also included as part of our peer group market data was data from multiple survey sources, including the Mercer Financial Services Suite and the Watson Wyatt Financial Institutions Survey for banks of similar asset size and regional scope. The compensation committee targets market competitive (50th percentile) base pay, incentives and total cash compensation within the peer group. In 2009, the compensation committee did not utilize the services of a compensation consultant to review executive compensation but rather depended on our internal human resources department to update the survey information and the custom peer group information from the publicly filed proxy statements.

Relation of Compensation Policies and Practices to Risk Management

After reviewing our compensation philosophy and our executive compensation policy and programs, the compensation committee concluded that our executive incentive and other compensation programs do not encourage or promote unnecessary or excessive risk-taking behavior by executive officers that could threaten the value of our company. We do not believe that our current compensation policies and practices applicable to executive officers and all other employees create risks that are reasonably likely to have a material adverse effect on us.

Role of Executive Officers in Compensation Decisions

The independent members of the compensation committee make all compensation decisions for the CEO and approve equity awards for all of our elected officers. The CEO makes non-binding recommendations for the non-equity compensation of the other executive officers. Decisions regarding the non-equity compensation of executive officers are reviewed and evaluated by the compensation committee, with input from the CEO. The CEO annually reviews the performance of the executive officers. The conclusions reached and recommendations based on these reviews, including with respect to salary adjustments and annual award amounts, are presented to the compensation committee. The compensation committee may exercise its discretion to accept, reject or modify any recommended awards or adjustments to executives.

2009 Executive Compensation Components

For the fiscal year ended December 31, 2009, the principal components of compensation for the named executive officers were:

- base salary;
- short-term incentive bonuses;
- long-term equity incentive compensation; and
- perquisites and other personal benefits.

Base Salary

The compensation committee approved the 2009 base salary of the CEO and ratified the 2009 compensation of other executive officers, including the named executive officers, as recommended by the CEO. In approving or ratifying the base salary of each executive officer, the compensation committee relied on market data provided by our internal human resources department.

In establishing base salary for 2010, the compensation committee is relying on the executive total compensation data originally provided by Pearl Meyer & Partners in 2008 and updated by our internal human resources department in 2009. Increases in base salary are based upon a merit matrix increase table using a combination of the level of achievement of individual performance objectives listed in each executive officer s work plan and the executive salary relative to the market value of comparable executives. For 2010, the merit matrix increase table is based around a 2% midpoint increase for an executive who is meeting performance expectations.

Short-Term Incentive Compensation

Annual incentives for the executive officers are intended to recognize and reward those employees who contribute meaningfully to company performance for the year. For 2009, the named executive officers had targeted bonus amounts ranging from 40% to 50% of their base salaries. The varying percentages reflect the compensation committee s belief that as an executive officer s duties and responsibilities increase, the officer will be increasingly rewarded for our performance. Actual 2009 bonus payouts ranged from 30% to 38% of their base salaries due to the Company s lower level of earnings. The level of achievement of specified performance objectives established for each executive officer was taken into account in determining the actual payouts. Performance objectives in determining 2009 executive officer bonuses included achieving the financial forecast for net income and the level of performance related to six key strategic objectives.

Long-Term Equity Incentive Compensation

Long-term equity incentive compensation encourages participants to focus on our long-term performance and provides an opportunity for executive officers and certain designated key employees to increase their stake in our company through stock option grants and restricted stock awards, thereby aligning their interests with those of our stockholders. In 2009, the compensation committee targeted long term incentives for all the named executives at 50% of current salary. For the targeted amount to be awarded in stock options, the actual number of options is established using the Black-Scholes option pricing model with expected volatility based on peer group volatility and a 10 year life. Because there historically has not been an established trading market for our stock, the committee believes using peer group volatility has resulted in a more representative value of our stock for compensation purposes over the years.

Our named executive officers as well as certain other officers were granted a mix of restricted stock and stock options under our equity compensation plan. The value of the long term incentive granted to each officer was based primarily on the individual s ability to influence our long-term growth and profitability. The compensation committee believes this mix of long term incentive vehicles affords a desirable long-term compensation method because it closely aligns the interest of management with stockholder value. The equity compensation plan assists us by:

- enhancing the link between the creation of stockholder value and long-term executive incentive compensation;
- providing an opportunity for increased equity ownership by executives; and
- maintaining competitive levels of total compensation.

All awards under our equity compensation plan are made at an exercise price equal to the market price of the underlying common stock at the time of the award, as measured by the most recent minority appraised value