FIRST INTERSTATE BANCSYSTEM INC
Form 10-Q
May 06, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

þ **Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2011

OR

o **Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from __________ to __________

COMMISSION FILE NUMBER 001-34653
First Interstate BancSystem, Inc.

(Exact name of registrant as specified in its charter)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.)

Yes o No 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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

Indicate the number of shares outstanding of each of the Registrant s classes of common stock:

March 31, 2011	Class A common stock	16,119,285
March 31, 2011	Class B common stock	26,841,968

FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
Quarterly Report on Form 10-Q

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except share data)
(Unaudited)

	March 31, 2011	December 31, 2010
Assets		
Cash and due from banks	$ 120,814	$ 107,035
Federal funds sold	3,108	2,114
Interest bearing deposits in banks	556,399	576,469
Total cash and cash equivalents	680,321	685,618
Investment securities:		
Available-for-sale	1,841,281	1,786,335
Held-to-maturity (estimated fair values of $147,401 as of March 31, 2011 and $146,508 as of December 31, 2010)	146,097	147,068
Total investment securities	1,987,378	1,933,403
Loans	4,263,764	4,367,909
Less allowance for loan losses	124,446	120,480
Net loans	4,139,318	4,247,429
Premises and equipment, net of accumulated depreciation	185,702	188,138
Goodwill	183,673	183,673
Company-owned life insurance	73,545	73,056
Accrued interest receivable	32,380	33,628
Other real estate owned (OREO), net of write-downs	31,995	33,632
Deferred tax asset	19,112	18,472
Mortgage servicing rights, net of accumulated amortization and impairment reserve	13,284	13,191
Core deposit intangibles, net of accumulated amortization	8,441	8,803
Other assets	73,977	81,927
Total assets	$ 7,429,126	$ 7,500,970
Liabilities and Stockholders Equity		
Deposits:		
Non-interest bearing	$ 1,110,940	$ 1,063,869
Interest bearing	4,820,244	4,861,844
Total deposits	5,931,184	5,925,713
Securities sold under repurchase agreements	536,955	620,154
Accounts payable and accrued expenses	40,400	38,915
Accrued interest payable	12,162	13,178

Other borrowed funds	5,522	4,991
Long-term debt	37,491	37,502
Subordinated debentures held by subsidiary trusts	123,715	123,715
Total liabilities	6,687,429	6,764,168
Stockholders equity:		
Nonvoting noncumulative preferred stock without par value; authorized 100,000 shares; issued and outstanding 5,000 shares as of March 31, 2011 and December 31, 2010	50,000	50,000
Common stock	264,932	264,174
Retained earnings	417,117	413,253
Accumulated other comprehensive income, net	9,648	9,375
Total stockholders equity	741,697	736,802
Total liabilities and stockholders equity	$ 7,429,126	$ 7,500,970

See accompanying notes to unaudited consolidated financial statements.

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

	For the three months ended March 31,	
	2011	2010
Interest income:		
Interest and fees on loans	$ 62,391	$ 66,894
Interest and dividends on investment securities:		
Taxable	9,911	11,202
Exempt from federal taxes	1,171	1,166
Interest on deposits in banks	367	224
Interest on federal funds sold	3	13
Total interest income	73,843	79,499
Interest expense:		
Interest on deposits	9,871	15,278
Interest on securities sold under repurchase agreements	237	194
Interest on other borrowed funds		1
Interest on long-term debt	489	919
Interest on subordinated debentures held by subsidiary trusts	1,448	1,438
Total interest expense	12,045	17,830
Net interest income	61,798	61,669
Provision for loan losses	15,000	11,900
Net interest income after provision for loan losses	46,798	49,769
Non-interest income:		
Other service charges, commissions and fees	7,380	6,872
Service charges on deposit accounts	4,110	4,598
Income from origination and sale of loans	3,445	3,300
Wealth management revenues	3,295	3,014
Investment securities gains, net	2	27
Other income	1,927	1,697
Total non-interest income	20,159	19,508
Non-interest expense:		
Salaries, wages and employee benefits	27,702	28,078
Occupancy, net	4,215	4,142
Furniture and equipment	3,220	3,341
FDIC insurance premiums	2,466	2,456
Outsourced technology services	2,241	2,249
OREO expense, net of income	1,711	541

Mortgage servicing rights amortization	807	1,133
Mortgage servicing rights impairment recovery	(347)	(50)
Core deposit intangibles amortization	362	439
Other expenses	10,581	10,416
Total non-interest expense	52,958	52,745
Income before income tax expense	13,999	16,532
Income tax expense	4,493	5,402
Net income	9,506	11,130
Preferred stock dividends	844	844
Net income available to common stockholders	$ 8,662	$ 10,286
Basic earnings per common share	$ 0.20	$ 0.33
Diluted earnings per common share	$ 0.20	$ 0.32

See accompanying notes to unaudited consolidated financial statements.

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders Equity
(In thousands, except share and per share data)
(Unaudited)

	Preferred stock	Common stock	Retained earnings	Accumulated other comprehensive income	Total stockholders equity
Balance at December 31, 2010	$ 50,000	$ 264,174	$ 413,253	$ 9,375	$ 736,802
Comprehensive income:					
Net income			9,506		9,506
Other comprehensive income, net of tax				273	273
Total comprehensive income					9,779
Common stock transactions:					
12,056 common shares purchased and retired		(164)			(164)
130,904 non-vested common shares issued					
1,911 non-vested common shares forfeited		(7)			(7)
Non-vested liability awards vesting during period		195			195
43,622 stock options exercised, net of 104,050 shares tendered in payment of option price and income tax withholding amounts		37			37
Tax benefit of stock-based compensation		257			257
Stock-based compensation expense		440			440
Cash dividends declared:					
Common ($0.1125 per share)			(4,798)		(4,798)
Preferred (6.75% per share)			(844)		(844)
Balance at March 31, 2011	$ 50,000	$ 264,932	$ 417,117	$ 9,648	$ 741,697
Balance at December 31, 2009	$ 50,000	$ 112,135	$ 397,224	$ 15,075	$ 574,434
Comprehensive income:					
Net income			11,130		11,130
Other comprehensive income, net of tax				1,135	1,135
Total comprehensive income					12,265

Common stock transactions:					
246,596 common shares purchased and retired		(3,699)			(3,699)
11,500,000 common shares issued		153,017			153,017
117,140 non-vested common shares issued					
Non-vested liability awards vesting during period		12			12
56,808 stock options exercised, net of 66,572 shares tendered in payment of option price and income tax withholding amounts		321			321
Tax benefit of stock-based compensation		193			193
Stock-based compensation expense		387			387
Cash dividends declared:					
Common ($0.1125 per share)			(3,519)		(3,519)
Preferred (6.75% per share)			(844)		(844)
Balance at March 31, 2010	$ 50,000	$ 262,366	$ 403,991	$ 16,210	$ 732,567

See accompanying notes to unaudited consolidated financial statements.

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	For the three months ended March 31, 2011	2010
Cash flows from operating activities:		
Net income	$ 9,506	$ 11,130
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	15,000	11,900
Net loss on disposal of property and equipment	3	48
Depreciation and amortization	4,436	5,061
Net premium amortization on investment securities	2,598	1,037
Net gains on investment securities transactions	(2)	(27)
Net gains on sales of loans held for sale	(2,260)	(2,088)
Write-down of OREO and equipment pending disposal	1,552	
Net recovery of impairment on mortgage servicing rights	(347)	(50)
Loss on early extinguishment of debt		306
Deferred income tax (benefit) expense	(859)	440
Net increase in cash surrender value of company-owned life insurance policies	(489)	(500)
Stock-based compensation expense	411	387
Tax benefits from stock-based compensation expense	257	193
Excess tax benefits from stock-based compensation	(192)	(191)
Changes in operating assets and liabilities:		
Decrease in loans held for sale	27,123	9,557
Decrease in interest receivable	1,248	643
Decrease in other assets	7,672	3,854
(Decrease) increase in accrued interest payable	(1,016)	1,185
Increase (decrease) in accounts payable and accrued expenses	1,702	(390)
Net cash provided by operating activities	66,343	42,495
Cash flows from investing activities:		
Purchases of investment securities:		
Held-to-maturity	(1,868)	(2,404)
Available-for-sale	(193,791)	(260,455)
Proceeds from maturities and paydowns of investment securities:		
Held-to-maturity	2,720	2,253
Available-for-sale	136,839	184,326
Proceeds from sales of mortgage servicing rights, net of acquisitions		597
Extensions of credit to customers, net of repayments	64,419	21,851
Recoveries of loans charged-off	1,305	817
Proceeds from sales of OREO	3,160	2,147
Capital expenditures, net of sales	(1,639)	(3,803)
Net cash provided by (used in) investing activities	11,145	(54,671)

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (continued)
(In thousands)
(Unaudited)

	For the three months ended March 31,	
	2011	2010
Cash flows from financing activities:		
Net increase (decrease) in deposits	$ 5,471	$ (35,674)
Net decrease in repurchase agreements	(83,199)	(12,582)
Net increase in short-term borrowings	531	422
Repayments of long-term debt	(11)	(34,319)
Common stock issuance costs		(13,733)
Proceeds from issuance of common stock		166,750
Excess tax benefits from stock-based compensation	192	191
Purchase and retirement of common stock	(127)	(3,378)
Dividends paid to common stockholders	(4,798)	(3,519)
Dividends paid to preferred stockholders	(844)	(844)
Net cash (used in) provided by financing activities	(82,785)	63,314
Net (decrease) increase in cash and cash equivalents	(5,297)	51,138
Cash and cash equivalents at beginning of period	685,618	623,482
Cash and cash equivalents at end of period	$ 680,321	$ 674,620
Supplemental disclosures of cash flow information:		
Cash paid during the period for income taxes	$	$ 1,601
Cash paid during the period for interest expense	$ 13,061	$ 16,645

See accompanying notes to unaudited consolidated financial statements.

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
(In thousands, except share and per share data)

(1) Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated financial statements of First Interstate BancSystem, Inc. and subsidiaries (the Company) contain all adjustments (all of which are of a normal recurring nature) necessary to present fairly the financial position of the Company at March 31, 2011 and December 31, 2010 and the results of operations and cash flows for each of the three month periods ended March 31, 2011 and 2010, in conformity with U.S. generally accepted accounting principles. The balance sheet information at December 31, 2010 is derived from audited consolidated financial statements. Certain reclassifications, none of which were material, have been made to conform prior year financial statements to the March 31, 2011 presentation. These reclassifications did not change previously reported net income or stockholders equity.

These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. Operating results for the three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

(2) Investment Securities

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

Available-for-Sale

March 31, 2011	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Obligations of U.S. government agencies	$1,006,446	$ 2,883	$(5,502)	$1,003,827
U.S. agency residential mortgage-backed securities	816,428	23,797	(3,740)	836,485
Private residential mortgage-backed securities	963	15	(9)	969
Total	$1,823,837	$26,695	$(9,251)	$1,841,281

Held-to-Maturity

March 31, 2011	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
State, county and municipal securities	$145,894	$2,442	$(1,138)	$147,198
Other securities	203			203
Total	$146,097	$2,442	$(1,138)	$147,401

Available-for-Sale

December 31, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value

Obligations of U.S. government agencies	$ 956,017	$ 3,337	$ (5,934)	$ 953,420
U.S. agency residential mortgage-backed securities	812,372	24,107	(4,619)	831,860
Private residential mortgage-backed securities	1,057	10	(12)	1,055
Total	$1,769,446	$27,454	$(10,565)	$1,786,335

Held-to-Maturity

December 31, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
State, county and municipal securities	$146,850	$1,375	$(1,935)	$146,290
Other securities	218			218
Total	$147,068	$1,375	$(1,935)	$146,508

Gross gains of $2 and $27 were realized on the disposition of available-for-sale investment securities during the three months ended March 31, 2011 and 2010, respectively. No gross losses were realized on the disposition of available-for-sale investment securities during the three months ended March 31, 2011 or 2010.

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
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(In thousands, except share and per share data)

The following table shows the gross unrealized losses and fair values of investment securities, aggregated by investment category, and the length of time individual investment securities have been in a continuous unrealized loss position, as of March 31, 2011 and December 31, 2010.

	Less than 12 Months		12 Months or More		Total	
March 31, 2011	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-Sale						
Obligations of U.S. government agencies	$545,665	$(5,502)	$	$	$545,665	$(5,502)
U.S. agency residential mortgage-backed securities	166,265	(3,740)			166,265	(3,740)
Private residential mortgage-backed securities			223	(9)	223	(9)
Total	$711,930	$(9,242)	$223	$ (9)	$712,153	$(9,251)

	Less than 12 Months		12 Months or More		Total	
March 31, 2011	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Held-to-Maturity						
State, county and municipal securities	$29,217	$(1,006)	$2,981	$(132)	$32,198	$(1,138)

	Less than 12 Months		12 Months or More		Total	
December 31, 2010	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-Sale						
Obligations of U.S. government agencies	$498,344	$ (5,934)	$	$	$498,344	$ (5,934)
U.S. agency residential mortgage-backed securities	160,161	(4,619)			160,161	(4,619)
Private residential mortgage-backed securities			249	(12)	249	(12)

Total	$658,505	$(10,553)	$249	$(12)	$658,754	$(10,565)

	Less than 12 Months		12 Months or More		Total	
December 31, 2010	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Held-to-Maturity						
State, county and municipal securities	$42,178	$(1,814)	$3,023	$(121)	$45,201	$(1,935)

The investment portfolio is evaluated quarterly for other-than-temporary declines in the market value of each individual investment security. The Company had 98 and 128 individual investment securities that were in an unrealized loss position as of March 31, 2011 and December 31, 2010, respectively. Unrealized losses as of March 31, 2011 and December 31, 2010 related primarily to fluctuations in the current interest rates. The Company does not have the intent to sell any of the available-for-sale securities in the above table and it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. No impairment losses were recorded during the three months ended March 31, 2011 or 2010.

FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
(In thousands, except share and per share data)

Maturities of investment securities at March 31, 2011 are shown below. Maturities of mortgage-backed securities have been adjusted to reflect shorter maturities based upon estimated prepayments of principal. All other investment securities maturities are shown at contractual maturity dates.

	Available-for-Sale		Held-to-Maturity	
March 31, 2011	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within one year	$ 434,558	$ 440,532	$ 6,474	$ 6,192
After one year but within five years	1,133,101	1,138,284	25,110	25,538
After five years but within ten years	111,899	114,645	55,861	57,197
After ten years	144,279	147,820	58,449	58,271
Total	1,823,837	1,841,281	145,894	147,198
Investments with no stated maturity			203	203
Total	$1,823,837	$1,841,281	$146,097	$147,401

As of March 31, 2011, the Company had investment securities callable within one year with amortized costs and estimated fair values of $478,494 and $475,594, respectively. These investment securities are primarily classified as available-for-sale and included in the after one year but within five years category in the table above.

(3) Loans

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

	March 31, 2011	December 31, 2010
Real estate loans:		
Commercial	$1,553,750	$1,565,665
Construction:		
Land acquisition & development	319,573	329,720
Residential	78,572	99,196
Commercial	95,623	98,542
Total construction loans	493,768	527,458
Residential	561,420	549,604
Agricultural	181,513	182,794
Mortgage loans originated for sale	20,992	46,408
Total real estate loans	2,811,443	2,871,929
Consumer loans:		
Indirect consumer loans	411,908	423,552
Other consumer loans	155,100	162,137
Credit card loans	58,075	60,891

Total consumer loans	625,083	646,580
Commercial	703,837	730,471
Agricultural	121,571	116,546
Other loans, including overdrafts	1,830	2,383
Total loans	$4,263,764	$4,367,909

Commercial real estate includes loans aggregating $866,886 and $867,510 as of March 31, 2011 and December 31, 2010, respectively, that are owner occupied.

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
(In thousands, except share and per share data)

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

	Accruing Loans		Nonaccruing Loans		Total		
	30 89		30 89		Loans 30		
	Days	Past	Days	Past	or More		
	Past	Due	Past	Due	Days Past	Current	Total
		> 90					
As of March 31, 2011	Due	Days	Due	> 90 Days	Due	Loans	Loans
Real estate							
Commercial	$20,512	$1,651	$ 1,489	$20,714	$ 44,366	$1,509,384	$1,553,750
Construction:							
Land acquisition & development	1,666	850	12,328	8,894	23,738	295,835	319,573
Residential	1,719		314	1,111	3,144	75,428	78,572
Commercial	7,702		884	4,873	13,459	82,164	95,623
Total construction loans	11,087	850	13,526	14,878	40,341	453,427	493,768
Residential	16,980	104	306	590	17,980	543,440	561,420
Agricultural	1,532	118	1,007	498	3,155	178,358	181,513
Mortgage loans originated for sale						20,992	20,992
Total real estate loans	50,111	2,723	16,328	36,680	105,842	2,705,601	2,811,443
Consumer:							
Indirect consumer loans	3,183	48	52	32	3,315	408,593	411,908
Other consumer loans	1,106	36	97	508	1,747	153,353	155,100
Credit card loans	618	616			1,234	56,841	58,075
Total consumer loans	4,907	700	149	540	6,296	618,787	625,083
Commercial	11,320	717	1,551	6,477	20,065	683,772	703,837
Agricultural	1,683	0	56	24	1,763	119,808	121,571
Other loans, including overdrafts		0			$	1,830	1,830
Total	$68,021	$4,140	$18,084	$43,721	$133,966	$4,129,798	$4,263,764

	Accruing Loans		Nonaccruing Loans		Total
					Loans 30
	30 89		30 89		or More

As of December 31, 2010	Days Past Due	Past Due > 90 Days	Days Past Due	Past Due > 90 Days	Days Past Due	Current Loans	Total Loans
Real estate							
Commercial	$17,959	$	$ 7,582	$13,047	$ 38,588	$1,527,077	$1,565,665
Construction:							
Land acquisition & development	9,608		1,559	7,462	18,629	311,091	329,720
Residential	3,022		359	992	4,373	94,823	99,196
Commercial	2,794		1,213	3,376	7,383	91,159	98,542
Total construction loans	15,424		3,131	11,830	30,385	497,073	527,458
Residential	2,192		160	359	2,711	546,893	549,604
Agricultural	4,856		406	392	5,654	177,140	182,794
Mortgage loans originated for sale						46,408	46,408
Total real estate loans	40,431		11,279	25,628	77,338	2,794,591	2,871,929
Consumer:							
Indirect consumer loans	3,717		81	63	3,861	419,691	423,552
Other consumer loans	1,552	15	87	568	2,222	159,915	162,137
Credit card loans	1,005	759			1,764	59,127	60,891
Total consumer loans	6,274	774	168	631	7,847	638,733	646,580
Commercial	8,069	957	744	8,707	18,477	711,994	730,471
Agricultural	2,114	117		25	2,256	114,290	116,546
Other loans, including overdrafts	123	4			127	2,256	2,383
Total	$57,011	$1,852	$12,191	$34,991	$106,045	$4,261,864	$4,367,909

Included in current loans in the table above are loans aggregating $150,590 and $148,160 that were on nonaccrual status as of March 31, 2011 and December 31, 2010, respectively.

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
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(In thousands, except share and per share data)

The following table presents the Company s recorded investment in nonaccrual loans by class as of the dates indicated:

	March 31, 2011	December 31, 2010
Real estate		
Commercial	$ 75,237	$ 68,948
Construction:		
Land acquisition & development	49,204	41,547
Residential	16,784	16,679
Commercial	25,392	16,589
Total construction loans	91,380	74,815
Residential	14,173	15,222
Agricultural	4,739	2,497
Total real estate loans	185,529	161,482
Consumer:		
Indirect consumer loans	506	564
Other consumer loans	1,422	1,337
Credit card loans	30	30
Total consumer loans	1,958	1,931
Commercial	23,867	30,953
Agricultural	1,040	976
Total	$ 212,394	$ 195,342

The Company considers impaired loans to include non-consumer loans placed on nonaccrual and loans renegotiated in troubled debt restructurings. The following tables present information on the Company s recorded investment in impaired loans as of dates indicated:

	As of March 31, 2011					Quarter Ended March 31, 2011	
	Unpaid Total Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Income Recognized
Real estate:							
Commercial	$ 89,939	$ 41,628	$ 42,643	$ 84,271	$ 12,317	$ 74,768	$ 92
Construction:							

Land acquisition & development	57,333	21,020	32,376	53,396	11,751	45,552	45
Residential	20,562	5,982	13,631	19,613	3,571	18,121	19
Commercial	26,676	13,030	12,362	25,392	3,512	19,321	
Total construction loans	104,571	40,032	58,369	98,401	18,834	82,994	64
Residential	6,872	668	6,113	6,781	550	21,070	
Agricultural	5,804	4,265	991	5,256	77	3,677	2
Total real estate loans	207,186	86,593	108,116	194,709	31,778	182,509	158
Commercial	33,767	9,620	17,540	27,160	11,029	34,397	42
Agricultural	1,072	618	454	1,072	272	920	
Total	$ 242,025	$ 96,831	$ 126,110	$ 222,941	$ 43,079	$ 217,826	$ 200

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	As of December 31, 2010					Year Ended December 31, 2010
	Unpaid Total Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Real estate:						
Commercial	$ 79,193	$ 31,925	$ 41,703	$ 73,628	$ 10,315	$ 49,713
Construction:						
Land acquisition & development	48,371	24,120	20,440	44,560	8,064	34,871
Residential	18,632	2,993	13,721	16,714	3,431	15,097
Commercial	17,458	2,976	13,578	16,554	3,877	21,086
Total construction loans	84,461	30,089	47,739	77,828	15,372	71,054
Residential	8,951	1,741	7,110	8,851	1,266	10,889
Agricultural	3,045	1,065	1,432	2,497	128	1,737
Total real estate loans	175,650	64,820	97,984	162,804	27,081	133,393
Commercial	36,251	11,354	24,168	35,522	14,892	22,017
Agricultural	976	498	478	976	253	974
Total	$ 212,877	$ 76,672	$ 122,630	$ 199,302	$ 42,226	$ 156,384

If interest on impaired loans had been accrued, interest income on impaired loans during the three months ended March 31, 2011 and 2010 would have been approximately $3,158 and $1,807, respectively. At March 31, 2011, there were no material commitments to lend additional funds to borrowers whose existing loans have been renegotiated or are classified as nonaccrual.

The Company had loans renegotiated in troubled debt restructurings of $90,381 as of March 31, 2011, of which $57,037 were included in nonaccrual loans and $33,344 were on accrual status. The Company had loans renegotiated in troubled debt restructurings of $53,700 as of December 31, 2010, of which $40,210 were included in nonaccrual loans and $13,490 were on accrual status.

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

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

Substandard includes loans that are inadequately protected by the current sound worth and paying capacity of the borrower. Although the primary source of repayment for a Substandard is not currently sufficient; collateral or other

sources of repayment are sufficient to satisfy the debt. Continuance of a Substandard loan is not warranted unless positive steps are taken to improve the worthiness of the credit.

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

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The following table presents the Company s recorded investment in criticized loans by class and credit quality indicator based on the most recent analyses performed as of the dates indicated.

As of March 31, 2011	Other Assets Especially Mentioned	Substandard	Doubtful	Total Criticized Loans
Real estate:				
Commercial	$ 130,178	$ 150,980	$ 40,820	$ 321,978
Construction:				
Land acquisition & development	62,076	36,305	33,732	132,113
Residential	3,709	9,726	13,631	27,066
Commercial	8,778	13,307	12,362	34,447
Total construction loans	74,563	59,338	59,725	193,626
Residential	23,540	18,239	9,960	51,739
Agricultural	13,754	20,129	990	34,873
Total real estate loans	242,035	248,686	111,495	602,216
Consumer:				
Indirect consumer loans	813	1,847	277	2,937
Other consumer loans	836	1,414	1,188	3,438
Credit card loans		503	3,068	3,571
Total consumer loans	1,649	3,764	4,533	9,946
Commercial	45,394	40,407	19,380	105,181
Agricultural	4,821	6,215	454	11,490
Total	$ 293,899	$ 299,072	$ 135,862	$ 728,833

As of December 31, 2010	Other Assets Especially Mentioned	Substandard	Doubtful	Total Criticized Loans
Real estate:				
Commercial	$ 133,700	$ 149,604	$ 41,662	$ 324,966
Construction:				
Land acquisition & development	73,151	36,552	21,795	131,498
Residential	9,083	9,842	13,721	32,646
Commercial	9,025	18,611	13,598	41,234

Total construction loans	91,259	65,005	49,114	205,378
Residential	13,889	18,725	11,474	44,088
Agricultural	12,683	20,885	1,432	35,000
Total real estate loans	251,531	254,219	103,682	609,432
Consumer:				
Indirect consumer loans	768	1,964	315	3,047
Other consumer loans	903	1,499	1,131	3,533
Credit card loans		571	3,467	4,038
Total consumer loans	1,671	4,034	4,913	10,618
Commercial	47,307	39,145	24,280	110,732
Agricultural	5,416	6,255	478	12,149
Total	$ 305,925	$ 303,653	$ 133,353	$ 742,931

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

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(4) Allowance For Loan Losses

The following tables present a summary of changes in the allowance for loan losses by portfolio segment for the three months ended March 31, 2011.

Three months ended March 31, 2011	Real Estate	Consumer	Commercial	Agriculture	Other	Total
Allowance for loan losses:						
Beginning balance	$ 84,181	$ 9,332	$ 25,354	$ 1,613	$	$ 120,480
Provision charged to operating expense	12,155	688	2,457	(300)		15,000
Less loans charged-off	(4,231)	(1,460)	(6,642)	(6)		(12,339)
Add back recoveries of loans previously charged-off	245	432	621	7		1,305
Ending balance	$ 92,350	$ 8,992	$ 21,790	$ 1,314	$	$ 124,446
Individually evaluated for impairment	$ 31,778	$	$ 11,029	$ 272	$	$ 43,079
Collectively evaluated for impairment	60,571	8,992	10,739	1,043	22	81,367
Ending balance	$ 92,349	$ 8,992	$ 21,768	$ 1,315	$ 22	$ 124,446
Total loans:						
Individually evaluated for impairment	$ 194,709	$	$ 27,160	$ 1,072	$	$ 222,941
Collectively evaluated for impairment	2,616,734	625,083	676,677	120,499	1,830	4,040,823
Total loans	$ 2,811,443	$ 625,083	$ 703,837	$ 121,571	$ 1,830	$ 4,263,764

In determining the allowance for loan losses, the Company estimates 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.

The allowance for loan losses consists of three elements: (1) specific valuation allowances based on probable losses on impaired loans; (2) historical valuation allowances based on loan loss experience for similar loans with similar characteristics and trends; and (3) general valuation allowances determined based on general economic conditions and other qualitative risk factors both internal and external to us.

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

and regulatory conditions on historical loss rates.

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The following table presents a summary of changes in the allowance for loan losses for the three months ended March 31, 2010:

Three months ended March 31, 2010	
Balance at beginning of year	$103,030
Provision charged to operating expense	11,900
Less loans charged-off	(9,398)
Add back recoveries of loans previously charged-off	817
Balance at end of year	$106,349

(5) Common Stock

The Company had 16,119,285 and 15,598,632 shares of Class A common stock outstanding as of March 31, 2011 and December 31, 2010, respectively.

The Company had 26,841,968 and 27,202,062 shares of Class B common stock outstanding as of March 31, 2011 and December 31, 2010, respectively.

(6) Earnings per Common Share

Basic earnings per common share is calculated by dividing net income by the weighted average number of common shares outstanding during the period presented. Diluted earnings per common share is calculated by dividing net income by the weighted average number of common shares and potential common shares outstanding during the period.

The following table sets forth the computation of basic and diluted earnings per share for the three month periods ended March 31, 2011 and 2010.

	Three Months Ended March 31,	
	2011	2010
Net income	$ 9,506	$ 11,130
Less preferred stock dividends	844	844
Net income available to common shareholders, basic and diluted	$ 8,662	$ 10,286
Weighted average common shares outstanding	42,689,390	31,585,072
Weighted average common shares issuable upon exercise of stock options and non-vested stock awards	170,591	269,752
Weighted average common and common equivalent shares outstanding	42,859,981	31,854,824
Basic earnings per common share	$ 0.20	$ 0.33
Diluted earnings per common share	$ 0.20	$ 0.32

The Company had 2,310,796 and 2,265,709 stock options outstanding that were antidilutive as of March 31, 2011 and 2010, respectively, that are not included in the above calculations of diluted earnings per share.

(7) Regulatory Capital

The Company is subject to the regulatory capital requirements administered by federal banking regulators and the Federal Reserve. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company s assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios of total and tier 1 capital to risk-weighted assets, and of tier 1 capital to average assets, as defined in the regulations. As of March 31, 2011 and December 31, 2010, the Company exceeded all capital adequacy requirements to which it is subject.

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Actual capital amounts and ratios and selected minimum regulatory thresholds for the Company and its bank subsidiary (FIB) as of March 31, 2011 and December 31, 2010 are presented in the following table:

	Actual		Adequately Capitalized		Well Capitalized	
As of March 31, 2011:	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital:						
Consolidated	$778,413	15.8%	$393,329	8.0%	NA	NA
FIB	640,625	13.1	391,247	8.0	$489,059	10.0%
Tier 1 risk-based capital:						
Consolidated	681,178	13.9	196,664	4.0	NA	NA
FIB	563,711	11.5	195,624	4.0	$293,436	6.0
Leverage capital ratio:						
Consolidated	681,178	9.3	291,590	4.0	NA	NA
FIB	563,711	7.8	290,670	4.0	$363,337	5.0

	Actual		Adequately Capitalized		Well Capitalized	
As of December 31, 2010:	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital:						
Consolidated	$ 772,337	15.5%	$ 398,720	8.0%	NA	NA
FIB	634,976	12.8	396,754	8.0	$ 495,943	10.0%
Tier 1 risk-based capital:						
Consolidated	674,319	13.5	199,360	4.0	NA	NA
FIB	557,261	11.2	198,377	4.0	$ 297,566	6.0
Leverage capital ratio:						
Consolidated	674,319	9.3	291,023	4.0	NA	NA
FIB	557,261	7.7	290,071	4.0	$ 362,589	5.0

(8) Commitments and Contingencies

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

The Company had commitments under construction contracts of $518 as of March 31, 2011.

The Company had commitments to purchase held-to-maturity municipal investment securities of $700 as of March 31, 2011.

(9) Financial Instruments with Off-Balance Sheet Risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the commitment contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash

requirements. At March 31, 2011, commitments to extend credit to existing and new borrowers approximated $1,027,211, which includes $273,358 on unused credit card lines and $241,460 with commitment maturities beyond one year.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. At March 31, 2011, the Company had outstanding standby letters of credit of $72,134. The estimated fair value of the obligation undertaken by the Company in issuing the standby letters of credit is included in other liabilities in the Company s consolidated balance sheet.

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(10) Supplemental Disclosures to Consolidated Statement of Cash Flows

The Company transferred loans of $1,971 and $7,673 to OREO during the three months ended March 31, 2011 and 2010, respectively.

The Company transferred accrued liabilities of $195 and $12 to common stock in conjunction with the vesting of liability-classified restricted stock awards during the three months ended March 31, 2011 and 2010, respectively.

(11) Other Comprehensive Income

Total comprehensive income is reported in the accompanying statements of changes in stockholders equity. Information related to net other comprehensive income is as follows:

For the three months ended March 31,	2011	2010
Other comprehensive income:		
Investment securities available-for-sale:		
Change in net unrealized gain during the period	$417	$1,873
Reclassification adjustment for gains included in income	(2)	(27)
Change in the net actuarial loss on defined benefit post-retirement benefit plans	35	25
	450	1,871
Deferred tax expense	177	736
Net other comprehensive income	$273	$1,135

The components of accumulated other comprehensive income, net of income taxes, are as follows:

	March 31, 2011	December 31, 2010
Net unrealized gain on investment securities available-for-sale	$11,211	$10,959
Net actuarial loss on defined benefit post-retirement benefit plans	(1,563)	(1,584)
Net accumulated other comprehensive income	$ 9,648	$ 9,375

(12) Fair Value Measurements

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

		Fair Value Measurements at Reporting Date Using		
As of March 31, 2011	Balance as of 3/31/2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities available-for-sale:				

Obligations of U.S. government agencies	$1,003,827	$	$1,003,827	$
U.S. agency residential mortgage-backed securities	836,485		836,485	
Private residential mortgage-backed securities	969		969	
Mortgage servicing rights	15,136		15,136	
Derivative liability contract	86			86

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As of December 31, 2010	Balance as of 12/31/2010	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities available-for-sale:				
Obligations of U.S. government agencies	$953,420	$	$ 953,420	$
U.S. agency residential mortgage-backed securities	831,860		831,860	
Private residential mortgage-backed securities	1,055		1,055	
Mortgage servicing rights	13,694		13,694	
Derivative liability contract	86			86

The following table reconciles the beginning and ending balances of the derivative liability contract measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the three months ended March 31, 2011 and 2010:

For the Three Months Ended March 31,	2011	2010
Balance, beginning of period	$86	$245
Accruals during the period		
Cash payments during the period		
Balance, end of period	$86	$245

The following methods were used to estimate the fair value of each class of financial instrument above:

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

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

Derivative Liability Contract. In conjunction with the sale of all of its Class B shares of Visa, Inc. (Visa) common stock in 2009, the Company entered into a derivative liability contract with the purchaser whereby the Company will make or receive cash payments based on subsequent changes in the conversion rate of the Class B shares into Class A shares of Visa. The conversion rate is dependent upon the resolution of certain litigation involving Visa U.S.A. Inc. card association or its affiliates. The value of the derivative liability contract is estimated based on the Company s expectations regarding the ultimate resolution of that litigation, which involves a high degree of judgment and subjectivity.

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

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

		Fair Value Measurements at Reporting Date Using		
As of March 31, 2011	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$107,955	$	$	$107,955
Other real estate owned	23,810			23,810

		Fair Value Measurements at Reporting Date Using		
As of December 31, 2010	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$97,574	$	$	$ 97,574
Other real estate owned	23,727			23,727

Impaired Loans. Certain impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from collateral. The impaired loans are reported at fair value through specific valuation allowance allocations. In addition, when it is determined that the fair value of an impaired loan is less than the recorded investment in the loan, the carrying value of the loan is adjusted to fair value through a charge to the allowance for loan losses. Collateral values are estimated using inputs based upon observable market data and customized discounting criteria.

OREO. The fair values of OREO are determined by independent appraisals or are estimated using observable market data in combination with customized discounting criteria. Upon initial recognition, write-downs based on the foreclosed asset s fair value at foreclosure are reported through charges to the allowance for loan losses. Periodically, the fair value of foreclosed assets is remeasured with any subsequent write-downs charged to OREO expense in the period in which they are identified.

Long-lived Assets to be Disposed of by Sale. Long-lived assets to be disposed of by sale are carried at the lower of carrying value or fair value less estimated costs to sell. The fair values of long-lived assets to be disposed of by sale are based upon observable market data and customized discounting criteria. As of March 31, 2011 and December 31, 2010, the Company had one long-lived asset to be disposed of by sale carried at its cost of $1,513.

In addition, mortgage loans held for sale are required to be measured at the lower of cost or fair value. The fair value of mortgage loans held for sale is based upon binding contracts or quotes or bids from third party investors. As of March 31, 2011 and December 31, 2010, all mortgage loans held for sale were recorded at cost.

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

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

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

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

A summary of the estimated fair values of financial instruments follows:

	March 31, 2011		December 31, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$ 680,321	$ 680,321	$ 685,618	$ 685,618
Investment securities available-for-sale	1,841,281	1,841,281	1,786,335	1,786,335
Investment securities held-to-maturity	146,097	147,401	147,068	146,508
Net loans	4,139,318	4,100,939	4,247,429	4,222,984
Accrued interest receivable	32,380	32,380	33,628	33,628
Mortgage servicing rights, net	13,284	15,136	13,191	13,694
Total financial assets	$6,852,681	$6,817,458	$6,913,269	$6,888,767
Financial liabilities:				
Total deposits, excluding time deposits	$4,113,003	$4,113,003	$4,000,468	$4,000,468
Time deposits	1,818,181	1,828,720	1,925,245	1,936,011
Securities sold under repurchase agreements	536,955	536,955	620,154	620,154
Derivative contract	86	86	86	86
Accrued interest payable	12,162	12,162	13,178	13,178
Other borrowed funds	5,522	5,522	4,991	4,991
Long-term debt	37,491	39,736	37,502	40,031
Subordinated debentures held by subsidiary trusts	123,715	128,746	123,715	128,954
Total financial liabilities	$6,647,115	$6,664,930	$6,725,339	$6,743,873

(13) Recent Authoritative Accounting Guidance

FASB ASC Topic 310, Receivables. In April 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-02, A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring (TDR). ASU No. 2011-02 requires significant new disclosures about the nature, extent and financial impact of troubled debt restructurings presented at the level of disaggregation that management uses when assessing and monitoring the portfolio s risk and performance. ASU No. 2011-02 also provides additional guidance to assist creditors in determining whether a restructuring of a receivable meets the criteria to be considered a troubled debt restructuring. The amendments in ASU No. 2011-02 are effective for the first interim or annual period beginning after June 15, 2011, and are to be applied retrospectively to the beginning of the annual period of adoption. The adoption of this authoritative guidance is not expected to have a significant impact on the Company s consolidated financial statements, results of operations or liquidity.

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
(In thousands, except share and per share data)

FASB ASC Topic 350, Intangibles Goodwill and Other. New authoritative accounting guidance under ASC Topic 350, Intangibles Goodwill and Other, amends prior guidance. Under this amended guidance, an entity is required to perform Step 2 of the goodwill impairment test if the reporting unit has a zero or negative carrying amount and if it is more likely than not that a goodwill impairment exists. This guidance is effective for fiscal years, and interim periods within those years, that begin after December 15, 2010. The adoption of this authoritative guidance on January 1, 2011, did not have an impact on the Company s consolidated financial statements, results of operations or liquidity.

(14) Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through the date financial statements were filed with the Securities and Exchange Commission. No events requiring disclosure were identified.

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Item 2.
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2010, including the audited financial statements contained therein, filed with the SEC.

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

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

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended, (the Exchange Act) and Rule 3b-6 promulgated thereunder, that involve inherent risks and uncertainties. Any statements about our plans, objectives, expectations, strategies, beliefs, or future performance or events constitute forward-looking statements. Such statements are identified as those that include words or phrases such as believes, expects, anticipates, plans, trend, objective, continue or similar expressions or future or conditional verbs suc would, should, could, might, may or similar expressions. Forward-looking statements involve known and unkno risks, uncertainties, assumptions, estimates and other important factors that could cause actual results to differ materially from any results, performance or events expressed or implied by such forward-looking statements. The following factors, among others, may cause actual results to differ materially from current expectations in the forward-looking statements, including those set forth in this report:

credit losses;

concentrations of real estate loans;

economic and market developments, including inflation;

commercial loan risk;

adequacy of the 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 business;

adverse economic conditions affecting Montana, Wyoming and western South Dakota;

governmental regulation and changes in regulatory, tax and accounting rules and interpretations;

sweeping changes in regulation of financial institutions due to passage of the Dodd-Frank Act;

changes in or noncompliance with governmental regulations;

effects of recent legislative and regulatory efforts to stabilize financial markets;

dependence on the Company s management team;

ability to attract and retain qualified employees;

failure of technology;

reliance on external vendors;

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;

failure to effectively implement technology-driven products and services;

litigation pertaining to fiduciary responsibilities;

capital required to support the Company s bank subsidiary;

soundness of other financial institutions;

impact of Basel III capital standards and forthcoming new capital rules proposed for U.S. banks;

inability of our bank subsidiary to pay dividends;

change in dividend policy;

limited trading volume of Class A common stock;

price and volume volatility of Class A common stock;

voting control of Class B stockholders;

dilution as a result of future equity issuances;

uninsured nature of any investment in Class A common stock;

anti-takeover provisions;

controlled company status; and

subordination of common stock to Company debt.

A more detailed discussion of each of the foregoing risks is included in our Annual Report on Form 10-K for the year ended December 31, 2010, filed February 28, 2011. These factors and other risk factors described in our periodic and current reports filed with the Securities and Exchange Commission from time to time, however, are not necessarily all of the 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.

Executive Overview

We are a financial and bank holding company headquartered in Billings, Montana. As of March 31, 2011, we had consolidated assets of $7,429 million, deposits of $5,931 million, loans of $4,264 million and total stockholders equity of $742 million. We currently operate 72 banking offices in 42 communities located in Montana, Wyoming and western South Dakota. Through our bank subsidiary, First Interstate Bank, or 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.

Our Business

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

Our loan portfolio consists of a mix of real estate, consumer, commercial, agricultural and other loans, including fixed and variable rate loans. Our real estate loans comprise commercial real estate, construction (including residential, commercial and land development loans), residential, agricultural and other real estate loans. Fluctuations in the loan portfolio are directly related to the economies of the communities we serve. While each loan originated generally must meet minimum underwriting standards established in our credit policies, lending officers are granted

discretion within pre-approved limits in approving and pricing loans to assure that the banking offices are responsive to competitive issues and community needs in each market area. We fund our loan portfolio primarily with the core deposits from our customers, generally without utilizing brokered deposits and with minimal reliance on wholesale funding sources.

Recent 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 entered the recession later than many areas of the United States and, although not as severely impacted, are not yet showing signs of recovery that other areas of the United States are experiencing. Although the continuing impact of the national recession and related real estate and financial market conditions 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.

Asset Quality

Challenging economic conditions continue to have a negative impact on businesses and consumers in some of our market areas. General declines in the real estate and housing markets resulted in continued deterioration in the credit quality of our loan portfolio, which is reflected by increases in non-performing loans. Our non-performing assets increased to $282 million, or 6.56% of total loans and OREO, as of March 31, 2011, from $244 million, or 5.55% of total loans and OREO, as of December 31, 2010. Loan charge-offs, net of recoveries, totaled $11 million during the three months ended March 31, 2011, as compared to $9 million during first quarter 2010, with the most significant increase occurring in commercial loans. Based on our assessment of the adequacy of our allowance for loan losses, we recorded provisions for loan losses of $15 million during first quarter 2011, compared to $12 million during first quarter 2010. Increased provisions for loan losses reflect our estimation of the effect of current economic conditions on and potential losses inherent in our loan portfolio. Given the current economic conditions and trends, management believes we will continue to experience high 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.

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 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. 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. Fees earned for management of trust assets are generally based on the market value of assets managed. 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.

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) amortization and impairment of mortgage servicing rights, (7) OREO expense, net of income, (8) core deposit intangibles amortization 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, and fluctuations in the carrying costs and/or operating expenses associated with OREO 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. We evaluate our asset quality on factors that include the allocation of our loans among loan types, credit exposure to any single borrower or industry type, non-performing assets as a percentage of total loans and OREO, and loan charge-offs as a percentage of average loans. We seek to maintain our allowance for loan losses at a level adequate to absorb 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 including leverage capital ratio, tier 1 risk-based capital ratio, total risk-based capital ratio, tangible common equity to tangible assets and tier 1 common capital to total risk-weighted assets.

Critical Accounting Estimates and Significant Accounting Policies

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States and follow general practices within the industries in which we operate. Application of these principles requires management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. The most significant accounting policies we follow are presented in Note 1 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2010.

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

Allowance for Loan Losses

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

We perform a quarterly assessment of the risks inherent in our loan portfolio, as well as a detailed review of each significant loan with identified weaknesses. Based on this analysis, we record a provision for loan losses in order to maintain the allowance for loan losses at appropriate levels. In determining the allowance for loan losses, we estimate losses on specific loans, or groups of loans, where the probable loss can be identified and reasonably determined. Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant judgment and the use of subjective measurements, including management s assessment of the internal risk classifications of loans, historical loan loss rates, changes in the nature of the loan portfolio, overall portfolio quality, industry concentrations, delinquency trends and the impact of current local, regional and national economic factors on the quality of the loan portfolio. Changes in these estimates and assumptions are possible and may have a material impact on our allowance, and therefore our consolidated financial statements, 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 the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2010 describes the methodology used to determine the allowance for loan losses. A discussion of the factors driving changes in the amount of the allowance for loan losses is included herein under the heading Asset Quality.

Goodwill

The excess purchase price over the fair value of net assets from acquisitions, or goodwill, is evaluated for impairment at least annually and on an interim basis if an event or circumstance indicates that it is likely an impairment has occurred. In testing for impairment, the fair value of net assets is 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 of our Class A common stock. 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 the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2010 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 underlying loans as well as interest rate assumptions that contemplate the risk involved. Management believes the valuation techniques and assumptions used by the consultant are reasonable.

Determining the fair value of mortgage servicing rights is considered a critical accounting estimate because of the assets sensitivity to changes in estimates and assumptions used, particularly loan prepayment speeds and discount rates. Changes in these estimates and assumptions are reasonably possible and may have a material impact on our consolidated financial statements, liquidity or results of operations. Notes 1 and 8 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2010 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. 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. Determining the fair value of OREO is considered a critical accounting estimate due to the assets sensitivity to changes in estimates and assumptions used. 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. Note 1 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2010 describes our accounting policy with regard to OREO.

Results of Operations

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

Net Interest Income. Net interest income, on a fully taxable equivalent, or FTE, basis, increased $110 thousand, or 0.2%, to $62.9 million for the three months ended March 31, 2011, as compared to $62.8 million for the same period in 2010. Our net FTE interest margin decreased 27 basis points to 3.73% for the three months ended March 31, 2011, from 4.00% during the same period in the prior year. Compression in our net FTE interest margin ratio during first quarter 2011, as compared first quarter 2010, was largely attributable to a shift in the mix of interest earning assets from higher-yielding loans to lower-yielding investment securities, the effects of which were partially offset by a 46 basis point reduction in funding costs from March 31, 2010 to March 31, 2011.

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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

(Dollars in thousands)

	Three Months Ended March 31,					
	2011			2010		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest earning assets:						
Loans (1)(2)	$4,303,575	$62,836	5.92%	$4,502,713	$67,360	6.07%
Investment securities (2)	1,948,422	11,758	2.45	1,492,276	13,042	3.54
Interest bearing deposits in banks	587,804	367	0.25	354,096	224	0.26
Federal funds sold	2,242	3	0.54	16,851	13	0.31
Total interest earning assets	6,842,043	74,964	4.44%	6,365,936	80,639	5.14%
Non earning assets	622,539			687,663		
Total assets	$7,464,582			$7,053,599		
Interest bearing liabilities:						
Demand deposits	$1,249,283	$ 834	0.27%	$1,112,950	$ 839	0.31%
Savings deposits	1,744,747	2,000	0.46	1,421,981	2,316	0.66
Time deposits	1,874,515	7,037	1.52	2,258,579	12,123	2.18
Repurchase agreements	569,881	237	0.17	454,687	194	0.17
Other borrowed funds	5,695			6,469	1	0.06
Long-term debt	37,496	489	5.29	71,285	919	5.23
Subordinated debentures held by subsidiary trusts	123,715	1,448	4.75	123,715	1,438	4.71
Total interest bearing liabilities	5,605,332	12,045	0.87%	5,449,666	17,830	1.33%
Non-interest bearing deposits	1,070,744			959,369		
Other non-interest bearing liabilities	51,013			63,528		
Stockholders equity	737,493			581,036		
Total liabilities and stockholders equity	$7,464,582			$7,053,599		

Net FTE interest income	$62,919		$62,809	
Less FTE adjustments (2)	(1,121)		(1,140)	
Net interest income from consolidated statements of income	$61,798		$61,669	
Interest rate spread		3.57%		3.81%
Net FTE interest margin (3)		3.73%		4.00%

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

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

(3) Net FTE interest margin during the period equals (i) the difference between 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 (rate). Changes which are not due solely to volume or rate have been allocated to these categories based on the respective percent changes in average volume and average rate as they compare to each other.

Analysis of Interest Changes Due To Volume and Rates

(Dollars in thousands)

	Three Months Ended March 31, 2011 Compared with 2010		
	Volume	Rate	Net
Interest earnings assets:			
Loans (1)	$(2,979)	$(1,545)	$(4,524)
Investment securities (1)	3,987	(5,271)	(1,284)
Interest bearing deposits in banks	148	(5)	143
Federal funds sold	(11)	1	(10)
Total change	1,145	(6,820)	(5,675)
Interest bearing liabilites:			
Demand deposits	103	(108)	(5)
Savings deposits	526	(842)	(316)
Time deposits	(2,061)	(3,025)	(5,086)
Repurchase agreements	49	(6)	43
Other borrowed funds		(1)	(1)
Long-term debt	(436)	6	(430)
Subordinated debentures		10	10
Total change	(1,819)	(3,966)	(5,785)
Increase in FTE net interest income	$ 2,964	$(2,854)	$ 110

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

Provision for Loan Losses. The provision for loan losses increased $3.1 million, or 26.1%, to $15.0 million for the three months ended March 31, 2011, compared to $11.9 million for the same period in 2010, and decreased $2.5 million, or 14.3%, from $17.5 million during fourth quarter 2010. Fluctuations in provisions for loan losses reflect management s estimate of the estimated effects of current economic conditions on our loan portfolio. Ongoing stress from weakening economic conditions continued to negatively impact the performance of many of our real estate loans. For information regarding our non-performing loans, see Non-Performing Assets included herein.

Non-interest Income. Our principal sources of non-interest income include other service charges, commissions and fees; service charges on deposit accounts; income from the origination and sale of loans; and, wealth management revenues. Non-interest income increased $651 thousand, or 3.3%, to $20.2 million for the three months ended March 31, 2011, as compared to $19.5 million for the same period in 2010. Non-interest income decreased $5.4 million, or 21.0%, to $20.2 million for the three months ended March 31, 2011, as compared to $25.5 million for the three months ended December 31, 2010. Significant components of these changes are discussed below.

Other service charges, commissions and fees primarily include debit and credit card interchange income, mortgage servicing fees, insurance and other commissions and ATM service charge revenues. Other service charges, commissions and fees increased $508 thousand, or 7.4%, to $7.4 million during the three months ended March 31,

2011, as compared to $6.9 million during the same period in 2010. This increase was primarily attributable to higher interchange income due to increased volumes of debit and credit card transactions.

Service charges on deposit accounts decreased $488 thousand, or 10.6%, to $4.1 million during the three months ended March 31, 2011, as compared to $4.6 million during the same period in 2010, primarily due to decreases in the number of overdraft fees assessed. Management attributes the decline in overdraft fees to changes in customer utilization.

Fluctuations in market interest rates have a significant impact on the level of income generated from the origination and sale of loans. Income from the origination and sale of loans increased $145 thousand, or 4.4%, to $3.4 million for the three months ended March 31, 2011, as compared to $3.3 million for the same period in 2010, and decreased $4.6 million, or 57.1%, as compared to $8.0 million during fourth quarter 2010. During first quarter 2011, mortgage loan rates increased from historical lows experienced during the third and fourth quarters of 2010, resulting in decreased refinancing activity and lower income from the origination and sale of loans.

Wealth management revenues increased $281 thousand, or 9.3%, to $3.3 million for the three months ended March 31, 2011, as compared to $3.0 million for the same period in 2010, and $212 thousand, or 6.9%, as compared to $3.1 million during fourth quarter 2010. These increases were principally due to higher trust management fees resulting from increases in the market values of assets under trust management and increases in number of customers using trust services.

Other income increased $230 thousand, or 13.6%, to $1.9 million for the three months ended March 31, 2011, compared to $1.7 million for the same period in 2010, primarily due fluctuations in earnings on securities held under deferred compensation plans. Other income decreased $664 thousand, or 25.6%, to $1.9 million for the three months ended March 31, 2011, as compared to $2.6 million for the three months ended December 31, 2010, primarily due to fluctuations in earnings on securities held under deferred compensation plans and life insurance revenues.

Non-interest Expense. Non-interest expense increased $213 thousand, or less than 1.0%, to $53.0 million for the three months ended March 31, 2011, as compared to $52.7 million for the same period in 2010. Non-interest expense decreased $1.8 million, or 3.4%, to $53.0 million for the three months ended March 31, 2011, as compared to $54.8 million for the three months ended December 31, 2010. Significant components of these changes are discussed below.

Salaries, wages and employee benefits expense decreased slightly to $27.7 million during the three months ended March 31, 2011, as compared to $28.1 million during the same period in the prior year, and decreased $1.5 million, or 5.2%, as compared to $29.2 million during the three months ended December 31, 2010. These decreases were primarily attributable to slight reductions in the number of full-time equivalent employees combined with lower incentive bonus and group medical insurance accruals. Also contributing to the decrease in salaries, wages and employee benefits during first quarter 2011, as compared to fourth quarter 2010, were two fewer accrual days during first quarter 2011.

OREO expense, net of income, increased $1.2 million to $1.7 million for the three months ended March 31, 2011, compared to $541 thousand for the same period in 2010, primarily due to the write-down of the estimated fair value of one OREO property located in the Flathead market area. OREO expense, net of income, increased $170 thousand, or 11.0%, to $1.7 million for the three months ended March 31, 2011, compared to $1.5 million during the three months ended December 31, 2010.

Mortgage servicing rights are amortized in proportion to and over the period of estimated net servicing income. Changes in estimated servicing period and growth in the serviced loan portfolio cause amortization expense to vary between periods. The period of estimated net servicing income is significantly influenced by market interest rates. We project our amortization of mortgage servicing rights based on prepayment assumptions on the first day of each quarter. Long-term interest rates were higher during first quarter 2011, as compared to first quarter 2010, resulting in a corresponding increase in the estimated period over which we expect to receive servicing income and a decrease in the amortization taken during the period. Mortgage servicing rights amortization decreased $326 thousand, or 28.8%, to $807 thousand for the three months ended March 31, 2011, as compared to $1.1 million for the same period in 2010, and $339 thousand, or 29.6%, as compared to $1.1 million during the fourth quarter of 2010.

Mortgage servicing rights are evaluated quarterly for impairment based on the fair value of the mortgage servicing rights. Fluctuations in the fair value of mortgage servicing rights are primarily due to changes in assumptions regarding prepayments of the underlying mortgage loans, which typically correspond with changes in market interest rates. During first quarter 2011, we reversed previously recorded impairment of $347 thousand, as compared to a reversal of previously recorded impairment of $50 thousand during first quarter 2010 and a reversal of previously recorded impairment of $3.0 million during fourth quarter 2010.

Other expenses primarily include professional fees; advertising and public relations costs; office supply, postage freight, telephone and travel expenses; donations expense; debit and credit card expenses; board of director fees; and other losses. Other expenses increased $165 thousand, or 1.6%, to $10.6 million for the three months ended March 31, 2011, as compared to $10.4 million for the three months ended March 31, 2010, and decreased $2.4 million, or 18.6%, as compared to $13.0 million during the three months ended December 31, 2010. During fourth quarter 2010, we recorded a $1.5 million loss on the sale of mortgage servicing rights. The remaining decrease in other expenses during first quarter 2011, as compared to fourth quarter 2010, was primarily due to fluctuations in the timing of expenses, most significantly advertising, donations and travel expenses.

Income Tax Expense. Our effective federal income tax rate was 27.5% for the three months ended March 31, 2011 and 28.4% for the three months ended March 31, 2010. State income tax applies primarily to pretax earnings generated within Montana and South Dakota. Our effective state tax rate was 4.6% for the three months ended March 31, 2011, and 4.3% for the three months ended March 31, 2010. Changes in effective federal and state income tax rates are primarily fluctuations in tax exempt interest income as a percentage of total income.

Financial Condition

Total assets decreased $72 million, or 1.0%, to $7,429 million as of March 31, 2011, from $7,501 million as of December 31, 2010. Significant components of the decrease are discussed below:

Loans. Fluctuations in the loan portfolio are directly related to the economies of the communities we serve. Total loans decreased $104 million, or 2.4%, to $4,264 million as of March 31, 2011 from $4,368 million as of December 31, 2010, with the most significant decreases occurring in residential construction loans, mortgage loans originated for sale and commercial loans. Management attributes the decrease to a general decline in new home construction in our market areas, particularly in markets dependent upon resort and second home communities including the Flathead, Gallatin Valley and Jackson market areas, and to a lesser extent, the movement of lower quality loans out of the loan portfolio through charge-off, pay-off or foreclosure.

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.

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.

The following table sets forth information regarding non-performing assets as of the dates indicated:

Non-Performing Assets

(Dollars in thousands)

	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Non-performing loans:					
Non-accrual loans	$212,394	$195,342	$174,249	$139,975	122,341
Accruing loans past due 90 days or more	4,140	1,852	1,129	7,550	3,041
Restructured loans	33,344	13,490	26,630	10,588	7,660
Total non-performing loans	249,878	210,684	202,008	158,113	133,042
OREO	31,995	33,632	35,296	42,338	43,980
Total non-performing assets	$281,873	$244,316	$237,304	$200,451	177,022
Non-performing loans to total loans	5.86%	4.82%	4.54%	3.47%	2.97%
Non-performing assets to total loans and OREO	6.56%	5.55%	5.29%	4.35%	3.91%
	3.79%	3.26%	3.24%	2.77%	2.45%

Non-performing assets to total assets

Non-performing assets increased $38 million, or 15.4%, to $282 million, or 6.56% of total loans and OREO, as of March 31, 2011, from $244 million, or 5.55% of total loans and OREO, as of December 31, 2010. During the first quarter of 2011, difficult economic conditions continued to negatively impact businesses and consumers in our market areas, especially in three market areas dependent upon resort and second home communities. These market areas include the Flathead area around Kalispell, Montana, the Gallatin Valley area around Bozeman, Montana and the Jackson, Wyoming market area. Residential and second home subdivisions in these market areas continue to experience severely depressed real estate values and limited sales activity, which has negatively impacted commercial real estate values as well.

Total non-performing loans increased $39 million, or 18.6%, to $250 million as of March 31, 2011, from $211 million as of December 31, 2010, primarily due to higher levels of restructured loans and nonaccrual loans. As of March 31, 2011, approximately 51% of our nonaccrual loans were located in the Flathead, Gallatin Valley and Jackson market areas.

Nonaccrual loans increased $17 million, or 8.7%, to $212 million as of March 31, 2011, from $195 million as of December 31, 2010. This increase was primarily due to loans of one land development, one commercial construction and two commercial real estate borrowers aggregating $25 million that were placed on nonaccrual during first quarter 2011. These additions were partially offset by a $5 million pay-off of the loans of one commercial real estate borrower and a $6 million charge-off related to the loans of one commercial borrower.

Restructured loans increased $20 million, or 147.2% to $33 million as of March 31, 2011, from $13 million as of December 31, 2010. Approximately 67% of the increase in restructured loans was due to the loans of one consumer real estate and one commercial real estate borrower restructured during first quarter 2011.

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

Non-Performing Loans by Loan Type

(Dollars in thousands)

	March 31, 2011	Percent of Total	December 31, 2010	Percent of Total
Real estate:				
Commerical	$ 86,390	34.6%	$ 73,449	34.9%
Construction:				
Land acquisition and development	54,233	21.7%	44,546	21.1%
Residential	19,612	7.8%	16,679	7.9%
Commercial	25,392	10.2%	16,589	7.9%
Total construction	99,237	39.7%	77,814	36.9%
Residential	24,635	9.9%	15,222	7.2%
Agricultural	5,374	2.2%	3,476	1.6%
Total real estate	215,636	86.3%	169,961	80.7%
Consumer	4,437	1.8%	2,720	1.3%
Commercial	28,733	11.5%	36,906	17.5%
Agricultural	1,072	0.4%	1,093	0.5%
Other		0.0%	4	0.0%
Total non-performing loans	$249,878	100.0%	$210,684	100.0%

OREO consists of real property acquired through foreclosure on the related collateral underlying defaulted loans. We record OREO at the lower of carrying value or fair value less estimated costs to sell. Estimated losses that result from the ongoing periodic valuation of these properties are charged to earnings in the period in which they are identified. OREO decreased $2 million, or 4.9%, to $32 million as of March 31, 2011, from $34 million as of December 31, 2010. During the first quarter of 2011, the Company recorded additions to OREO of $3 million, wrote down the fair value of OREO properties by $2 million and sold OREO with a book value of $3 million.

Allowance for Loan Losses. 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.

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

Allowance for Loan Losses

(Dollars in thousands)

	Three Months Ended				
	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Balance at beginning of period	$ 120,480	$ 120,236	$ 114,328	$ 106,349	103,030
Provision charged to operating expense	15,000	17,500	18,000	19,500	11,900
Charge offs:					
Real estate					
Commercial	1,186	2,835	2,082	3,469	594
Construction	1,546	6,025	5,121	5,940	2,903
Residential	1,499	2,269	788	262	192
Agricultural		2,218	20		
Consumer	1,460	1,966	2,056	1,699	1,856
Commerical	6,642	2,713	2,720	737	3,853
Agricultural	6	19	2		
Total charge-offs	12,339	18,045	12,789	12,107	9,398
Recoveries:					
Real estate					
Commercial	125	20	3	2	9
Construction	92	18	45	6	144
Residential	28	105	5	13	9
Agricultural					
Consumer	432	479	505	471	598
Commerical	621	153	137	91	55
Agricultural	7	14	2	3	2
Total recoveries	1,305	789	697	586	817
Net charge-offs	11,034	17,256	12,092	11,521	8,581
Balance at end of period	$ 124,446	$ 120,480	120,236	114,328	106,349
Period end loans	$4,263,764	$4,367,909	4,452,387	4,562,288	4,481,019
Average loans	4,303,575	4,402,141	4,504,657	4,520,119	4,502,713
Annualized net loans charged off to average loans	1.04%	1.56%	1.06%	1.02%	0.77%
Allowance to period end loans	2.92%	2.76%	2.70%	2.51%	2.37%

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, future provisions will be subject to on-going evaluations of the risks in the loan portfolio. If the economy declines or asset quality deteriorates, material additional provisions could be required.

Investment Securities. We manage our investment portfolio to obtain the highest yield possible, while meeting our risk tolerance and liquidity guidelines and satisfying the pledging requirements for deposits of state and political subdivisions and securities sold under repurchase agreements. Investment securities increased $54 million, or 2.8%, to $1,987 million, or 26.8% of total assets, as of March 31, 2011 from $1,933 million, or 25.8% of total assets, as of December 31, 2010. Liquidity resulting from deposit growth combined with weak loan demand was primarily invested into securities. The estimated duration of our investment portfolio was 2.6 years as of March 31, 2011 and 2.5 years as of December 31, 2010.

We evaluate our investment portfolio quarterly for other-than-temporary declines in the market value of individual investment securities. This evaluation includes monitoring credit ratings; market, industry and corporate news; volatility in market prices; and, determining whether the market value of a security has been below its cost for an extended period of time. As of March 31, 2011, 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 $141 thousand as of March 31, 2011, and were primarily attributable to changes in interest rates. No impairment losses were recorded during the three months ended March 31, 2011 or 2010.

Deposits. Our deposits consist of non-interest bearing and interest bearing demand, savings, individual retirement and time deposit accounts. Total deposits increased $5 million, or less than 1.0%, to $5,931 million as of March 31, 2011, from $5,926 million as of December 31, 2010. During first quarter 2011, there was a slight shift in the mix of deposits away from higher-costing time deposits to lower-costing savings, interest bearing demand and non-interest bearing demand deposits.

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

Deposits

(Dollars in thousands)

	March 31, 2011	December 31, 2010
Non-interest bearing demand	$1,110,940	$1,063,869
Interest bearing:		
Demand	1,259,105	1,218,078
Savings	1,742,958	1,718,521
Time, $100 and over	825,585	908,044
Time, other	992,596	1,017,201
Total interest bearing	4,820,244	4,861,844
Total deposits	$5,931,184	$5,925,713

Repurchase Agreements. In addition to deposits, repurchase agreements with commercial depositors provide an additional source of funds. Under repurchase agreements, deposit balances are invested in short-term U.S. government agency residential securities overnight and are then repurchased the following day. All outstanding repurchase agreements are due in one day. Repurchase agreements decreased $83 million, or 13.4%, to $537 million as of March 31, 2011, from $620 million as of December 31, 2010, due to fluctuations in the liquidity of our customers.

Other Borrowed Funds. Other borrowed funds increased $531 thousand, or 10.6% to $6 million as of March 31, 2011, from $5 million as of December 31, 2010 primarily due to timing of tax deposits made by customers and the subsequent withdrawal of funds by the federal government.

Capital Resources and Liquidity Management

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 less than 1.0% to $742 million as of March 31, 2011, from $737 million as of December 31, 2010, primarily due to retention of first quarter 2011 earnings.

On March 24, 2011, we declared a quarterly dividend to common stockholders of $0.1125 per share to be paid on April 18, 2011 to shareholders of record as of April 4, 2011. During first quarter 2011, we paid aggregate cash dividends of $4.8 million, or $0.1125 per share, to common shareholders, as compared to aggregate cash dividends of $3.5 million, or $0.1125 per share, to common shareholders during the same period in 2010. We paid $844 thousand to preferred shareholders during the first quarters of 2011 and 2010.

Pursuant to the Federal Deposit Insurance Corporation Improvement Act, 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. As of March 31, 2011 and December 31, 2010, the Bank had capital levels that, in all cases, exceeded the well-capitalized guidelines. As of March 31, 2011, we had consolidated leverage, tier 1 and total risk-based capital ratios of 9.34%, 13.85% and 15.83%, respectively, as compared to 9.27%, 13.53% and 15.50%, respectively, as of December 31, 2010.

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

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

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

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

Recent Accounting Pronouncements

See Note 13 Recent Authoritative Accounting Guidance in the accompanying Notes to Unaudited Consolidated Financial Statements included in this report for details of recently issued accounting pronouncements and their expected impact on our financial statements.

Item 3.
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of March 31, 2011, there have been no material changes in the quantitative and qualitative information about market risk provided pursuant to Item 305 of Regulation S-K as presented in our Annual Report on Form 10-K for the year ended December 31, 2010.

Item 4.
CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining effective disclosure controls and procedures, as defined under Rules 13a-15(e) and 15d-15(e) of the Exchange Act. As of March 31, 2011, an evaluation was performed, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of March 31, 2011, were effective in ensuring that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods required by the SEC s rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting for the quarter ended March 31, 2011, that have materially affected, or are reasonably likely to materially affect, such control.

Limitations on Controls and Procedures

The effectiveness of our disclosure controls and procedures and our internal control over financial reporting is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of our systems, the possibility of human error, and the risk of fraud. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and the risk that the degree of compliance with policies or procedures may deteriorate over time. Because of these limitations, any system of disclosure controls and procedures or internal control over financial reporting may not be successful in preventing all errors or fraud or in making all material information known in a timely manner to the appropriate levels of management.

PART II.
OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material changes in legal proceedings as described in our Annual Report on Form 10-K for the year ended December 31, 2010.

Item 1A. Risk Factors

There have been no material changes in risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2010.

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

(a) There were no unregistered sales of equity securities during the three months ended March 31, 2011.

(b) Not applicable.

(c) The following table provides information with respect to purchases made by or on behalf of us or any affiliated purchasers (as defined in Rule 10b-18(a)(3) under the Exchange Act), of our common stock during the three months ended March 31, 2011.

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 2011	4,805	$13.74	0	Not Applicable
February 2011	7,251	13.64	0	Not Applicable
March 2011			0	Not Applicable
Total	12,056	$13.68	0	Not Applicable

(1) Represents shares purchased by the Company in satisfaction of minimum required income tax withholding requirements pursuant to the vesting of restricted stock.

Item 3. Defaults upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

Not applicable or required.

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Item 6. Exhibits

2.1 Stock Purchase Agreement dated as of September 18, 2007, by and between First Interstate BancSystem, Inc. and First Western Bancorp, Inc. (incorporated herein by reference to Exhibit 2.1 of the Company s Current Report on Form 8-K filed on September 19, 2007)

2.2 First Amendment to Stock Purchase Agreement dated as of January 10, 2008, between First Interstate BancSystem, Inc. and Christen Group, Inc. formerly known as First Western Bancorp, Inc. (incorporated herein by reference to Exhibit 10.20 of the Company s Current Report on Form 8-K filed on January 16, 2008)

3.1 Amended and Restated Articles of Incorporation dated March 5, 2010 (incorporated herein by reference to Exhibit 3.1 of the Company s Current Report on Form 8-K/A filed on March 10, 2010)

3.2 Second Amended and Restated Bylaws dated January 27, 2011 (incorporated herein by reference to Exhibit 3.1 of the Company s Current Report on Form 8-K/A filed on February 3, 2011)

4.1 Specimen of Series A preferred stock certificate of First Interstate BancSystem, Inc. (incorporated herein by reference to Exhibit 4.2 of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2007)

10.1 Credit Agreement Re: Subordinated Term Note dated as of January 10, 2008, between First Interstate BancSystem, Inc. and First Midwest Bank (incorporated herein by reference to Exhibit 10.24 of the Company s Current Report on Form 8-K filed on January 16, 2008)

10.2 Lease Agreement between Billings 401 Joint Venture and First Interstate Bank Montana dated September 20, 1985 and addendum thereto (incorporated herein by reference to Exhibit 10.4 of the Company s Post-Effective Amendment No. 3 to Registration Statement on Form S-1, No. 033-84540, filed on September 29, 1994)

10.3 First Interstate BancSystem s Deferred Compensation Plan dated December 1, 2006 (incorporated herein by reference to Exhibit 10.9 of the Company s Pre-Effective Amendment No. 3 to Registration Statement on Form S-1, No. 333-164380, filed on March 23, 2010)

10.4 First Amendment to the First Interstate BancSystem s Deferred Compensation Plan dated October 24, 2008 (incorporated herein by reference to Exhibit 10.10 of the Company s Pre-Effective Amendment No. 3 to Registration Statement on Form S-1, No. 333-164380, filed on March 23, 2010)

10.5 2001 Stock Option Plan (incorporated herein by reference to Exhibit 4.12 of the Company s Registration Statement on Form S-8, No. 333-106495, filed on June 25, 2003)

10.6 Second Amendment to 2001 Stock Option Plan (incorporated herein by reference to Exhibit 10.6 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2010)

10.7 First Interstate BancSystem, Inc. 2006 Equity Compensation Plan (incorporated herein by reference to Appendix A of the Company s 2006 Definitive Proxy Statement of Schedule 14A)

10.8 Amendment to First Interstate BancSystem, Inc. 2006 Equity Compensation Plan (incorporated herein by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K filed on March 22, 2010)

10.9	Second Amendment to First Interstate BancSystem, Inc. 2006 Equity Compensation Plan (incorporated herein by reference to Exhibit 10.9 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2010)
10.10	Form of First Interstate BancSystem, Inc. 2006 Equity Compensation Plan Restricted Stock Agreement (Time) for Certain Executive Officers (incorporated herein by reference to Exhibit 10.13 of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2008)
10.11	Form of First Interstate BancSystem, Inc. 2006 Equity Compensation Plan Restricted Stock Agreement (Performance) for Certain Executive Officers (incorporated herein by reference to Exhibit 10.14 of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2008)

10.12	Trademark License Agreements between Wells Fargo & Company and First Interstate BancSystem, Inc. (incorporated herein by reference to Exhibit 10.11 of the Company s Registration Statement on Form S-1, No. 333-25633 filed on April 22, 1997)
31.1*	Certification of Quarterly Report on Form 10-Q pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer
31.2*	Certification of Quarterly Report on Form 10-Q pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer
32*	Certification of Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Management contract or compensatory arrangement.

* Filed herewith.

SIGNATURES

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

	FIRST INTERSTATE BANCSYSTEM, INC.
Date May 6, 2011	/s/ LYLE R. KNIGHT Lyle R. Knight President and Chief Executive Officer
Date May 6, 2011	/s/ TERRILL R. MOORE Terrill R. Moore Executive Vice President and Chief Financial Officer