

FIRST INTERSTATE BANCSYSTEM INC

Form S-4/A

January 16, 2019

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As filed with the Securities and Exchange Commission on January 16, 2019

Registration No. 333-228574

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

PRE-EFFECTIVE AMENDMENT NO. 1

TO THE

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

FIRST INTERSTATE BANCSYSTEM, INC.

(Exact name of registrant as specified in its charter)

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

6022
**(Primary Standard Industrial
Classification Code Number)**

81-0331430
(I.R.S. Employer

Identification Number)

401 North 31st Street

Billings, Montana 59101

(406) 255-5390

**(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal
Executive Offices)**

Kevin P. Riley

President and Chief Executive Officer

401 North 31st Street

Billings, Montana 59116

(406) 255-5390

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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401 North 31st Street

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective and upon completion of the merger.

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

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

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

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Class A Common Stock, no par value per share	4,045,302 shares ⁽¹⁾	N/A	\$167,556,409 ⁽²⁾	\$20,308 ⁽³⁾

(1) Represents the estimated maximum number of shares of First Interstate BancSystem, Inc. (First Interstate) Class A common stock estimated to be issuable upon the completion of the merger of described herein. This number is based on the product of (a) the number of shares of Idaho Independent Bank (IIBK) common stock outstanding (including shares reserved for issuance under existing options), and (b) 0.50, which represents the amount of First Interstate Class A common stock that IIBK stockholders will be entitled to receive in exchange for each such share of IIBK common stock, pursuant to the terms of the Agreement and Plan of Merger, dated as

of October 11, 2018, by and among First Interstate, First Interstate Bank (a wholly-owned subsidiary of First Interstate) and IIBK, which is attached to the proxy statement/prospectus as Annex A.

- (2) The proposed maximum aggregate offering price of First Interstate's Class A common stock was calculated based upon the market value of shares of IIBK common stock in accordance with Rules 457(c) and 457(f) under the Securities Act as follows: (i) the product of (A) \$20.71, the average of the high and low sales prices of the common stock of IIBK on November 26, 2018 and (B) 8,090,604, the estimated maximum number of shares of IIBK common stock that may be exchanged for the merger consideration (including shares reserved for issuance under existing options).
- (3) Registration fee was previously paid.

This registration statement shall hereafter become effective in accordance with the provisions of Section 8(a) of the Securities Act of 1933.

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Information contained in this proxy statement/prospectus is subject to completion or amendment. A registration statement relating to the shares of First Interstate BancSystem, Inc. Class A common stock to be issued in the merger has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted before the time the registration statement becomes effective. This proxy statement/prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale is not permitted or would be unlawful before registration or qualification under the securities laws of any such jurisdiction.

**PRELIMINARY PROXY STATEMENT/PROSPECTUS,
SUBJECT TO COMPLETION, DATED JANUARY 16, 2019**

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Idaho Independent Bank Shareholder:

On October 11, 2018, First Interstate BancSystem, Inc. (which we refer to as First Interstate), First Interstate Bank and Idaho Independent Bank (which we refer to as IIBK) entered into an Agreement and Plan of Merger (which we refer to as the merger agreement) under which IIBK will merge with and into First Interstate Bank, with First Interstate Bank remaining as the surviving entity. This transaction is referred to in this document as the merger. Before the merger can be completed, the shareholders of IIBK must approve the merger agreement.

If the merger is completed, IIBK shareholders will be entitled to receive 0.50 shares of First Interstate Class A common stock for each share of IIBK common stock they own. The maximum number of shares of First Interstate Class A common stock estimated to be issuable upon completion of the merger is 4,045,302. Based on First Interstate s closing price of \$44.62 on October 11, 2018, which was the last trading date preceding the public announcement of the proposed merger, each share of IIBK common stock exchanged for 0.50 shares of First Interstate Class A common stock would have a value of \$22.31, or approximately \$180.5 million in the aggregate. Based on First Interstate s closing price of \$37.90 on January 14, 2019, which is the most recent practicable trading day before the printing of this document, each share of IIBK common stock exchanged for 0.50 shares of First Interstate Class A common stock would have a value of \$18.95. The common stock of First Interstate trades on the Nasdaq Global Select Market under the symbol FIBK. The common stock of IIBK trades on the OTC Market s Pink Market Place under the symbol IIBK. The market price of both First Interstate Class A common stock and IIBK common stock will fluctuate before the completion of the merger. Therefore, you are urged to obtain current market quotations for First Interstate Class A common stock and IIBK common stock.

Although the number of shares of First Interstate Class A common stock that holders of IIBK common stock will be entitled to receive is fixed, the market value of the stock consideration will fluctuate with the market price of First Interstate Class A common stock and will not be known at the time IIBK shareholders vote on the merger. IIBK has

the right to terminate the merger agreement if, at any time during a five-day period commencing on the fifth day before closing, the average closing price of First Interstate Class A common stock over the 20 consecutive trading days ending on and including the fifth day before closing (1) is less than \$36.54 and (2) underperforms the KBW Regional Banking Index by more than 20% during the same time period. If IIBK elects to exercise this termination right, then First Interstate has the option to increase the exchange ratio to a level that would eliminate the ability of IIBK to terminate the merger agreement.

The affirmative vote of a majority of the votes cast at a meeting at which a quorum consisting of at least a majority of the outstanding shares of IIBK common stock is present is required to approve the merger agreement. IIBK shareholders will vote to adopt the merger agreement at a special meeting of shareholders to be held at 9:30 a.m., Pacific Time, on March 27, 2019 at the corporate office of IIBK located at 1260 W. Riverstone Drive, Coeur d'Alene, Idaho.

IIBK's board of directors unanimously recommends that IIBK shareholders vote FOR the adoption of the merger agreement.

This document contains information that you should consider in evaluating the proposed merger. In particular, you should carefully read the section captioned Risk Factors beginning on page 15 for a discussion of certain risk factors relating to the merger. You can also obtain information about First Interstate from documents filed with the Securities and Exchange Commission.

As always, we appreciate your support and look forward to seeing you at the special shareholders' meeting.

/s/ Jack W. Gustavel
Jack W. Gustavel
Executive Chairman of the Board of Directors
Idaho Independent Bank

The shares of First Interstate Class A common stock to be issued in the merger are not deposits or savings accounts or other obligations of any bank or savings association and are not insured by the FDIC or any other governmental agency.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the merger described in this document or the First Interstate Class A common stock to be issued in the merger, or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.

The date of this proxy statement/prospectus is [], 2019, and it is first being mailed or otherwise delivered to shareholders of IIBK on or about [], 2019.

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ABOUT THIS DOCUMENT

This proxy statement/prospectus, which we refer to as this document, forms part of a registration statement on Form S-4 filed with the Securities and Exchange Commission (which we refer to as the SEC) by First Interstate and constitutes a prospectus of First Interstate with respect to the shares of First Interstate Class A common stock to be issued to IIBK shareholders, as required by the merger agreement. This document also constitutes a proxy statement and a notice of meeting with respect to the special meeting of shareholders of IIBK.

You should only rely on the information contained in this document. No one has been authorized to provide you with information that is different from the information contained in this document. This document is dated [], 2019. You should not assume that the information contained in this document is accurate as of any date other than that date. Neither the mailing of this document to IIBK shareholders nor the issuance by First Interstate of its Class A common stock in connection with the merger will create any implication to the contrary.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Information contained in this document regarding First Interstate has been provided by First Interstate, and the information contained in this document regarding IIBK has been provided by IIBK.

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IDAHO INDEPENDENT BANK

1260 W. Riverstone Drive

Coeur d Alene, Idaho 83814

Notice of Special Meeting of Shareholders to be held March 27, 2019

To the Shareholders of Idaho Independent Bank:

Idaho Independent Bank (which we refer to as IIBK) will hold a special meeting of shareholders (which we refer to as the IIBK special meeting) at 9:30 a.m. Pacific Time, on March 27, 2019, at the corporate office of IIBK located at 1260 W. Riverstone Drive, Coeur d Alene, Idaho, to consider and vote on the following matters:

1. a proposal to approve the merger agreement, dated as of October 11, 2018, by and among First Interstate BancSystem, Inc., First Interstate Bank and IIBK and the merger, pursuant to which IIBK will merge with and into First Interstate Bank. A copy of the merger agreement is included as Annex A to the accompanying proxy statement/prospectus; and
2. a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit the further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the merger agreement (which we refer to as the IIBK adjournment proposal).

Both of these items are described in more detail in the accompanying proxy statement/prospectus and its annexes. We urge you to read these materials carefully and in their entirety. The enclosed document forms a part of this notice.

IIBK s board of directors unanimously recommends that IIBK shareholders vote FOR both of the proposals.

IIBK shareholders of record as of the close of business on January 31, 2019 are entitled to notice of, and to vote at, the IIBK special meeting and any adjournments or postponements of the IIBK special meeting.

IIBK shareholders have the right to dissent from the merger and obtain payment of the cash appraisal fair value of their IIBK shares under applicable provisions of Idaho law. A copy of the provisions regarding dissenters rights is attached as Annex B to the accompanying proxy statement/prospectus. For details of your dissenter s rights and how to exercise them, please see the discussion under *Description of the Merger Dissenters Rights of Appraisal*.

Your vote is very important. Your proxy is being solicited by IIBK s board of directors. For the proposed merger to be completed, the proposal to approve the merger agreement must be approved by the affirmative vote of at least a majority of the votes cast at a meeting at which a quorum consisting of at least a majority of the outstanding shares of IIBK common stock is present. The IIBK adjournment proposal will be approved if a majority of the votes cast on such proposal at the IIBK special meeting are voted in favor of such proposal.

Whether or not you plan to attend the IIBK special meeting, we urge you to vote. Shareholders of record may vote:

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By internet access www.investorvote.com/IIBK and follow the on-screen instructions;

By telephone call (800) 652-VOTE (8683) and follow the instructions;

By mail complete, sign, date and mail your proxy card in the envelope provided as soon as possible; or

In person vote your shares in person by attending the IIBK special meeting.

If you hold your stock in street name through a banker or broker, please follow the instructions on the voting instruction card furnished by the record holder.

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If you have any questions or need assistance voting your shares, please contact Jane Bodle-Hill at telephone number (208) 765-3619.

By Order of the Board of Directors,

/s/ Paul H. Montreuil
Paul H. Montreuil
Corporate Secretary

Coeur d Alene, Idaho

[], 2019

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REFERENCES TO AVAILABLE INFORMATION

This document incorporates important business and financial information about First Interstate from documents filed with the SEC that have not been included in or delivered with this document. You may read and copy these documents at the SEC's public reference room located at 100 F Street, NE, Washington, DC 20549. Copies of these documents also can be obtained at prescribed rates by writing to the Public Reference Section of the SEC, at 100 F Street, NE, Washington, DC 20549 or by calling 1-800-SEC-0330 for additional information on the operation of the public reference facilities. This information is also available at the Internet site the SEC maintains at <http://www.sec.gov>. See *Where You Can Find More Information* on page 84.

You also may request orally or in writing copies of these documents at no cost by contacting First Interstate at:

First Interstate BancSystem, Inc.

401 North 31st Street

Billings, Montana 59101

Attention: Kirk D. Jensen, General Counsel

Telephone: (406) 255-5304

If you are an IIBK shareholder and would like to request documents from First Interstate, please do so by March 20, 2019 to receive them before the IIBK special meeting.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE IIBK SPECIAL MEETING

The following are answers to certain questions that you may have regarding the merger and the IIBK special meeting. We urge you to read carefully the remainder of this document because the information in this section may not provide all the information that might be important to you in determining how to vote. Additional important information is also contained in the annexes to, and the documents incorporated by reference in, this document.

Q: WHY AM I RECEIVING THIS DOCUMENT?

A. You are receiving this document because you are a shareholder of IIBK as of January 31, 2019, the record date for the IIBK special meeting. This document is being used by the board of directors of IIBK to solicit proxies from the IIBK shareholders for approval of the merger agreement and related matters. This document also serves as the prospectus for shares of First Interstate Class A common stock to be issued in exchange for shares of IIBK common stock in the merger.

To approve the merger agreement, IIBK has called a special meeting of its shareholders (which we refer to as the IIBK special meeting). This document also serves as a notice of the IIBK special meeting, and describes the proposals to be presented at the IIBK special meeting.

You should read this document carefully and in its entirety. The enclosed materials allow you to have your shares voted by proxy without attending your special meeting. **Your vote is important.** We encourage you to submit your proxy as soon as possible.

Q: WHAT AM I BEING ASKED TO VOTE ON?

A: You are being asked to vote on the approval of a merger agreement that provides for the merger of IIBK with and into First Interstate Bank. You are also being asked to vote on a proposal to adjourn the shareholder meeting to a later date or dates, if necessary, to permit the further solicitation of proxies if there are not sufficient votes at the meeting to approve the merger agreement (which we refer to as the IIBK adjournment proposal).

Q: WHAT VOTE DOES IIBK S BOARD OF DIRECTORS RECOMMEND?

A: IIBK s board of directors has determined that the proposed merger is in the best interests of IIBK shareholders, has unanimously approved the merger agreement and unanimously recommends that IIBK shareholders vote FOR the approval of the merger agreement and FOR the IIBK adjournment proposal. See the section entitled *Description of the Merger IIBK s Reasons for the Merger and Recommendation of the Board of Directors* beginning on page 33 of this document.

Q: WHAT WILL IIBK SHAREHOLDERS RECEIVE IN THE MERGER?

A: If the merger is completed, IIBK shareholders will receive 0.50 shares of First Interstate Class A common stock (which we refer to as the merger consideration) for each share of IIBK common stock held immediately before the merger.

Q: WHAT HAPPENS IF I AM ELIGIBLE TO RECEIVE A FRACTION OF A SHARE OF FIRST INTERSTATE CLASS A COMMON STOCK AS PART OF THE MERGER CONSIDERATION?

A: First Interstate will not issue any fractional shares of First Interstate Class A common stock in the merger. If the aggregate number of shares of First Interstate Class A common stock that you are entitled to receive as part of the merger consideration includes a fraction of a share of First Interstate Class A common stock, you

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will receive cash instead of that fractional share. First Interstate will pay to each former IIBK shareholder who holds fractional shares an amount in cash determined by multiplying the average of the closing sale prices of First Interstate Class A common stock for the 20 consecutive trading days ending on and including the fifth day preceding the closing date of the merger, which we refer to as the average closing price, by the fraction of a share (rounded to the nearest cent) of First Interstate Class A common stock that such shareholder would otherwise be entitled to receive. See the section entitled *Description of the Merger Consideration to be Received in the Merger* beginning on page 28 of this document.

Q: HOW WILL THE MERGER AFFECT IIBK STOCK OPTIONS?

A: At the effective time of the merger, each outstanding IIBK stock option, whether or not vested, will be converted into the right to receive cash equal to the product of (1) the number of shares of IIBK common stock subject to the stock option and (2) the amount by which the value of the merger consideration exceeds the exercise price. For purposes of this calculation, the value of the merger consideration is the product of 0.50 and the average closing price of First Interstate Class A common stock.

Q: FIRST INTERSTATE AND FIRST INTERSTATE BANK ARE ALSO ACQUIRING COMMUNITY 1ST BANK, SIMULTANEOUSLY WITH THE MERGER. WHAT IMPACT WILL THE COMMUNITY 1ST BANK MERGER HAVE ON FIRST INTERSTATE S AND FIRST INTERSTATE BANK S MERGER WITH IIBK?

A: First Interstate and First Interstate Bank entered into a merger agreement to acquire Community 1st Bank (CMYF) on the same date that it entered into the merger agreement with IIBK. The completion of IIBK s merger is not conditioned upon or subject to the completion of the merger with CMYF (the CMYF Merger). However, since First Interstate and First Interstate Bank will be required to obtain the necessary regulatory approvals for two transactions rather than one, it is possible that the CMYF Merger will lengthen the amount of time that would otherwise be needed to obtain all regulatory approvals of the merger if IIBK were the only banking institution being acquired by First Interstate and First Interstate Bank. See *Risk Factors Risks Related to the Merger First Interstate and First Interstate Bank are also acquiring CMYF in the CMYF Merger and the conditions to completing that merger may result in delays in completing the IIBK merger, or make it more difficult or time consuming than expected* for a discussion of the impact that the CMYF acquisition would have on First Interstate s and First Interstate Bank s business and operations if both the IIBK and CMYF acquisitions are completed.

Q: WHAT EQUITY STAKE WILL IIBK SHAREHOLDERS HOLD IN FIRST INTERSTATE IMMEDIATELY FOLLOWING THE MERGER?

A: Immediately following completion of the merger, IIBK shareholders will own approximately 9.2% of the outstanding shares of First Interstate Class A common stock and 6.0% of the aggregate outstanding shares of First Interstate Class A common stock and First Interstate Class B common stock, which we refer to collectively in this document as First Interstate common stock, which equates to 2.5% of the voting power of First Interstate common stock. Following the completion of the merger and taking into account the closing of the CMYF Merger,

IIBK shareholders will own approximately 10.2% of the outstanding shares of First Interstate Class A common stock and 6.7% of the aggregate outstanding shares of First Interstate common stock, which equates to 2.8% of the voting power of First Interstate common stock.

Q: HOW DO IIBK SHAREHOLDERS EXCHANGE THEIR STOCK CERTIFICATES?

A: Shortly after the merger, First Interstate's exchange agent will send instructions to you on how and where to surrender your IIBK stock certificates after the merger is completed. **Please do not send your IIBK stock certificates with your proxy card.**

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Q: ARE IIBK S SHAREHOLDERS ENTITLED TO APPRAISAL RIGHTS?

A: Yes. If you vote against the merger, and take certain other actions required by Idaho law, you will have dissenter s rights under Section 26-909 of the Idaho Code. Exercise of these rights will result in the purchase of your shares at fair value, as determined in accordance with Idaho law. Please read the section entitled *Description of the Merger Dissenters Rights of Appraisal* on page 69 of this document and review Annex B to this document for additional information.

Q: IS COMPLETION OF THE MERGER SUBJECT TO ANY CONDITIONS BESIDES SHAREHOLDER APPROVAL?

A: Yes. The merger must receive the required regulatory approvals, and there are other customary closing conditions that must be satisfied. For more information about the conditions to the completion of the merger, see *Description of the Merger Conditions to Completing the Merger* on page 58 of this document.

Q: WHEN IS THE MERGER EXPECTED TO BE COMPLETED?

A: We will complete the merger as soon as possible. Before that happens, the merger agreement must be approved by IIBK s shareholders and we must obtain the necessary regulatory approvals, among other conditions. Assuming timely receipt of regulatory and shareholder approvals, we expect to complete the merger in the first half of 2019.

Q: ARE THERE RISKS THAT I SHOULD CONSIDER IN DECIDING WHETHER TO VOTE TO APPROVE THE MERGER AGREEMENT?

A: Yes. You should consider the risk factors set forth in the section entitled *Risk Factors* beginning on page 15 of this document.

Q: WHAT VOTE IS REQUIRED TO APPROVE THE MATTERS TO BE CONSIDERED AT THE SPECIAL MEETING?

A: The proposal to approve the merger agreement must be approved by the affirmative vote of a majority of the votes cast at a meeting at which a quorum consisting of at least a majority of the outstanding shares of IIBK common stock is present. Abstentions and broker non-votes will not affect the outcome on the vote to approve the merger agreement, as long as there is a quorum present at the special meeting.

Similarly, approval of the IIBK adjournment proposal requires that the votes cast in favor of the proposal exceed the votes cast against. Abstentions and broker non-votes will not affect the outcome of the vote on the IIBK adjournment proposal.

Q: WHAT IS THE QUORUM REQUIREMENT FOR THE SPECIAL MEETING?

A: The presence at the IIBK special meeting, in person or by proxy, of shareholders representing a majority of the outstanding shares of IIBK common stock will constitute a quorum. Abstentions and broker non-votes, if any, will be included in determining the number of shares present at the meeting for determining the presence of a quorum.

Q: WHEN AND WHERE IS THE SPECIAL MEETING?

A: The IIBK special meeting is scheduled to take place at the corporate office of IIBK located at 1260 W. Riverstone Drive, Coeur d Alene, Idaho, at 9:30 a.m., Pacific Time, on March 27, 2019.

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Q: WHO IS ENTITLED TO VOTE AT THE SPECIAL MEETING?

A: Holders of shares of IIBK common stock at the close of business on January 31, 2019 are entitled to vote at the IIBK special meeting. As of the record date, [] shares of IIBK common stock were outstanding and entitled to vote.

Q: IF I PLAN TO ATTEND THE SPECIAL MEETING IN PERSON, SHOULD I STILL RETURN MY PROXY?

A: Yes. Whether or not you plan to attend the special meeting, you should promptly submit your proxy so that your shares will be voted at the special meeting. The failure of a shareholder to vote in person or by proxy will have the same effect as a vote AGAINST the merger agreement.

Q: WHAT DO I NEED TO DO NOW TO VOTE MY SHARES OF COMMON STOCK?

A: If you are a shareholder of record, you can vote your shares as follows:

via internet at www.investorvote.com/IIBK;

via telephone by calling (800) 652-VOTE (8683);

by completing and returning the proxy card that is enclosed; or

by voting in person at the special meeting.

Please refer to the specific instructions set forth on the proxy card. We encourage you to vote via the internet or by telephone.

Q: HOW CAN I CHANGE MY VOTE AFTER I HAVE SUBMITTED MY PROXY?

A: You may change your vote at any time before your proxy is voted at the special meeting by: (1) filing with the Corporate Secretary a duly executed revocation of proxy; (2) submitting a new proxy card with a later date; (3) voting again via the internet or by telephone; or (4) voting in person at the meeting (your attendance at the meeting will not by itself revoke your proxy). The IIBK Corporate Secretary's mailing address is 1260 W. Riverstone Drive, Coeur d'Alene, Idaho 83814.

If you hold your shares of IIBK common stock in street name through a bank or broker, you should contact your bank or broker to change your vote or revoke your proxy.

Your last vote will be the vote that is counted.

Q: IF MY SHARES ARE HELD IN STREET NAME BY MY BROKER, BANK OR OTHER NOMINEE, WILL MY BROKER, BANK OR OTHER NOMINEE AUTOMATICALLY VOTE MY SHARES FOR ME?

A: No. Your broker, bank or other nominee will not be able to vote your shares of common stock on the proposal to approve the merger agreement or on the adjournment proposal unless you provide instructions on how to vote. Please instruct your broker, bank or other nominee how to vote your shares, following the directions that your broker, bank or other nominee provides. If you do not provide instructions to your broker, bank or other nominee, your shares will not be voted, and this will have the effect of voting AGAINST the merger agreement. Please review the instructions from your broker, bank or other nominee to see if your broker, bank or other nominee offers telephone or internet voting.

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Q: WHAT ARE THE DEADLINES FOR VOTING?

A: You may: (1) vote by mail at any time before the meeting as long as your proxy is received before the time of the special meeting; or (2) vote by internet or telephone by 1:00 a.m., Eastern Time, on March 27, 2019.

If your shares are held in street name, you must vote your shares according to the voting instruction form by the deadline set by your broker, bank or other nominee.

Q: WHAT ARE THE TAX CONSEQUENCES OF THE MERGER TO IIBK SHAREHOLDERS?

A: It is a condition to the completion of the merger that First Interstate and IIBK receive written opinions from their respective counsel to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to in this document as the Internal Revenue Code. Subject to the limitations and qualifications described in the section entitled *Description of the Merger Material U.S. Federal Income Tax Consequences of the Merger*, if you are a United States holder of IIBK common stock, generally you will not recognize any gain or loss with respect to the exchange of shares of IIBK common stock for shares of First Interstate Class A common stock in the merger. However, IIBK shareholders generally will recognize gain or loss with respect to cash received instead of fractional shares of First Interstate Class A common stock that the IIBK shareholders would otherwise be entitled to receive.

You should read *Description of the Merger Material U.S. Federal Income Tax Consequences of the Merger* beginning on page 50 of this document for more information about the United States federal income tax consequences of the merger. Tax matters can be complicated and the tax consequences of the merger will depend on your particular tax situation. **You should consult your tax advisor to determine the tax consequences of the merger to you.**

Q: IF I AM AN IIBK SHAREHOLDER, SHOULD I SEND IN MY IIBK STOCK CERTIFICATES NOW?

A: No. Please do not send in your IIBK stock certificates with your proxy. Promptly following the completion of the merger, an exchange agent will send you instructions for exchanging IIBK stock certificates for the merger consideration. See *Description of the Merger Surrender of Stock Certificates* beginning on page 49.

Q: WHAT SHOULD I DO IF I HOLD MY SHARES OF IIBK COMMON STOCK IN BOOK-ENTRY FORM?

A: You are not required to take any additional actions if your shares of IIBK common stock are held in book-entry form. Promptly following the completion of the merger, shares of IIBK common stock held in book-entry form automatically will be exchanged for shares of First Interstate Class A common stock in book-entry form and cash to be paid in exchange for fractional shares, if any.

Q: WHOM MAY I CONTACT IF I CANNOT LOCATE MY IIBK STOCK CERTIFICATE(S)?

A: If you are unable to locate your original IIBK stock certificate(s), you should contact Shareholder Services at Computershare, Inc., IIBK's transfer agent, at (800) 962-4282.

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Q: WHO CAN ANSWER MY OTHER QUESTIONS?

A: If you have more questions about the merger, the shareholder meeting or how to submit your proxy, or if you need additional copies of this document or a proxy card you should contact:

Idaho Independent Bank

Attn: Jane Bodle-Hill, Assistant Secretary

1260 W. Riverstone Drive

Coeur d Alene, Idaho 83814

(208) 765-3619

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SUMMARY

This summary highlights selected information in this document and may not contain all of the information important to you. To understand the merger more fully, you should read this entire document carefully, including the annexes and the documents attached to or incorporated by reference into this document.

The Companies

First Interstate BancSystem, Inc.

401 North 31st Street

Billings, Montana 59101

(406) 255-5304

First Interstate, a Montana corporation, is a bank holding company headquartered in Billings, Montana. It is the parent company of First Interstate Bank, a Montana-chartered bank. First Interstate Bank is a community bank operating over 140 banking offices, including online and mobile banking services, throughout Idaho, Montana, Oregon, South Dakota, Washington, and Wyoming. First Interstate Class A common stock is listed on the Nasdaq Global Select Market under the symbol FIBK. At September 30, 2018, First Interstate had total assets of \$13.35 billion, total deposits of \$10.85 billion and shareholders' equity of \$1.65 billion.

Idaho Independent Bank

1260 W. Riverstone Drive

Coeur d'Alene, Idaho 83814

(208) 765-3619

IIBK is an Idaho-chartered bank headquartered in Coeur d'Alene, Idaho. IIBK was established in 1993 and currently operates 11 branches in Boise, Caldwell, Coeur d'Alene, Hayden, Meridian, Mountain Home, Nampa, Star, and Sun Valley/Ketchum, Idaho. At September 30, 2018, IIBK had total assets of \$742.2 million, total deposits of \$626.6 million and shareholders' equity of \$72.5 million.

Pending Acquisition of Community 1st Bank

On October 11, 2018, First Interstate and First Interstate Bank also entered into an agreement to acquire CMYF. Pursuant to the CMYF merger agreement, CMYF will merge with and into First Interstate Bank, with First Interstate Bank as the surviving entity. The CMYF Merger was approved by the boards of directors of each of First Interstate, First Interstate Bank and CMYF and is expected to close in the first half of 2019. Completion of the CMYF Merger is subject to customary closing conditions, including receipt of required regulatory approvals and approval of CMYF's shareholders. The completion of the IIBK merger is not conditioned upon or subject to the completion of the CMYF Merger. Under the terms of the CMYF merger agreement, holders of CMYF common stock will receive 0.3784 shares of First Interstate Class A common stock for each share of CMYF common stock, which equates to an aggregate transaction value of approximately \$21.0 million as of the date of the CMYF merger agreement.

At September 30, 2018, CMYF had total consolidated assets of approximately \$133.1 million, total deposits of approximately \$118.7 million, and total common shareholders' equity of approximately \$13.8 million.

For additional information on the CMYF Merger, including certain pro forma financial information, see *Unaudited Comparative Pro Forma Per Share Data*.

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Background of the Merger (page 28)

Increased legislative and regulatory scrutiny of the financial services industry in recent years, as well as the ongoing consolidation in the financial services industry, have affected financial institutions generally and IIBK, in particular. As part of its ongoing consideration and evaluation of IIBK's long-term prospects and strategies, IIBK's board of directors and management have been carefully considering all options for IIBK to remain competitive.

After considering IIBK's options and a number of factors including the competitive and economic environment, the board of directors determined that the acquisition by First Interstate and First Interstate Bank was IIBK's best option to maximize value for IIBK's shareholders in the current banking market.

For more information about the background of the merger we recommend you read the section of this document entitled *Description of the Merger Background of the Merger*.

IIBK's Reasons for the Merger and Recommendation of the Board of Directors (page 33)

In evaluating whether to adopt the merger agreement, the IIBK board of directors determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are fair to, and in the best interests of, IIBK's shareholders. In making this determination, IIBK's directors consulted with IIBK's management and its financial and legal advisors, and considered a number of factors.

These factors are discussed under the heading *Description of the Merger IIBK's Reasons for the Merger and Recommendation of the Board of Directors*. After reviewing such factors, the IIBK board of directors unanimously determined that the merger and the transactions contemplated thereby are fair to, and in the best interests of, IIBK's shareholders and unanimously recommended and continues to recommend that IIBK's shareholders vote **FOR** the merger agreement at the IIBK special meeting.

In addition, the IIBK board of directors unanimously recommends that IIBK shareholders vote **FOR** the IIBK adjournment proposal.

Special Meeting of IIBK Shareholders; Required Vote (page 25)

The IIBK special meeting is scheduled to be held at the corporate office of IIBK located at 1260 W. Riverstone Drive, Coeur d'Alene, Idaho, at 9:30 a.m., Pacific Time, on March 27, 2019. At the IIBK special meeting, IIBK shareholders will be asked to vote on a proposal to approve the merger agreement by and among IIBK, First Interstate and First Interstate Bank. IIBK shareholders may also be asked to approve the IIBK adjournment proposal.

Only IIBK shareholders of record as of the close of business on January 31, 2019 are entitled to notice of, and to vote at, the IIBK special meeting and any adjournments or postponements of the meeting.

Approval of the merger agreement requires the affirmative vote of at least a majority of the votes cast at a meeting at which a quorum consisting of at least a majority of the outstanding shares of IIBK common stock is present. Similarly, approval of the IIBK adjournment proposal requires the affirmative vote of a majority of the votes cast by the IIBK shareholders at the IIBK special meeting. As of January 31, 2019, the record date for the IIBK special meeting, there were [] shares of IIBK common stock outstanding and entitled to vote. The directors and executive officers of IIBK, as a group, beneficially owned [] shares of IIBK common stock, not including shares that may be acquired upon the exercise of stock options, representing approximately []% of the outstanding shares of IIBK common stock as of the record date.

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Each of the directors and certain executive officers of IIBK, solely in their individual capacity as an IIBK shareholder, have entered into a separate voting agreement with First Interstate and First Interstate Bank, pursuant to which each such IIBK director or executive officer has agreed to vote in favor of the merger agreement.

The Merger and the Merger Agreement (page 28)

The merger of IIBK with and into First Interstate Bank is governed by the merger agreement. The merger agreement provides that if all of the conditions are satisfied or waived, IIBK will be merged with and into First Interstate Bank, with First Interstate Bank as the surviving entity. **We encourage you to read the merger agreement, which is included as Annex A to this document.**

What IIBK Shareholders Will Receive in the Merger (page 28)

If the merger is completed, IIBK shareholders will receive 0.50 shares (such number being referred to as the exchange ratio) of First Interstate Class A common stock for each share of IIBK common stock held immediately before the merger. First Interstate will not issue any fractional shares of First Interstate Class A common stock in the merger. First Interstate will pay to each former IIBK shareholder who holds fractional shares an amount in cash determined by multiplying the average of the closing sale prices of First Interstate Class A common stock for the 20 consecutive trading days ending on and including the fifth day preceding the closing date of the merger by the fraction of a share (rounded to the nearest cent) of First Interstate Class A common stock that such shareholder would otherwise be entitled to receive.

Based on First Interstate's closing price of \$44.62 on October 11, 2018, which was the last trading date preceding the public announcement of the proposed merger, each share of IIBK common stock exchanged for 0.50 shares of First Interstate Class A common stock would have a value of \$22.31. Based on the deemed value per share to IIBK shareholders and assuming an aggregate of 7,739,024 shares of IIBK common stock outstanding and 351,580 stock options outstanding with a weighted exercise price of \$7.25, the aggregate merger consideration to holders of IIBK common stock was approximately \$178.0 million on October 11, 2018. Based on First Interstate's closing price of \$37.90 on January 14, 2019, which is the most recent practicable trading day before the printing of this document, each share of IIBK common stock exchanged for 0.50 shares of First Interstate Class A common stock would have a value of \$18.95. The common stock of First Interstate trades on the Nasdaq Global Select Market under the symbol FIBK. The common stock of IIBK trades on the OTC Market's Pink Market Place under the symbol IIBK. The market price of both First Interstate Class A common stock and IIBK common stock will fluctuate before the completion of the merger; therefore, you are urged to obtain current market quotations for First Interstate Class A common stock and IIBK common stock.

Market Price and Share Information (page 82)

The following table shows the closing price per share of First Interstate Class A common stock, the closing price per share of IIBK common stock and the equivalent price per share of IIBK common stock, giving effect to the merger, on October 11, 2018, which is the last day on which shares of each of First Interstate Class A common stock and IIBK common stock traded preceding the public announcement of the proposed merger, and on January 14, 2019, the most recent practicable date before the mailing of this document. The implied value of one share of IIBK common stock is computed by multiplying the price of a share of First Interstate Class A common stock by the 0.50 exchange ratio. See *Description of the Merger Consideration to be Received in the Merger*.

	First Interstate Common Stock	IIBK Common Stock	Implied Value of One Share of IIBK Common Stock
October 11, 2018	\$ 44.62	\$ 14.95	\$ 22.31
January 14, 2019	37.90	18.88	18.95

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Treatment of IIBK Stock Options (page 49)

At the effective time of the merger, each option to purchase shares of IIBK common stock outstanding immediately before the effective time of the merger, whether or not vested, will be cancelled and, upon First Interstate's receipt of an option surrender agreement from the holder, exchanged for a cash payment equal to the product of (1) the number of shares of IIBK common stock subject to the stock option multiplied by (2) the amount by which the merger consideration exceeds the exercise price of such option, less applicable withholding taxes. For purposes of this calculation, the merger consideration is the product of the exchange ratio times the average closing sales price of First Interstate Class A common stock over the 20 consecutive trading days ending on the fifth day before the closing date of the merger.

Opinion of IIBK's Financial Advisor (page 35)

On October 11, 2018, the IIBK board of directors received an opinion from its financial advisor, Sandler O'Neill & Partners, L.P. (which we refer to as Sandler O'Neill), to the effect that, as of such date and subject to the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Sandler O'Neill as set forth in its opinion, the exchange ratio in the proposed merger was fair, from a financial point of view, to the holders of IIBK common stock.

The description of the opinion set forth herein is qualified in its entirety by reference to the full text of the opinion, which is attached as Annex C to this proxy statement/prospectus. IIBK shareholders should read the entire opinion carefully for a discussion of, among other things, the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Sandler O'Neill in preparing the opinion.

Sandler O'Neill's opinion speaks only as of the date of the opinion. The opinion was for the information of, and was directed to, the IIBK board of directors (in its capacity as such) in connection with its consideration of the financial terms of the merger. The opinion addressed only the fairness, from a financial point of view, as of the date of the opinion, of the exchange ratio in the merger to the holders of IIBK common stock. It did not address the underlying business decision of the IIBK board of directors to engage in the merger or enter into the merger agreement or constitute a recommendation to the IIBK board of directors in connection with the merger, and it does not constitute a recommendation to any holder of IIBK common stock as to how to vote in connection with the merger or any other matter.

For a description of the opinion that the IIBK board of directors received from Sandler O'Neill, please refer to the section entitled *Description of the Merger Opinion of IIBK's Financial Advisor*.

Interests of Certain Persons in the Merger that are Different from Yours (page 54)

In considering the information contained in this document, you should be aware that IIBK's executive officers and directors have employment and other compensation agreements or plans that give them financial interests in the merger that are different from, or in addition to, the interests of IIBK shareholders generally. The IIBK board of directors was aware of these interests at the time it approved the merger agreement. These interests include, among other things:

employment agreements between IIBK and each of Paul H. Montreuil, Senior Vice President and Cashier of IIBK and two other officers of IIBK that generally provide for cash severance payments if the executive's

employment is terminated with good reason or involuntarily terminated without cause following a change in control and during the term of the employment agreement;

accelerated vesting and payment of all outstanding IIBK stock options;

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settlement agreements that First Interstate, First Interstate Bank and IIBK entered into with each of Jack W. Gustavel, Executive Chairman of the Board of IIBK and Kurt R. Gustavel, President and Chief Executive Officer of IIBK, concurrent with the execution of the merger agreement, in full satisfaction of their rights under their employment agreements with IIBK;

the continued employment of Kurt R. Gustavel, President and Chief Executive Officer of IIBK, as First Interstate Bank's Regional President responsible for operations in the Idaho and Eastern Washington region; and

the rights of IIBK officers and directors under the merger agreement to continued indemnification coverage and continued coverage under directors' and officers' liability insurance policies.

IIBK Shareholders Dissenters' Rights (page 69)

Under Idaho law, IIBK shareholders have the right to dissent from the merger and receive cash for the fair value of their shares of IIBK common stock. A shareholder electing to dissent must strictly comply with all the procedures required by Idaho law. These procedures are described later in this document, and a copy of the relevant statutory provisions is attached as Annex B. For more information on dissenters' rights, see *Description of the Merger Dissenters' Rights of Appraisal*.

Regulatory Matters Relating to the Merger (page 53)

Under the terms of the merger agreement, the merger cannot be completed unless it is first approved by the Board of Governors of the Federal Reserve System, which we refer to in this document as the Federal Reserve Board, the Montana Division of Banking and Financial Institutions, which we refer to in this document as the Montana Division, and the Idaho Department of Finance, which we refer to in this document as the Idaho Department. First Interstate has filed the required applications. First Interstate has received approvals from the Montana Division and the Idaho Department. While First Interstate does not know of any reason why it would not obtain the remaining approvals in a timely manner, other than the complexities involved in acquiring two financial institutions simultaneously, First Interstate cannot be certain when or if it will receive the regulatory approvals.

Conditions to Completing the Merger (page 58)

The completion of the merger is subject to the fulfillment of a number of customary closing conditions, including:

approval of the merger agreement by IIBK shareholders;

receipt of all required regulatory approvals, consents or waivers and the expiration of all statutory waiting periods;

the absence of any order, decree, injunction, statute, rule or regulation that prevents the consummation of the merger or that makes completion of the merger illegal;

receipt of consent of all third parties whose consent is required to consummate the merger, except where failure to obtain such consent would not have a material adverse effect on First Interstate or First Interstate Bank;

effectiveness of the registration statement of which this document is a part;

authorization for listing on the Nasdaq Stock Market of the shares of First Interstate Class A common stock to be issued in the merger;

receipt by each of First Interstate and IIBK of an opinion from their respective legal counsel to the effect that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

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subject to the materiality standards provided in the merger agreement, the continued accuracy of the representations and warranties of First Interstate and IIBK in the merger agreement;

performance in all material respects by each of First Interstate and IIBK of its respective obligations under the merger agreement, unless waived by the other party;

the absence of any material adverse effect with respect to First Interstate and First Interstate Bank, on the one hand, or IIBK, on the other hand, since the date of the merger agreement;

none of the regulatory approvals containing any materially burdensome conditions; and

not more than 10% of the outstanding shares of IIBK common stock having exercised dissenters' rights.

Terminating the Merger Agreement (page 67)

The merger agreement may be terminated by mutual written consent of First Interstate and IIBK at any time before the completion of the merger. Additionally, subject to conditions and circumstances described in the merger agreement, either First Interstate or IIBK may terminate the merger agreement if, among other things, any of the following occur:

IIBK shareholders do not approve the merger agreement at the IIBK special meeting (in the case of IIBK terminating, only if IIBK has complied with certain obligations, including calling the IIBK special meeting and recommending that the IIBK shareholders approve the merger);

any required regulatory approval has been denied and such denial has become final and non-appealable, or a governmental authority or court has issued a final, unappealable order prohibiting consummation of the transactions contemplated by the merger agreement;

the merger has not been consummated by May 31, 2019, unless the failure to complete the merger by that time was due to the failure of the party seeking to terminate the merger agreement to perform or observe the covenants and agreements provided in the merger agreement; or

there is a breach by the other party of any covenant or agreement contained in the merger agreement, or any representation or warranty of the other party becomes untrue, in each case such that the conditions to closing would not be satisfied and such breach or untrue representation or warranty has not been or cannot be cured within 30 days after the giving of written notice to such party of such breach.

First Interstate may also terminate the merger agreement if IIBK breaches its obligations in any material respect regarding the solicitation of other acquisition proposals or submission of the merger agreement to IIBK's shareholders or if the IIBK board of directors does not publicly recommend in this document that IIBK shareholders approve the merger agreement or withdraws or revises its recommendation in a manner adverse to First Interstate.

IIBK may also terminate the merger agreement:

before adoption and approval of the merger agreement by its shareholders, to enter into an agreement with respect to a superior proposal to be acquired by a third party, but only if IIBK's board of directors has determined in good faith based on the advice of legal counsel that failure to take such action would cause the IIBK board of directors to violate its fiduciary duties and IIBK has not breached its obligations regarding the solicitation of other acquisition proposals; and

within the five-day period commencing with the fifth day before the closing date of the merger (which we refer to as the determination date), if both of the following conditions have been satisfied:

the average daily closing sale prices of a share of First Interstate Class A common stock as reported on the Nasdaq Global Select Market for the 20 consecutive trading days ending on and

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including the determination date is less than \$36.54 (80% of the closing sale price of First Interstate Class A common stock on the third trading date before the date of the first public announcement of the merger agreement); and

First Interstate Class A common stock underperforms the KBW Regional Banking Index by more than 20% during the same period.

However, if IIBK chooses to exercise this termination right, First Interstate has the option, within five days of receipt of notice from IIBK, to adjust the merger consideration and prevent termination under this provision.

Termination Fee (page 68)

Under certain circumstances described in the merger agreement in connection with the termination of the merger agreement, including circumstances involving alternative acquisition proposals with respect to IIBK and changes in the recommendation of the IIBK board of directors to its shareholders, IIBK will owe First Interstate a \$6.8 million termination fee. See *Description of the Merger Termination Fee* for a description of the circumstances under which the termination fee is payable. The termination fee could discourage other companies from seeking to acquire IIBK.

Accounting Treatment of the Merger (page 50)

The merger will be accounted for using the acquisition method in accordance with U.S. generally accepted accounting principles.

Comparison of Rights of Shareholders (page 75)

When the merger is completed, IIBK shareholders will receive shares of First Interstate Class A common stock and become First Interstate shareholders with their rights governed by Montana law and by First Interstate's amended and restated articles of incorporation and bylaws. The rights of IIBK shareholders will change as a result of the merger due to differences in First Interstate's and IIBK's governing documents. See *Comparison of Rights of Shareholders* for a summary of the material differences between the respective rights of IIBK shareholders and First Interstate shareholders.

Material U.S. Federal Income Tax Consequences of the Merger (page 50)

The merger is intended to qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Accordingly, U.S. holders of IIBK common stock generally will not recognize any gain or loss on the exchange of shares of IIBK common stock for shares of First Interstate Class A common stock. However, a U.S. holder of IIBK common stock generally will recognize gain or loss with respect to cash received instead of a fractional share of First Interstate Class A common stock that a U.S. holder would otherwise be entitled to receive.

This tax treatment may not apply to all IIBK shareholders. Determining the actual tax consequences of the merger to you can be complicated and will depend on your particular circumstances. IIBK shareholders should consult their own tax advisor for a full understanding of the merger's tax consequences that are particular to each shareholder.

To review the tax consequences of the merger to IIBK shareholders in greater detail, please see the section *Description of the Merger Material U.S. Federal Income Tax Consequences of the Merger*.

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Risk Factors (page 15)

You should consider all the information contained in or incorporated by reference into this document in deciding how to vote for the proposals presented in the document. In particular, you should consider the factors described under *Risk Factors*.

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RISK FACTORS

*In deciding how to vote, you should consider carefully all of the information included in this document and its annexes, all of the information incorporated by reference into the document and the risk factors identified by First Interstate with respect to First Interstate's operations included in its filings with the SEC, including First Interstate's Annual Report on Form 10-K for the year ended December 31, 2017. See *Where You Can Find More Information*. In addition, you should consider the following risk factors.*

Risks Related to the Merger

Because the price of First Interstate Class A common stock will fluctuate, IIBK shareholders cannot be certain of the market value of the merger consideration.

Upon the completion of the merger, each share of IIBK common stock outstanding immediately before the completion of the merger will be converted into the right to receive 0.50 shares of First Interstate Class A common stock. The market value of the merger consideration may vary from the closing price of First Interstate Class A common stock on the date the execution of the merger agreement was announced, on the date that this document was mailed to IIBK shareholders, on the date of the IIBK special meeting and on the date the merger is completed. The market price of First Interstate Class A common stock may fluctuate as a result of a variety of factors, including general market and economic conditions, changes in First Interstate's business, operations and prospects, and regulatory considerations. Therefore, at the time of the IIBK special meeting, IIBK shareholders will not know or be able to calculate the market value of the First Interstate Class A common stock they will receive upon completion of the merger. For example, based on the range of closing prices of First Interstate Class A common stock during the period from October 11, 2018, the last trading day before public announcement of the merger, through January 14, 2019, the last practicable date before the date of this document, the merger consideration represented a market value ranging from a low of \$17.31 to a high of \$22.31 for each share of IIBK common stock. You should obtain current market quotations for shares of First Interstate Class A common stock and IIBK common stock. See *Market Price and Dividend Information* on page 82 for ranges of historic market prices of First Interstate Class A common stock and IIBK common stock.

The price of First Interstate Class A common stock might decrease after the merger.

Upon completion of the merger, holders of IIBK common stock will become shareholders of First Interstate. First Interstate Class A common stock could decline in value after the merger. For example, during the twelve-month period ending on January 14, 2019 (the most recent practicable date before the printing of this document), the closing price of First Interstate Class A common stock varied from a low of \$35.03 to a high of \$46.95 and ended that period at \$37.90. The market value of First Interstate Class A common stock fluctuates based upon general market conditions, First Interstate's business, operations and prospects and other factors. Further, the market price of First Interstate Class A common stock after the merger may be affected by factors different from those currently affecting the common stock of First Interstate or IIBK. The businesses of IIBK and First Interstate Bank differ and, accordingly, the results of operations of the combined company and the market price of First Interstate's shares of common stock following the merger may be affected by factors different from those currently affecting the independent results of operations and market prices of common stock of each of IIBK and First Interstate. For a discussion of the business of First Interstate, First Interstate Bank and of certain factors to consider in connection with First Interstate's business, see the documents incorporated by reference in this document and referred to under *Where You Can Find More Information* beginning on page 84.

IIBK, First Interstate Bank and First Interstate will be subject to business uncertainties and contractual restrictions while the merger is pending.

Uncertainty about the effects of the merger on employees and customers may have an adverse effect on IIBK, First Interstate Bank or First Interstate. These uncertainties may impair IIBK's, First Interstate Bank's or

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First Interstate's ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that interact with IIBK, First Interstate Bank or First Interstate to seek to change existing business relationships with IIBK, First Interstate Bank or First Interstate. Retention of certain employees by IIBK, First Interstate Bank or First Interstate may be challenging while the merger is pending, as certain employees may experience uncertainty about their future roles with the combined company. If key employees depart because of issues relating to the uncertainty and difficulty of integration, or a desire not to remain with IIBK or First Interstate, IIBK's business or First Interstate's business could be harmed. In addition, subject to certain exceptions, IIBK has agreed to operate its business in the ordinary course before closing, which may prevent it from pursuing certain growth opportunities. See *Description of the Merger - Conduct of Business Before the Merger* for a description of the restrictive covenants applicable to IIBK and First Interstate.

Failure to complete the merger could negatively impact the stock prices and future businesses and financial results of First Interstate, First Interstate Bank and IIBK.

There can be no assurance that the merger will be completed. If the merger is not completed, the ongoing businesses of First Interstate, First Interstate Bank and IIBK may be adversely affected and First Interstate, First Interstate Bank and IIBK will be subject to a number of risks, including the following:

First Interstate and IIBK will be required to pay certain costs relating to the merger, whether or not the merger is completed, such as legal, accounting, financial advisor, proxy solicitation and printing fees;

under the merger agreement, First Interstate, First Interstate Bank and IIBK are subject to certain restrictions on the conduct of their respective businesses before completing the merger, which may adversely affect their ability to execute certain of its business strategies if the merger is terminated; and

matters relating to the merger may require substantial commitments of time and resources by First Interstate, First Interstate Bank and IIBK management, which could otherwise have been devoted to other opportunities that may have been beneficial to First Interstate, First Interstate Bank and IIBK as independent companies.

In addition, if the merger is not completed, First Interstate, First Interstate Bank and/or IIBK may experience negative reactions from the financial markets and from their respective customers and employees. First Interstate, First Interstate Bank and/or IIBK also could be subject to litigation related to any failure to complete the merger or to proceedings commenced by First Interstate and First Interstate Bank on the one hand, or IIBK on the other hand, against the other seeking damages or to compel the other to perform its obligations under the merger agreement. These factors and similar risks could have an adverse effect on the results of operation, business and stock prices of First Interstate, First Interstate Bank and IIBK.

First Interstate and First Interstate Bank may be unable to successfully integrate IIBK's operations or retain IIBK's employees, which could adversely affect the combined company.

The merger involves the integration of two banks that have previously operated independently. The difficulties of combining the operations of the two banks include, among other things: integrating personnel with diverse business backgrounds; combining different corporate cultures; and retaining key employees.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of the business and the loss of key personnel. The integration of the two banks will substantially benefit from the experience and expertise of certain key employees of IIBK who are expected to be retained by First Interstate Bank. First Interstate Bank may not be successful in retaining these employees for the time period necessary to successfully integrate IIBK's operations with those of First Interstate Bank. The diversion of management's attention and any delays or difficulties encountered in connection with the merger and the integration of the two companies' operations could have an adverse effect on the business and results of operations of First Interstate Bank following the merger.

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Additionally, First Interstate and First Interstate Bank may not be able to successfully achieve the level of cost savings, revenue enhancements and other synergies that it expects, and may not be able to capitalize upon the existing customer relationships of IIBK to the extent anticipated, or it may take longer, or be more difficult or expensive than expected, to achieve these goals. These matters could have an adverse effect on First Interstate's business, results of operation and stock price.

First Interstate and First Interstate Bank are also acquiring CMYF in the CMYF Merger and the conditions to completing that merger may result in delays in completing the IIBK merger, or make it more difficult or time consuming than expected.

First Interstate and First Interstate Bank announced the proposed acquisition of CMYF in the CMYF Merger on the same date as the IIBK merger. The CMYF Merger is subject to customary closing conditions, including receipt of regulatory approvals for the CMYF Merger, as well as the approval of the shareholders of CMYF. The preparation and filing of regulatory applications, and a separate prospectus/proxy statement, as well as planning the integration of CMYF at the same time as obtaining the regulatory approvals and planning the integration of IIBK is time consuming and could divert management attention and resources away from the IIBK merger. It is possible that because of the complexities involved in acquiring two financial institutions simultaneously, First Interstate and First Interstate Bank could experience delays in regulatory approval. This could result in the merger process taking longer than anticipated, which could be costly to First Interstate, First Interstate Bank and IIBK, disrupt First Interstate's or IIBK's ongoing businesses relationships with their respective clients, customers, depositors and employees or result in a failure to achieve the anticipated benefits of the IIBK merger.

The termination fee and the restrictions on solicitation contained in the merger agreement may discourage other companies from trying to acquire IIBK.

Until the completion of the merger, with some exceptions, IIBK is prohibited from soliciting, initiating, encouraging or participating in any discussion of or otherwise considering any inquiry or proposal that may lead to an acquisition proposal, such as a merger or other business combination transactions, with any person other than First Interstate and First Interstate Bank. In addition, IIBK has agreed to pay a \$6.8 million termination fee to First Interstate in specified circumstances. These provisions could discourage other companies that may have an interest in acquiring IIBK from considering or proposing such an acquisition even though those other companies might be willing to offer greater value to IIBK's shareholders than First Interstate has offered in the merger. The payment of the termination fee would also have a material adverse effect on IIBK's financial condition and results of operations.

Certain of IIBK's directors and officers have interests that are different from, or in addition to, interests of IIBK shareholders generally.

Certain executive officers and directors of IIBK have interests in the merger that are different from, or in addition to, the interests of IIBK shareholders generally. These include: (1) employment agreements for certain executive officers of IIBK that provide for cash severance payments upon an involuntary termination without cause or a voluntary termination with good reason following the completion of the merger; (2) a cash payment in connection with the termination of all outstanding IIBK stock options; (3) settlement agreements entered into with each of Jack W. Gustavel and Kurt R. Gustavel, concurrent with the execution of the merger agreement; (4) continued employment of Kurt R. Gustavel as First Interstate Bank's Regional President responsible for operations in the Idaho and Eastern Washington region; and (5) provisions in the merger agreement relating to indemnification of directors and officers and insurance for directors and officers of IIBK for events occurring before the merger. For a more detailed discussion of these interests, see *Description of the Merger Interests of Certain Persons in the Merger that are Different from Yours* beginning on page 54.

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Both First Interstate and IIBK shareholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management of the combined organization.

First Interstate shareholders and IIBK shareholders each currently have the right to vote in the election of their respective board of directors and on various other matters affecting their respective company. Upon the completion of the merger, IIBK's shareholders will become shareholders of First Interstate with a percentage ownership of the combined organization that is substantially smaller than such shareholders' percentage ownership of IIBK. Following completion of the merger, IIBK shareholders will own approximately 10.2% of the outstanding shares of First Interstate Class A common stock and 6.7% of the aggregate outstanding shares of the First Interstate common stock, which equates to 2.8% of the voting power of First Interstate common stock. Additionally, upon the completion of the CMYF Merger, IIBK's shareholders' percentage ownership of First Interstate will further decrease.

The reduced voting power of IIBK shareholders is further effected by the two classes of common stock that First Interstate maintains. First Interstate Class B common stock is entitled to five votes per share, while shares of First Interstate Class A common stock, which is what will be issued to IIBK shareholders, are entitled to one vote per share. As of January 14, 2019, members of the Scott family held 21,285,014 shares of First Interstate Class B common stock and, therefore, controlled in excess of 71% of the voting power of First Interstate's outstanding common stock. As a result, the Scott family will be able to exert a significant degree of influence or actual control over First Interstate's management and affairs and over matters requiring shareholder approval, including the election of directors, a merger, consolidation or sale of all or substantially all of First Interstate's assets and any other significant transaction. This concentrated control will limit IIBK shareholders' future ability to influence corporate matters, and the interests of the Scott family may not always coincide with First Interstate's interests or your interests.

The fairness opinion of IIBK's financial advisor does not reflect any changes in circumstances since the date of such fairness opinion.

On October 11, 2018, Sandler O'Neill delivered to the board of directors of IIBK its opinion to the effect that, as of such date and subject to the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill, as set forth in its opinion, the exchange ratio in the proposed merger was fair, from a financial point of view, to the holders of IIBK common stock. The opinion does not reflect changes that may occur or may have occurred after the date of such opinion, including changes to the operations and prospects of First Interstate or IIBK, changes in general market and economic conditions or regulatory or other factors that may materially alter or affect the value of First Interstate Class A common stock or IIBK common stock. The opinion speaks only as of the date on which it was rendered and not as of the date of this document or any other date. For a description of the opinion that the IIBK board of directors received from Sandler O'Neill, please refer to the section entitled *Description of the Merger Opinion of IIBK's Financial Advisor*.

There is no assurance when or even if the merger will be completed.

Completion of the merger is subject to satisfaction or waiver of a number of conditions. See *Description of the Merger Conditions to Completing the Merger* beginning on page 58. There can be no assurance that First Interstate, First Interstate Bank and IIBK will be able to satisfy the closing conditions or that closing conditions beyond their control will be satisfied or waived.

First Interstate and IIBK can agree at any time to terminate the merger agreement, even if IIBK shareholders have already voted to approve the merger agreement. First Interstate and IIBK can also terminate the merger agreement under other specified circumstances.

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Regulatory approvals may not be received, may take longer than expected, or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the merger.

Before the merger may be completed, First Interstate, First Interstate Bank and IIBK must obtain approvals from the Federal Reserve Board, the Montana Division and the Idaho Department. First Interstate has received the approvals from the Montana Division and the Idaho Department. Other approvals, waivers or consents from regulators may also be required. In determining whether to grant these approvals the regulators consider a variety of factors, including the regulatory standing of each party. An adverse development in either party's regulatory standing or other factors could result in an inability to obtain approval or delay their receipt. These regulators may impose conditions on the completion of the merger or require changes to the terms of the merger. Such conditions or changes could have the effect of delaying or preventing completion of the merger or imposing additional costs on or limiting the revenues of the combined company following the merger, any of which might have an adverse effect on the combined company following the merger.

The shares of First Interstate Class A common stock to be received by IIBK shareholders as a result of the merger will have different rights from the shares of IIBK common stock.

Upon completion of the merger, IIBK shareholders will become First Interstate shareholders. Their rights as shareholders of Class A common stock will be governed by Montana corporate law and the amended and restated articles of incorporation and bylaws of First Interstate. The rights associated with IIBK common stock are governed by Idaho law and the articles of incorporation and bylaws of IIBK and are different from the rights associated with First Interstate Class A common stock. See the section of this document entitled *Comparison of Rights of Shareholders* beginning on page 75 for a discussion of the different rights associated with First Interstate Class A common stock.

Goodwill incurred in the merger may negatively affect First Interstate's financial condition.

To the extent that the merger consideration, consisting of shares of First Interstate Class A common stock to be issued in the merger, cash paid for fractional shares, and cash paid to terminate IIBK options, exceeds the fair value of the net assets acquired in the merger, including identifiable intangibles of IIBK, that amount will be reported as goodwill by First Interstate. In accordance with current accounting guidance, goodwill will not be amortized but will be evaluated for impairment annually. A failure to realize expected benefits of the merger could adversely impact the carrying value of the goodwill recognized in the merger, and in turn negatively affect First Interstate's financial condition.

Risks Relating to First Interstate's Business

You should read and consider risk factors specific to First Interstate's business that will also affect the combined company after the merger. These risks are described in the sections entitled *Risk Factors* in First Interstate's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and in other documents incorporated by reference into this document. Please see the section entitled *Where You Can Find More Information* beginning on page 84 of this document for the location of information incorporated by reference into this document.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

Some of the statements contained or incorporated by reference in this document are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 giving First Interstate's or IIBK's expectations or predictions of future financial or business performance or conditions. Forward-looking statements are typically identified by words such as believe, expect, anticipate, intend, target, estimate, continue, projections,

potential, by future conditional verbs such as will,

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would, should, could or may, or by variations of such words or by similar expressions. Such forward-looking statements include, but are not limited to, statements about the benefits of the merger, including future financial and operating results of First Interstate, IIBK or the combined entity following the merger, the combined entity's plans, objectives, expectations and intentions, cost savings and/or revenue enhancements to be achieved in the merger, the expected timing of the completion of the merger, financing plans and the availability of capital, the likelihood of success and impact of litigation and other statements that are not historical facts. These statements are only predictions based on First Interstate's and IIBK's current expectations and projections about future events. There are important factors that could cause First Interstate's and IIBK's actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks and uncertainties described in the section entitled *Risk Factors* beginning on page 15.

These forward-looking statements are subject to numerous assumptions, risks, and uncertainties that change over time. In addition to factors previously disclosed in First Interstate's reports filed with the SEC, the following factors, among others, could cause actual results to differ materially from forward-looking statements:

the inability to close the merger in a timely manner, in particular due to First Interstate's and First Interstate Bank's efforts to simultaneously acquire CMYF;

the failure of IIBK shareholders to approve the merger agreement;

the failure to obtain applicable regulatory approvals and meet other closing conditions to the merger on the expected terms and schedule;

the potential impact of announcement or consummation of the proposed merger with IIBK on relationships with third parties, including customers, employees, and competitors;

business disruption following the merger;

difficulties and delays in integrating the First Interstate and IIBK businesses or fully realizing cost savings and other benefits;

First Interstate's potential exposure to unknown or contingent liabilities of IIBK;

the challenges of integrating, retaining, and hiring key personnel;

the failure to attract new customers and retain existing customers in the manner anticipated;

the outcome of pending or threatened litigation, or of matters before regulatory agencies, whether currently existing or commencing in the future, including litigation related to the merger;

any interruption or breach of security resulting in failures or disruptions in customer account management, general ledger, deposit, loan, or other systems;

changes in First Interstate's stock price before closing;

operational issues stemming from, and/or capital spending necessitated by, the potential need to adapt to industry changes in information technology systems, on which First Interstate and IIBK are highly dependent;

changes in legislation, regulation, policies, or administrative practices, whether by judicial, governmental, or legislative action, and other changes pertaining to banking, securities, taxation, rent regulation and housing, financial accounting and reporting, environmental protection, and insurance, and the ability to comply with such changes in a timely manner;

changes in the monetary and fiscal policies of the U.S. Government, including policies of the U.S. Department of the Treasury and the Federal Reserve Board;

changes in interest rates, which may affect First Interstate's or IIBK's net income, prepayment penalty income, mortgage banking income, and other future cash flows, or the market value of First Interstate's or IIBK's assets, including its investment securities;

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changes to the federal tax code;

the imposition of tariffs or other domestic or international governmental policies impacting the value of the agricultural or other products of the borrowers of First Interstate or IIBK;

changes in accounting principles, policies, practices, or guidelines;

changes in First Interstate's credit ratings or in First Interstate's ability to access the capital markets;

natural disasters, war, or terrorist activities; and

other economic, competitive, governmental, regulatory, technological, and geopolitical factors affecting First Interstate's or IIBK's operations, pricing, and services.

Additionally, the timing and occurrence or non-occurrence of events may be subject to circumstances beyond First Interstate's or IIBK's control.

Annualized, projected and estimated numbers are used for illustrative purposes only, are not forecasts and may not reflect actual results.

For any forward-looking statements made in this document or in any documents incorporated by reference into this document, First Interstate and IIBK claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this document or the date of the applicable document incorporated by reference in this document. Except to the extent required by applicable law, neither First Interstate nor IIBK undertake to update forward-looking statements to reflect facts, circumstances, assumptions, or events that occur after the date the forward-looking statements are made. All written and oral forward-looking statements concerning the merger or other matters addressed in this document and attributable to First Interstate, IIBK, or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this document.

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The following tables present selected historical financial information for First Interstate and for IIBK at and for the dates indicated. The following information is only a summary and not necessarily indicative of the results of future operations of First Interstate, IIBK or the combined company. The summary financial information for First Interstate is derived from prior filings made with the SEC, which are incorporated by reference into this document. The financial information for First Interstate at December 31, 2017 and 2016 and for the three years ended December 31, 2017 should be read in connection with the audited consolidated financial statements and related notes thereto included in its Annual Report on Form 10-K for the year ended December 31, 2017. The financial information for First Interstate for the nine months ended September 30, 2018 and 2017 should be read in connection with the unaudited financial statements and notes thereto included in its Quarterly Report on Form 10-Q for the period ended September 30, 2018. The results of operations for the nine months ended September 30, 2018 are not necessarily indicative of the operating results for the year ending December 31, 2018 or for any other period. See *Where You Can Find More Information* on page 84.

Selected Consolidated Historical Financial Data of First Interstate

	At or For the Nine Months Ended September 30,		At or For the Year Ended December 31,				
	2018	2017	2017	2016	2015	2014	2013
(Dollars in thousands, except per share amounts)							
FINANCIAL CONDITION DATA							
Total assets	\$ 13,355,799	\$ 12,206,473	\$ 12,213,255	\$ 9,063,895	\$ 8,728,196	\$ 8,609,936	\$ 7,564,651
Cash and cash equivalents	965,049	882,834	758,986	782,023	780,457	798,670	534,827
Investment securities	2,576,634	2,617,682	2,693,206	2,124,468	2,057,505	2,287,110	2,151,543
Net loans	8,444,328	7,477,544	7,542,208	5,402,330	5,169,379	4,823,243	4,259,514
Securities sold under repurchase agreements	635,884	635,289	642,961	537,556	510,635	502,250	457,437
Deposits	10,845,561	9,933,467	9,934,871	7,376,110	7,088,937	7,006,212	6,133,750
Long-term debt	22,432	28,039	13,126	27,970	27,885	38,067	36,917
Subordinated debentures	86,865	82,477	82,477	82,477	82,477	82,477	82,477
Total shareholders equity	1,654,432	1,419,410	1,427,616	982,593	950,493	908,924	801,581
OPERATING DATA							
Net interest income	\$ 313,607	\$ 249,007	\$ 349,843	\$ 279,765	\$ 264,363	\$ 248,461	\$ 236,967

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Provision (credit) for loan losses	7,037	7,528	11,053	9,991	6,822	(6,622)	(6,125)
Non-interest income	109,109	104,561	141,753	136,496	121,515	111,835	113,024
Non-interest expense	261,463	238,748	323,821	261,011	248,599	236,435	220,724
Income tax expense	34,378	35,039	50,201	49,623	43,662	45,214	46,566
Net income	119,838	72,253	106,521	95,636	86,795	84,401	86,136
COMMON SHARE DATA							
Basic earnings per share	\$ 2.10	\$ 1.46	\$ 2.07	\$ 2.15	\$ 1.92	\$ 1.89	\$ 1.98
Diluted earnings per share	2.09	1.45	2.05	2.13	1.90	1.87	1.96
Dividends per share	0.84	0.72	0.96	0.88	0.80	0.64	0.41
Book value per share ⁽¹⁾	27.30	25.14	25.28	21.87	20.92	19.85	18.15
Outstanding shares (basic)	56,951,029	49,514,818	51,429,366	44,511,774	45,184,091	44,615,060	43,566,681
Outstanding shares (diluted)	57,330,027	50,000,882	51,903,209	44,910,396	45,646,418	45,210,561	44,044,602
KEY OPERATING RATIOS							
Return on average assets	1.30%	0.93%	0.98%	1.10%	1.02%	1.06%	1.16%
Return on average common equity	10.79	8.18	8.57	9.93	9.37	9.86	11.05
Interest rate spread	3.70	3.51	3.54	3.50	3.39	3.41	3.44
Net interest margin ⁽²⁾	3.84	3.61	3.64	3.57	3.46	3.49	3.54
Average shareholders equity to average assets	12.02	11.36	11.45	11.04	10.87	10.77	10.49
Dividend payout ratio ⁽³⁾	39.93	49.31	46.38	40.93	41.65	33.83	20.71
Efficiency ratio ⁽⁴⁾	60.58	66.52	64.77	61.88	63.55	65.24	63.43
Allowance for loan losses to total loans	0.86	0.99	0.95	1.39	1.46	1.52	1.96
Non-performing loans to total loans ⁽⁵⁾	0.78	1.06	0.95	1.40	1.37	1.32	2.22

Non-performing assets to total assets ⁽⁶⁾	0.63	0.74	0.68	0.96	0.90	0.91	1.48
Allowance for loan losses to non-performing loans	110.84	93.02	99.40	99.52	106.71	114.58	88.28
Net charge-offs to average loans	0.09	0.19	0.23	0.20	0.08	0.10	0.21
CAPITAL RATIOS							
Total risk-based capital ratio	12.76	12.76	12.76	15.13	15.36	16.15	16.75
Tier 1 risk-based capital ratio	12.01	11.90	11.93	13.89	13.99	14.52	14.93
Leverage ratio	9.73	8.71	8.86	10.11	10.12	9.61	10.08
Common equity tier 1 risk-based	11.15	11.02	11.04	12.65	12.69	13.08	13.31

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- (1) Book value equals common shareholders' equity per share.
- (2) Net interest margin is presented on a fully taxable equivalent basis.
- (3) Dividend payout ratio represents dividends per common share divided by basic earnings per common share.
- (4) Efficiency ratio represents non-interest expense less amortization of intangible assets, divided by the aggregate of net interest income and non-interest income.
- (5) Non-performing loans include non-accrual loans and loans past due 90 days or more and still accruing interest.
- (6) Non-performing assets include non-accrual loans, loans past due 90 days or more and still accruing interest and other real estate owned.

Selected Historical Financial Data of IIBK

	At or For the Nine Months Ended September 30,		At or For the Year Ended December 31,				
	2018	2017	2017	2016	2015	2014	2013
(Dollars in thousands, except per share amounts)							
FINANCIAL CONDITION DATA							
Total assets	\$ 742,212	\$ 686,267	\$ 692,855	\$ 618,794	\$ 556,016	\$ 530,358	\$ 468,965
Cash and cash equivalents	126,340	63,953	69,109	22,175	10,917	35,503	9,581
Certificates of deposit held for investment, at cost	145,787	146,552	156,715	160,111	162,738	133,298	101,085
Investment securities	64,000	68,751	63,352	72,577	51,767	59,100	78,574
Net loans	355,918	354,871	354,830	313,788	280,581	255,691	230,631
Deposits	626,585	571,589	578,406	512,426	459,971	437,628	366,514
Total shareholders equity	72,492	66,870	65,968	64,079	63,927	59,493	54,339
OPERATING DATA							
Net interest income	\$ 19,415	\$ 16,436	\$ 22,567	\$ 18,651	\$ 17,203	\$ 15,245	\$ 14,597
Provision for loan losses	200					4	265
Noninterest income	5,323	5,520	7,489	7,229	6,184	5,611	5,963
Noninterest expense	17,170	16,598	22,534	20,965	19,899	18,045	18,292
Income tax expense	1,807	1,978	4,468	779	(1,750)	(2,200)	(1,000)

(benefit)								
Net income	5,561	3,380	3,054	4,136	5,238	5,007	3,003	
Net income applicable to common shares	5,561	3,380	3,054	4,136	5,238	5,007	3,003	
COMMON SHARE DATA								
Basic earnings per share	\$ 0.74	\$ 0.44	\$ 0.40	\$ 0.52	\$ 0.64	\$ 0.61	\$ 0.37	
Diluted earnings per share	0.71	0.43	0.39	0.51	0.63	0.61	0.37	
Dividends per share								
Book value per share	9.37	8.85	8.78	8.39	7.88	7.26	6.64	
Outstanding shares (basic)	7,544,251	7,604,568	7,587,992	7,936,267	8,174,902	8,185,495	8,181,109	
Outstanding shares (diluted)	7,816,718	7,820,771	7,803,563	8,048,726	8,286,195	8,274,687	8,205,525	
KEY OPERATING RATIOS								
Return on average assets	1.06%	0.69%	0.46%	0.70%	0.95%	1.03%	0.65%	
Return on average common equity	10.86	6.90	4.62	6.38	8.58	9.04	5.73	
Interest rate spread	3.88	3.55	3.60	3.39	3.29	3.29	3.35	
Net interest margin	3.97	3.63	3.67	3.45	3.37	3.43	3.49	
Average shareholders equity to average assets	9.78	10.02	10.00	11.03	11.03	11.39	11.31	
Dividend payout ratio								
Efficiency ratio (2)	69.41	75.60	74.97	81.01	85.09	86.52	89.64	
Allowance for loan losses to total loans	1.75	1.75	1.80	1.91	2.13	2.46	2.50	
Nonperforming loans to total loans (3)	0.17		0.01	0.19	0.10	0.54	2.94	
Nonperforming assets to total assets (4)	0.23	0.15	0.15	0.26	0.19	0.36	2.02	
	1,002.83		32,607.82	1,012.02	2,146.57	455.54	85.11	

Allowance for loan losses to nonperforming loans							
Net (recoveries) charge-offs to average loans	0.11	(0.05)	(0.11)	(0.00)	0.12	(0.21)	0.64
CAPITAL RATIOS							
Total risk-based capital ratio	17.47	15.58	15.70	15.43	17.30	16.18	15.76
Tier 1 risk-based capital ratio	16.22	14.32	14.45	14.17	16.04	14.92	14.51
Leverage ratio	10.10	9.90	9.59	10.17	10.90	10.78	11.14
Common equity tier 1 risk-based	16.22	14.32	14.45	14.17	16.04	n/a	n/a

- (1) Book value equals common shareholders' equity per share.
- (2) Efficiency ratio represents noninterest expense divided by the aggregate of net interest income and noninterest income.
- (3) Nonperforming loans include non-accrual loans and loans past due 90 days or more and still accruing interest.
- (4) Nonperforming assets include non-accrual loans, loans past due 90 days or more and still accruing interest and other real estate owned.

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The following table shows information about First Interstate's, IIBK's and CMYF's earnings per common share, dividends per share and book value per share, and similar information giving effect to the merger (which we refer to as pro forma information). In presenting the unaudited comparative pro forma information as of and for the periods shown, we assumed that First Interstate, IIBK and CMYF had been merged on the date indicated or at the beginning of the periods presented, as applicable.

The information listed as per equivalent IIBK share was obtained by multiplying the pro forma amounts by the exchange ratio of 0.50. First Interstate anticipates that the combined company will derive financial benefits from the merger that include the opportunity to earn more revenue. The unaudited pro forma combined information, while helpful in illustrating the financial characteristics of First Interstate following the mergers under one set of assumptions, does not reflect these benefits and, accordingly, does not attempt to predict or suggest future results. The unaudited pro forma combined information also does not necessarily reflect what the historical results of First Interstate would have been had our companies been combined during this period.

The information in the following table is based on, and should be read together with, the historical financial information that we have presented in or incorporated by reference in this document.

	First Interstate Historical	IIBK Historical	First Interstate/ IIBK Pro Forma Combined⁽¹⁾⁽²⁾	CMYF Historical	First Interstate/ IIBK/ CMYF Pro Forma Combined⁽¹⁾⁽³⁾	Per Equivalent IIBK Share⁽⁴⁾
Book value per share:						
At September 30, 2018	\$ 27.30	\$ 9.37	\$ 27.85	\$ 11.38	\$ 27.98	\$ 13.99
At December 31, 2017	25.28	8.78	25.94	11.25	26.09	13.05
Cash dividends declared per share:						
Nine months ended						
September 30, 2018	0.84		0.84		0.84	0.42
Year ended December 31, 2017	0.96		0.96		0.96	0.48
Basic earnings per share:						
Nine months ended						
September 30, 2018	2.10	0.74	2.06	0.73	2.06	1.03
Year ended December 31, 2017	2.07	0.40	1.99	0.63	1.98	0.99
Diluted earnings per share:						
Nine months ended						
September 30, 2018	2.09	0.71	2.05	0.68	2.05	1.02
Year ended December 31, 2017	2.05	0.39	1.97	0.61	1.97	0.98

- (1) Pro forma dividends per share represent First Interstate's historical dividends per share.
- (2) The pro forma combined book value per share of First Interstate common stock is based upon the pro forma combined common shareholders' equity for First Interstate and IIBK divided by total pro forma common shares of the combined entities.
- (3) The pro forma combined book value per share of First Interstate common stock is based upon the pro forma combined common shareholders' equity for First Interstate, IIBK and CMYF divided by total pro forma common shares of the combined entities.
- (4) Represents the pro forma combined information multiplied by the exchange ratio.

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SPECIAL MEETING OF IIBK SHAREHOLDERS

This document is being provided to holders of IIBK common stock as IIBK's proxy statement in connection with the solicitation of proxies by and on behalf of its board of directors to be voted at the IIBK special meeting and at any adjournment or postponement of the IIBK special meeting. This document is also being provided to holders of IIBK common stock as First Interstate's prospectus in connection with the issuance by First Interstate of its shares of Class A common stock as consideration in the proposed merger.

Date, Time and Place of Meeting

The IIBK special meeting is scheduled to be held as follows:

Date: March 27, 2019

Time: 9:30 a.m., Pacific Time

Place: Corporate office of IIBK located at 1260 W. Riverstone Drive, Coeur d'Alene, Idaho

Purpose of the Meeting

At the IIBK special meeting, IIBK's shareholders will be asked to:

Approve the merger agreement, pursuant to which IIBK will merge with and into First Interstate Bank, with First Interstate Bank surviving the merger, and each share of IIBK common stock outstanding immediately before the completion of the merger will be converted into the right to receive 0.50 shares of First Interstate Class A common stock.

Approve the IIBK adjournment proposal.

Who Can Vote at the Meeting

You are entitled to vote if the records of IIBK showed that you held shares of IIBK common stock as of the close of business on January 31, 2019, which is the record date for the IIBK special meeting. As of the close of business on the record date, [] shares of IIBK common stock were outstanding. Each share of IIBK common stock has one vote on each matter presented to shareholders. If your shares are held in street name by your broker, bank or other nominee and you wish to vote in person at the IIBK special meeting, you will have to obtain a legal proxy from your broker, bank or other nominee entitling you to vote at the IIBK special meeting.

Quorum; Vote Required

The IIBK special meeting will conduct business only if a majority of the outstanding shares of IIBK common stock is represented in person or by proxy at the meeting to constitute a quorum. If you submit valid proxy instructions or attend the meeting in person, your shares will be counted to determine whether there is a quorum, even if you abstain from voting. If you fail to provide voting instructions to your broker, bank or other nominee with respect to a proposal, that broker, bank or other nominee will not vote your shares with respect to that proposal.

Approval of the merger agreement requires the affirmative vote of at least a majority of the votes cast at a meeting at which a quorum consisting of at least a majority of the outstanding shares of IIBK common stock is present. Abstentions and broker non-votes will not affect the outcome of the vote to approve the merger agreement, as long as there is a quorum present at the special meeting.

Similarly, approval of the IIBK adjournment proposal requires that the votes cast in favor of the proposal exceed the votes cast against the proposal. The failure to vote in person or submit valid proxy instructions, broker non-votes and abstentions will have no effect on the voting on the proposal.

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Shares Held by IIBK Officers and Directors and by First Interstate

As of January 14, 2019, directors and executive officers of IIBK beneficially owned 1,665,850 shares of IIBK common stock. This equals 21.51% of the outstanding shares of IIBK common stock as of the January 14, 2019. Each of the directors and certain executive officers of IIBK, solely in their individual capacity as an IIBK shareholder, have entered into a separate voting agreement with First Interstate and First Interstate Bank to vote the 1,444,540 shares of IIBK common stock owned by them (including stock options) in favor of the merger agreement. As of the January 14, 2019, neither First Interstate nor any of its subsidiaries, directors or executive officers owned any shares of IIBK common stock.

Voting and Revocability of Proxies

You may vote in person at the IIBK special meeting or by proxy. To ensure your representation at the IIBK special meeting, IIBK recommends that you vote by proxy even if you plan to attend the IIBK special meeting. You can change your vote at the special meeting.

If your shares are held in your name in IIBK's shareholder records, which we refer to as a shareholder of record, you can vote your shares:

via internet at www.investorvote.com/IIBK;

via telephone by calling (800) 652-VOTE (8683);

by completing and mailing the proxy card that is enclosed; or

by voting in person at the special meeting.

Please refer to the specific instructions set forth on the proxy card. We encourage you to vote via the internet or by telephone.

If your shares are held in street name by a broker, bank or other nominee, which we refer to as held in street name, then you must follow the instructions provided by your broker, bank or other nominee to vote your shares. Your broker, bank or other nominee may allow you to deliver your voting instructions via telephone or the internet. If your shares are held in street name and you wish to vote in person at the IIBK special meeting, you will have to obtain a legal proxy from your broker, bank or other nominee entitling you to vote at the special meeting.

If you are a shareholder of record of IIBK common stock, voting instructions are included on the enclosed proxy card. If you properly complete and timely submit your proxy, your shares will be voted as you have directed. You may vote for, against or abstain with respect to each matter. If you are the shareholder of record of your shares of IIBK common stock and submit your proxy without specifying a voting instruction, your shares of IIBK common stock will be voted FOR the proposal to approve the merger agreement and FOR the IIBK adjournment proposal. If your shares are held in street name and you return an incomplete instruction card to your broker, bank or other nominee, that broker, bank or other nominee will not vote your shares with respect to any matter.

You may revoke your proxy at any time before it is voted at the special meeting by:

filing with the Corporate Secretary of IIBK a duly executed revocation of proxy;

submitting a new proxy with a later date;

voting again via the internet or by telephone not later than 1:00 a.m., Eastern Time, on March 27, 2019; or

voting in person at the special meeting.

If your shares are held in street name, you should contact your broker, bank or other nominee to change your vote.

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Attendance at the IIBK special meeting will not, in and of itself, constitute a revocation of a proxy. All written notices of revocation and other communication with respect to the revocation of proxies should be addressed to:

Idaho Independent Bank
1260 W. Riverstone Drive
Coeur d Alene, Idaho 83814

Attention: Paul H. Montreuil, Corporate Secretary

Solicitation of Proxies

The directors, officers and employees of IIBK may solicit proxies personally and by telephone. None of these persons will receive additional or special compensation for soliciting proxies. IIBK will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions.

IIBK PROPOSAL NO. 1

APPROVAL OF THE MERGER AGREEMENT

At the IIBK special meeting, shareholders will consider and vote on a proposal to approve the merger agreement. Details about the merger agreement, including each party's reasons for the merger, the effect of approval of the merger agreement and the timing of effectiveness of the merger, are discussed in the section entitled *Description of the Merger* beginning on page 27 of this document.

IIBK's board of directors unanimously recommends

**that IIBK shareholders vote FOR
approval of the merger agreement.**

IIBK PROPOSAL NO. 2

ADJOURNMENT OF THE IIBK SPECIAL MEETING

If there are insufficient proxies at the time of the IIBK special meeting to approve the merger agreement, IIBK shareholders may be asked to vote on a proposal to adjourn the meeting to a later date to allow additional time to solicit additional proxies. IIBK's board of directors does not currently intend to propose adjournment at the IIBK special meeting if there are sufficient votes to approve the merger agreement (Proposal No. 1).

IIBK's board of directors unanimously recommends

**that IIBK shareholders vote FOR
approval of the IIBK adjournment proposal.**

DESCRIPTION OF THE MERGER

The following summary of the merger agreement is qualified by reference to the complete text of the merger agreement. A copy of the merger agreement is attached as Annex A to this document and is incorporated by reference into this document. You should read the merger agreement completely and carefully as it, rather than this description, is the legal document that governs the merger.

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General

The merger agreement provides for the merger of IIBK with and into First Interstate Bank, with First Interstate Bank as the surviving entity.

Pending Acquisition of Community 1st Bank

On October 11, 2018, First Interstate and First Interstate Bank also entered into an agreement to acquire CMYF. Pursuant to the CMYF merger agreement, CMYF will merge with and into First Interstate Bank, with First Interstate Bank as the surviving entity. The CMYF Merger was approved by the boards of directors of each of First Interstate, First Interstate Bank and CMYF and is expected to close in the first half of 2019. Completion of the CMYF Merger is subject to customary closing conditions, including receipt of required regulatory approvals and approval of CMYF's shareholders. The completion of the IIBK merger is not conditioned upon or subject to the completion of the CMYF Merger. Under the terms of the CMYF merger agreement, holders of CMYF common stock will receive 0.3784 shares of First Interstate Class A common stock for each share of CMYF common stock, which equates to an aggregate transaction value of approximately \$21.0 million as of the date of the CMYF merger agreement.

At September 30, 2018, CMYF had total consolidated assets of approximately \$133.1 million, total deposits of approximately \$118.7 million, and total common shareholders' equity of approximately \$13.8 million.

For additional information on the CMYF Merger, including certain pro forma financial information, see *Unaudited Comparative Pro Forma Per Share Data*.

Consideration to be Received in the Merger

When the merger becomes effective, each share of IIBK common stock issued and outstanding immediately before completion of the merger will automatically be converted into the right to receive 0.50 shares of First Interstate Class A common stock, plus cash in lieu of any fractional share, without interest.

If First Interstate declares a stock dividend or distribution on shares of its common stock or subdivides, splits, reclassifies or combines the shares of First Interstate Class A common stock before the effective time of the merger, then the exchange ratio will be adjusted to provide IIBK shareholders with the same economic effect as contemplated by the merger agreement before any of these events.

IIBK's shareholders will not receive fractional shares of First Interstate Class A common stock. Instead, IIBK's shareholders will receive a cash payment for any fractional shares in an amount equal to the product of (1) the fraction of a share of First Interstate Class A common stock to which he, she or it is entitled multiplied by (2) the average closing sales price of First Interstate Class A common stock over the 20 consecutive trading days ending on and including the fifth day before the closing date of the merger.

Background of the Merger

As part of the ongoing consideration and evaluation of IIBK's long-term prospects and strategies, IIBK's board of directors and senior management regularly review and assess business strategies and objectives, including strategic opportunities and challenges and various strategic options that might be available to IIBK, all with the goal of enhancing value for IIBK shareholders. The strategic discussions have focused on a variety of factors, including: the growth opportunities and risks of IIBK continuing on a stand-alone basis; the risks, costs, and benefits associated with merging with another financial institution; the local and national economic environment; the business and regulatory

environment facing financial institutions generally, and IIBK in particular; and consolidation in the financial services industry.

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As part of this evaluation, the IIBK board of directors considered the merits of a sale, merging with another financial institution of similar size and complementary business, or staying independent. The challenges of remaining competitive in the current economic, regulatory, and interest rate environment, competition, and the impact of new technology on the banking industry and the costs and risks associated with such technological changes were also important considerations. In the months preceding the merger announcement, IIBK's senior management had been invited to meet with the senior management of other banks, some of which were potential acquirers of IIBK. In June 2018, Jack Gustavel, IIBK's Executive Chairman met with Kevin Riley, President and Chief Executive Officer of First Interstate. During that meeting, Mr. Riley indicated that First Interstate wanted to further expand in Idaho and might want to acquire IIBK. The meeting concluded, and Chairman Gustavel and Mr. Riley agreed to stay in contact.

On June 21, 2018, at a meeting of IIBK's board of directors, representatives of Sandler O'Neill, the financial advisor for IIBK, presented an analysis of IIBK's primary strategic alternatives of remaining independent versus merging with a larger financial institution. The analysis and discussion considered the impact on IIBK shareholder value along with the possible risks, benefits, and challenges of the alternatives. As part of the discussion, the IIBK board of directors reviewed the landscape of potential partners and discussed which ones might be the best fit strategically and have the strongest desire and capacity to maximize value for IIBK's shareholders. Chairman Gustavel related various aspects of his meeting with Mr. Riley and reminded the board of directors of past meetings with potential acquirers of IIBK. There was considerable discussion, and at the end of the meeting, the IIBK board of directors requested that Sandler O'Neill follow with a further assessment of the execution risk and shareholder value proposition of pursuing a merger transaction with another financial institution. The following day, representatives of Sandler O'Neill provided IIBK's senior management with the additional analysis. After further consideration, the IIBK board of directors determined that it would be prudent to better understand the value that could be realized by a merger and authorized management to work with Sandler O'Neill to pursue contacting a group of seven potential acquirers to determine if an attractive merger transaction might be achievable. Over the next two weeks, representatives of Sandler O'Neill and senior management prepared a package of confidential information that could be shared with interested acquirers following the signing of a nondisclosure agreement.

In early July 2018, Chairman Gustavel and Kurt Gustavel, IIBK President and Chief Executive Officer, directed Sandler O'Neill to contact seven prospective acquirers to determine if there was any interest in an acquisition of IIBK. Six of the seven expressed an interest in learning more about a potential acquisition and executed nondisclosure agreements in order to receive the confidential information. The nondisclosure agreements did not restrict IIBK from negotiating and/or entering into a definitive agreement with any other party at any time. The nondisclosure agreement with First Interstate was entered into on July 12, 2018. Four of the parties who entered into a nondisclosure agreement met with Chairman Gustavel and CEO Gustavel at different times over the next few weeks. One such meeting that included Chairman Gustavel and CEO Gustavel and Mr. Riley and Marcy Mutch, Executive Vice President and Chief Financial Officer of First Interstate took place on July 24, 2018. In that meeting, Mr. Riley verbally expressed First Interstate's interest in pursuing an acquisition of IIBK in a 100% stock transaction with a fixed exchange ratio of 0.4750 First Interstate shares in exchange for each IIBK share. Based on First Interstate's stock price at the time, the value of the transaction would have been approximately \$20.50 per IIBK share.

There were other meetings throughout July and early August 2018. Following one such meeting, Party A expressed its desire to acquire IIBK and indicated a 100% stock deal structure with a preliminary range of values, subject to due diligence, the high end of which was valued at just under \$21.00 per IIBK share at the time.

In early August 2018, two of the six potential acquirers who had signed the nondisclosure agreement indicated they could not, or would not, pursue a combination at the time. Four parties: First Interstate, Party A, Party B, and Party C expressed a desire to submit a non-binding indication of interest describing value and other principal terms on which they would pursue the acquisition of IIBK. Each of the parties was reminded that the primary goal of the IIBK board

of directors was to maximize value for IIBK's shareholders. Sandler O'Neill

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requested that the non-binding indications of interest be communicated verbally prior to the IIBK board of directors meeting scheduled for August 16, 2018. Prior to the August 16, 2018 meeting, non-binding indications of interest were received from First Interstate, Party A, Party B and Party C.

On August 16, 2018, IIBK held its board of directors meeting to review the four non-binding indications of interest and consider the proposed merger values as compared to the estimated value of IIBK on a stand-alone basis. Representatives of Sandler O'Neill described and compared the terms of the preliminary non-binding indications of interest. All four of the proposals were structured as all-stock transactions with a fixed exchange ratio. First Interstate increased its exchange ratio from 0.4750 to 0.50 First Interstate shares in exchange for each IIBK share, and at the meeting, that value was equal to \$22.28 per IIBK share, the highest value of the four. Party A increased the low and high end of their indication of interest, subject to due diligence, the high end of which was valued at just under \$21.50 per IIBK share at the time of the meeting. The value of the Party B indication was just over \$21.50 per IIBK share at the time of the meeting with the possibility of an increase or decrease based upon the outcome of third-party valuations of IIBK's owned facilities. Party C indicated a high and low range of value, subject to due diligence, the high end of which was valued at just under \$21.00 a share at the time of the meeting.

It was noted that all four parties anticipated employing CEO Gustavel in comparable management roles to assist with integration following a combination, and two of the parties contemplated one or more current representatives from the IIBK board of directors joining their board of directors. Under all four of the indications of interest, existing employment agreements and retirement plans with IIBK's management would be honored, including applicable change-in-control provisions. Also, eligible IIBK employees would receive severance payments and/or retention bonuses depending upon whether or not they would remain employed following consummation of a transaction. The IIBK board of directors evaluated other social considerations, including anticipated impact on IIBK employees, customers, and the communities served by IIBK, and whether or not, IIBK would continue as a subsidiary or regional division under each of the proposals. The IIBK board of directors also considered the four parties' prior experience at integrating other acquisitions. In addition, Witherspoon Kelley, outside legal counsel to IIBK, reviewed with the board of directors their fiduciary duties to IIBK and its shareholders.

Representatives of Sandler O'Neill and IIBK's senior management then reviewed with the IIBK board of directors the financial analyses that had been performed on the four parties, including multiple financial comparisons, past financial performance, stock valuations, performance history and trading liquidity, history of paying cash dividends, the estimates and recommendations of institutional research analysts, and the expected pro forma impact to the financial position of each party. It was noted that each party was in good financial position with ample capital, core deposit funding, good credit quality, and strong profitability. In addition, each party had a track record of successfully completing merger transactions. Representatives of Sandler O'Neill also reviewed publicly available analyst estimates of future valuations for each of the potential buyer's stock prices. It was noted that First Interstate had an excellent performance history, even through the recent financial downturn. First Interstate was also noted to have an exceptional history of paying cash dividends, and its stock price was expected to have a good future value based on the projections of the institutional research analysts.

The IIBK board of directors then engaged in a lengthy discussion about the relative merits and risks of a transaction with each party, the cultural and reputational issues associated with a potential merger, the potential impacts on employees, customers and the communities IIBK serves, and whether IIBK could achieve the same value for shareholders by remaining independent. It was evident to the board of directors that the non-binding indications of interest represented a significant premium to IIBK's then current market price, tangible book value per share, earnings per share, and in most cases, could be expected to provide a better return to shareholders when compared to IIB as a standalone institution. In addition, under all of the non-binding indications of interest, IIBK shareholders would benefit from better stock trading liquidity in varying degrees.

After further discussion related to the merits of each of the four non-binding indications of interest and a determination that the First Interstate indication of interest was the most favorable to IIBK and its shareholders,

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the IIBK board of directors unanimously authorized and instructed Chairman Gustavel and CEO Gustavel to proceed with negotiating and executing a non-binding letter of intent with First Interstate and to take such actions as they deemed necessary and appropriate to further discussions on a confidential basis. Following the meeting, IIBK requested that First Interstate provide IIBK with a written indication of interest confirming the terms that had been verbally communicated. Party A, Party B, and Party C were contacted and informed that their non-binding indications of interest were inadequate.

On August 17, 2018, First Interstate provided IIBK with a written indication of interest and exclusivity agreement. Also on August 17, 2018, Party A advised Sandler O'Neill of its intent to submit a revised indication of interest, and later that day, it submitted a written indication of interest that included an increased per share value for IIBK.

On August 21, 2018, IIBK board of directors held a special meeting to review the non-binding indications of interest from First Interstate and Party A. The First Interstate non-binding indication of interest provided for 100% stock consideration based on a fixed exchange ratio of 0.50 shares of First Interstate common stock for each share of IIBK common stock. As of the meeting, the First Interstate indication of interest resulted in an implied price of \$22.70 per IIBK share or aggregate merger consideration of \$180.0 million. The non-binding indication of interest from Party A provided for 100% stock consideration with a fixed exchange ratio resulting in an implied value at the time of the meeting of \$22.21 per IIBK share, or aggregate merger consideration of \$176.1 million. Representatives of Sandler O'Neill described and compared the terms of the two non-binding indications of interest and reviewed the financial and non-financial terms of each, noting that although Party A had increased its offer, the implied purchase price was still less than that of First Interstate. Representatives of Sandler O'Neill also noted that the indication of interest from Party A was subject to downward adjustment under certain conditions. The IIBK board of directors then reviewed a side-by-side comparison of the aggregate purchase price to be paid, structure of each transaction, treatment of outstanding stock options, conditions to closing, financial tests, contingencies, termination fee, price protection, anticipated closing dates, and social issues contained in the two non-binding indications of interest. The IIBK board of directors also reviewed the pro forma financial impacts to First Interstate and to Party A.

IIBK's senior management then provided the board of directors with its analysis of the two non-binding indications of interest, noting that First Interstate continued to offer the highest value for IIBK's shareholders, did not include financial tests as closing conditions, and was superior in several other respects, including more generous severance terms for IIBK employees that would be terminated following the consummation of a transaction.

Then, the IIBK board of directors and its advisors evaluated and discussed the information presented, including: the value of each offer; the current prices, anticipated future prices, and liquidity of their respective shares; their dividend payment history and expectations; their integration history and potential execution risk; their anticipated speed of closing a transaction with IIBK; the likelihood of either candidate being acquired by a third-party in the foreseeable future; the expected impact to customers, employees, vendors and others; the proposed employee severance and retention packages; and the continued role of IIBK management in a combined institution.

Following this discussion about the merits of the two indications of interest and a determination that the First Interstate proposal was the most favorable to IIBK and its shareholders, the board of directors authorized Chairman Gustavel, or alternatively, CEO Gustavel, to execute the First Interstate non-binding indication of interest, subject to the satisfactory resolution of certain open points of negotiation, and concurrently, enter into a period of exclusivity with First Interstate for 50 days.

On August 22, 2018, First Interstate and IIBK entered into a non-binding indication of interest and exclusivity agreement. Subsequent to executing the non-binding indication of interest, both First Interstate and IIBK organized and reviewed the remaining due diligence to be completed.

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On September 6, 2018, Sandler O Neill and IIBK executed an engagement agreement for Sandler O Neill to provide financial advisory and investment banking services to IIBK. Sandler O Neill also agreed to provide the IIBK board of directors with a fairness opinion.

On September 13, 2018, IIBK received a draft version of the definitive merger agreement from First Interstate, and the parties began negotiating the terms of the merger agreement with the assistance of their respective legal and financial advisors.

On September 17, 2018, IIBK held a board of directors meeting to review with management and its legal and financial advisors the terms of the definitive merger agreement and ancillary agreements to consider the implications of such agreements for IIBK and its shareholders and to identify various terms that remained subject to negotiation. Also on this date, First Interstate delivered to IIBK documents for IIBK to review as part of its reverse due diligence.

On October 3, 2018, IIBK management, together with its legal and financial advisors, held a teleconference with Mr. Riley, Ms. Mutch and First Interstate's general counsel to review and discuss the reverse due diligence conducted by IIBK on First Interstate.

On October 5, 2018, IIBK held a board of directors meeting to be updated on the negotiations and review with IIBK's legal and financial advisors the changes made to the terms of the definitive merger agreement and ancillary agreements and the status of the reverse due diligence conducted by IIBK on First Interstate. Witherspoon Kelley reviewed the draft merger agreement and addressed questions from the board members. Following the meeting, the board of directors instructed IIBK management, Witherspoon Kelley, and representatives of Sandler O Neill to finalize the remaining open items in the merger agreement and ancillary agreements.

On October 10, 2018, First Interstate's board of directors held a meeting at which representatives of First Interstate's senior management were present and representatives from its financial advisor, Piper Jaffray & Co., which we refer to as Piper, and its legal counsel, Luse Gorman, PC, were present via telephone. Representatives of Piper reviewed the financial aspects of the transaction and the financial analysis supporting its fairness opinion. After discussion among First Interstate's board of directors and its advisors, representatives of Piper delivered its opinion, dated October 10, 2018, to First Interstate's board of directors to the effect that, as of such date and based on and subject to the qualifications, limitations and assumptions stated in its opinion, the merger consideration to be paid to the IIBK shareholders by First Interstate in the proposed merger was fair to First Interstate from a financial point of view. First Interstate's board of directors was updated on the results of the completion of the legal and business due diligence review of IIBK. A representative of Luse Gorman reviewed in detail the terms of the merger agreement. After further discussion, First Interstate's board of directors unanimously approved the merger agreement.

On October 11, 2018, IIBK held a board of directors meeting at which the board of directors reviewed with its legal and financial advisors the final form of the merger agreement and ancillary agreements. Further, Sandler O Neill rendered its opinion to the board of directors at this meeting, to the effect that, as of such date and subject to the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O Neill as set forth in such opinion, that the exchange ratio to be paid to the IIBK common shareholders in the transaction was fair from a financial point of view to such common shareholders. Following discussion of the relative benefits of the proposed transaction with First Interstate to IIBK shareholders, employees and customers, the board of directors voted to approve the merger agreement. Later that day, First Interstate and IIBK entered into the merger agreement and issued a joint press release announcing the transaction. The parties to the non-competition and solicitation agreements and voting agreements also entered into non-competition and solicitation agreements and voting agreements.

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IIBK's Reasons for the Merger and Recommendation of the Board of Directors

The IIBK board of directors believes the merger is in the best interests of the IIBK shareholders. After careful consideration, the IIBK board of directors unanimously approved the merger agreement at a meeting held on October 11, 2018 and recommends that IIBK shareholders vote FOR approval of the merger agreement and FOR the adjournment of the meeting to a later date or dates to permit further solicitation of proxies, if necessary.

In reaching its determination to unanimously approve the merger agreement, the IIBK board of directors consulted with IIBK's management, Sandler O'Neill and Witherspoon Kelley and considered a number of factors. Following is a description of each of the material factors that the IIBK board of directors believes favor the merger:

the IIBK board of directors assessment, based in part on presentations by Sandler O'Neill and its management and the results of the due diligence investigation of First Interstate conducted by IIBK's management and financial and legal advisors, of the business, financial performance, operations, capital level, asset quality, management, financial condition, competitive position and stock performance of First Interstate on an historical and a prospective basis, and of the combined company on a pro forma basis, including anticipated cost savings;

the IIBK board of directors' knowledge of IIBK's business, operations, financial condition, earnings, asset quality and prospects;

the financial and growth prospects for IIBK and its shareholders of a business combination with First Interstate as compared to continuing to operate as a stand-alone entity;

the information presented by Sandler O'Neill to the IIBK board of directors with respect to the financial aspects of the merger and the opinion of Sandler O'Neill to the effect that, as of the date of that opinion, the exchange ratio to be paid to the IIBK common shareholders in the transaction was fair from a financial point of view to such common shareholders (see *Description of the Merger Opinion of IIBK's Financial Advisor*);

the dividend payment history of First Interstate and possible dividend payments following the merger;

the benefits to IIBK and its customers of operating as part of a larger organization, including enhancements in products and services, expanded network of branch locations, higher lending limits, and greater financial resources;

the IIBK board of directors' belief that the two companies share a common vision of the importance of customer service and local decision-making and that management and employees of IIBK and First Interstate possess complementary skills and expertise;

the current and prospective economic and competitive environment facing the financial services industry generally, and IIBK in particular, including the continued rapid consolidation in the financial services industry and the competitive effects of the increased consolidation on smaller financial institutions such as IIBK;

First Interstate's interest in expanding its retail, commercial, mortgage, and commercial real estate banking operations in IIBK's market areas, and the complementary market areas, banking philosophy, and the employee and community focus of both IIBK and First Interstate;

First Interstate's historical record and commitment with respect to the communities and employees of the companies it has acquired and its belief that IIBK is a high quality financial services company with a compatible business culture and shared approach to customer service and increasing shareholder value;

the increasing importance of operational scale and financial resources in maintaining efficiency and remaining competitive over the long term and being able to capitalize on technological developments, which significantly impact industry competitive conditions;

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the greater market capitalization and trading liquidity of First Interstate common stock if IIBK shareholders desire to sell the shares of First Interstate common stock to be received by them following completion of the merger;

the expected social and economic impact of the merger on the constituencies served by IIBK, including its borrowers, customers, depositors, employees, suppliers, and communities;

the employee and severance benefits to be provided to IIBK employees and career opportunities in a larger organization;

that IIBK's shareholders will be able to exchange their shares in a tax-free transaction; and

the IIBK board of directors' assessment with the assistance of counsel concerning the expected likelihood that First Interstate would obtain all regulatory approvals required for the merger.

In the course of its deliberations regarding the merger, the IIBK board of directors also considered the following information that the IIBK board of directors determined did not outweigh the benefits to IIBK and its shareholders expected to be generated by the merger:

the potential risk of diverting management attention and resources from the operation of IIBK's business and towards the completion of the merger;

the restrictions on the conduct of IIBK's business prior to the completion of the merger, which are customary for public company merger agreements involving financial institutions, but which, subject to specific exceptions, could delay or prevent IIBK from undertaking business opportunities that may arise or any other action it would otherwise take with respect to the operations of IIBK absent the pending merger;

the potential risks associated with achieving anticipated cost synergies and savings and successfully integrating IIBK's business, operations and workforce with those of First Interstate;

the transaction costs;

that the interests of certain of IIBK's directors and executive officers may be different from, or in addition to, the interests of IIBK's other shareholders as described under the heading *Interests of Certain Persons in the Merger that are Different from Yours*;

that, while IIBK expects that the merger will be consummated, there can be no assurance that all conditions to the parties' obligations to complete the merger agreement will be satisfied, including the risk that

necessary regulatory or shareholder approvals might not be obtained and, as a result, the merger may not be consummated;

the risk of potential employee attrition and/or adverse effects on IIBK's business and customer relationships as a result of the pending merger;

that: (1) IIBK would be prohibited from affirmatively soliciting acquisition proposals after execution of the merger agreement; and (2) IIBK would be obligated to pay to First Interstate a termination fee of \$6.8 million if the merger agreement is terminated under certain circumstances, all of which may discourage other parties potentially interested in a strategic transaction with IIBK from pursuing such a transaction; and

the other risks described under *Risk Factors* beginning on page 15.

The above discussion of the information and factors considered by the IIBK board of directors is not intended to be exhaustive, but includes the material factors the board of directors considered. In reaching its determination to approve and recommend the acquisition, the board of directors did not assign any relative or specific weights to the foregoing factors, and individual directors may have given differing weights to different factors. The IIBK board of directors also did not undertake to make any specific determination as to whether any factor was decisive in reaching its ultimate determination. The IIBK board of directors instead based its recommendation on the totality of the information presented.

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In considering the recommendation of the IIBK board of directors with respect to the proposal to adopt and approve the merger agreement, IIBK shareholders should be aware that IIBK's directors and executive officers have interests in the merger that may be different from, or in addition to, those of other IIBK shareholders. The board of directors was aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger and in recommending that the merger agreement be approved by IIBK's shareholders. See *Interests of Certain Persons in the Merger that are Different from Yours*.

In the course of its deliberations with respect to the merger, the IIBK board of directors discussed the anticipated impact of the merger on IIBK, its shareholders, and its various other constituencies, and determined that the benefits to IIBK and its constituencies expected to result from the merger would likely outweigh any disadvantages identified during the board of directors' deliberations.

For the reasons set forth above, the IIBK board of directors determined that the merger, the merger agreement, and the transactions contemplated by the merger agreement are advisable and in the best interests of IIBK's shareholders, and approved the merger agreement. The IIBK board of directors unanimously recommends that the IIBK shareholders vote FOR the approval of the merger agreement and FOR the IIBK adjournment proposal.

This summary of the reasoning of the IIBK board of directors and other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under *Cautionary Statement About Forward-Looking Statements*.

Opinion of IIBK's Financial Advisor

IIBK retained Sandler O'Neill to act as an independent financial advisor to IIBK's board of directors in connection with IIBK's consideration of a possible business combination. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Sandler O'Neill acted as an independent financial advisor in connection with the proposed transaction and participated in certain of the negotiations leading to the execution of the merger agreement. At the October 11, 2018 meeting at which IIBK's board of directors considered and discussed the terms of the merger agreement and the merger, Sandler O'Neill delivered to IIBK's board of directors its oral opinion, which was subsequently confirmed in writing, to the effect that, as of October 11, 2018, the exchange ratio provided for in the merger agreement was fair to the holders of IIBK common stock from a financial point of view. **The full text of Sandler O'Neill's opinion is attached as Annex C to this proxy statement/prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Holders of IIBK common stock are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.**

Sandler O'Neill's opinion speaks only as of the date of the opinion. The opinion was directed to IIBK's board of directors in connection with its consideration of the merger agreement and the merger and does not constitute a recommendation to any shareholder of IIBK as to how any such shareholders should vote at any meeting of shareholders called to consider and vote upon the approval of the merger agreement and the merger. Sandler O'Neill's opinion was directed only to the fairness, from a financial point of view, of the exchange ratio to the holders of IIBK common stock and does not address the underlying business decision of IIBK to engage in the

merger, the form or structure of the merger or any other transactions contemplated in the merger agreement, the relative merits of the merger as compared to any other alternative transactions or business strategies that might exist for IIBK or the effect of any

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other transaction in which IIBK might engage. Sandler O'Neill did not express any opinion as to the fairness of the amount or nature of the compensation to be received in the merger by any officer, director or employee of IIBK or First Interstate, or any class of such persons, if any, relative to the compensation to be received in the merger by any other shareholder, including the consideration to be received by the holders of IIBK common stock. Sandler O'Neill's opinion was approved by Sandler O'Neill's fairness opinion committee. In connection with its opinion, Sandler O'Neill reviewed and considered, among other things:

a draft of the Agreement, dated October 11, 2018;

certain publicly available financial statements and other historical financial information of IIBK that Sandler O'Neill deemed relevant;

certain publicly available financial statements and other historical financial information of First Interstate and First Interstate Bank that Sandler O'Neill deemed relevant;

certain internal financial projections for IIBK for the years ending December 31, 2018 through December 31, 2022, as provided by the senior management of IIBK, as well as an estimated dividend payout ratio for the years ending December 31, 2018 through December 31, 2022, as directed by the senior management of IIBK;

publicly available mean analyst net income estimates for First Interstate for the years ending December 31, 2018 through December 31, 2020, as well as an estimated long-term net income growth rate for the years thereafter and estimated annual dividends per share for the years ending December 31, 2018 through December 31, 2022, as directed by the senior management of First Interstate;

the pro forma financial impact of the merger on First Interstate based on certain assumptions relating to purchase accounting adjustments, cost savings and transaction expenses, as provided by the senior management of First Interstate (collectively, the Pro Forma Assumptions);

the publicly reported historical price and trading activity for IIBK common stock and First Interstate common stock, including a comparison of certain stock market information for IIBK common stock and First Interstate common stock and certain stock indices as well as publicly available information for certain other similar companies, the securities of which are publicly traded;

a comparison of certain financial information for IIBK and First Interstate with similar financial institutions for which information is publicly available;

the financial terms of certain recent business combinations in the banking industry (on a nationwide basis), to the extent publicly available;

the current market environment generally and the banking environment in particular; and such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler O Neill considered relevant.

Sandler O Neill also discussed with certain members of the senior management of IIBK the business, financial condition, results of operations and prospects of IIBK and held similar discussions with certain members of the management of First Interstate regarding the business, financial condition, results of operations and prospects of First Interstate.

In performing its review, Sandler O Neill relied upon the accuracy and completeness of all of the financial and other information that was available to and reviewed by Sandler O Neill from public sources, that was provided to Sandler O Neill by IIBK or First Interstate or their respective representatives, or that was otherwise reviewed by Sandler O Neill, and Sandler O Neill assumed such accuracy and completeness for purposes of rendering its opinion without any independent verification or investigation. Sandler O Neill relied on the assurances of the respective managements of IIBK and First Interstate that they were not aware of any facts or circumstances that would have made any of such information inaccurate or misleading. Sandler O Neill was not

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asked to and did not undertake an independent verification of any of such information and Sandler O'Neill did not assume any responsibility or liability for the accuracy or completeness of such information. Sandler O'Neill did not make an independent evaluation or perform an appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of IIBK or First Interstate or any of their respective subsidiaries, nor was Sandler O'Neill furnished with any such evaluations or appraisals. Sandler O'Neill rendered no opinion or evaluation on the collectability of any assets or the future performance of any loans of IIBK or First Interstate. Sandler O'Neill did not make an independent evaluation of the adequacy of the allowance for loan losses of IIBK or First Interstate, or of the combined entity after the merger, and Sandler O'Neill did not review any individual credit files relating to IIBK or First Interstate. Sandler O'Neill assumed, with the consent of IIBK, that the respective allowances for loan losses for both IIBK and First Interstate were adequate to cover such losses and would be adequate on a pro forma basis for the combined entity.

In preparing its analyses, Sandler O'Neill used certain internal financial projections for IIBK for the years ending December 31, 2018 through December 31, 2022, as provided by the senior management of IIBK, as well as an estimated dividend payout ratio for the years ending December 31, 2018 through December 31, 2022, as directed by the senior management of IIBK. In addition, Sandler O'Neill used publicly available mean analyst net income estimates for First Interstate for the years ending December 31, 2018 through December 31, 2020, as well as an estimated long-term net income growth rate for the years thereafter and estimated annual dividends per share for the years ending December 31, 2018 through December 31, 2022, as directed by the senior management of First Interstate. Sandler O'Neill also received and used in its pro forma analyses the Pro Forma Assumptions, as provided by the senior management of First Interstate. With respect to the foregoing information, the respective senior managements of IIBK and First Interstate confirmed to Sandler O'Neill that such information reflected (or, in the case of the publicly available analyst estimates referred to above, were consistent with) the best currently available projections, estimates and judgments of those respective managements as to the future financial performance of IIBK and First Interstate, respectively, and the other matters covered thereby, and Sandler O'Neill assumed that the future financial performance reflected in such information would be achieved. Sandler O'Neill expressed no opinion as to such information, or the assumptions on which such information was based. Sandler O'Neill also assumed that there had been no material change in the respective assets, financial condition, results of operations, business or prospects of IIBK or First Interstate since the date of the most recent financial statements made available to Sandler O'Neill. Sandler O'Neill assumed in all respects material to its analysis that IIBK and First Interstate would remain as going concerns for all periods relevant to Sandler O'Neill's analyses.

Sandler O'Neill also assumed, with IIBK's consent, that (1) each of the parties to the merger agreement would comply in all material respects with all material terms and conditions of the merger agreement and all related agreements, that all of the representations and warranties contained in such agreements were true and correct in all material respects, that each of the parties to such agreements would perform in all material respects all of the covenants and other obligations required to be performed by such party under such agreements and that the conditions precedent in such agreements were not and would not be waived, (2) in the course of obtaining the necessary regulatory or third party approvals, consents and releases with respect to the merger, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on IIBK, First Interstate, the merger or any related transactions, and (3) the merger and any related transactions would be consummated in accordance with the terms of the merger agreement without any waiver, modification or amendment of any material term, condition or agreement thereof and in compliance with all applicable laws and other requirements. Finally, with the consent of IIBK, Sandler O'Neill relied upon the advice that IIBK received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the merger and the other transactions contemplated by the merger agreement. Sandler O'Neill expressed no opinion as to any such matters.

Sandler O'Neill's opinion was necessarily based on financial, economic, regulatory, market and other conditions as in effect on, and the information made available to Sandler O'Neill as of, the date thereof. Events occurring after the date thereof could materially affect Sandler O'Neill's opinion. Sandler O'Neill has not

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undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date thereof. Sandler O'Neill expressed no opinion as to the trading value of IIBK common stock or First Interstate common stock at any time or what the value of First Interstate common stock will be once it is actually received by the holders of IIBK common stock.

In rendering its opinion, Sandler O'Neill performed a variety of financial analyses. The summary below is not a complete description of the analyses underlying Sandler O'Neill's opinion or the presentation made by Sandler O'Neill to IIBK's board of directors, but is a summary of all material analyses performed and presented by Sandler O'Neill. The summary includes information presented in tabular format. **In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.** The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O'Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses to be considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler O'Neill's comparative analyses described below is identical to IIBK or First Interstate and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or transaction values, as the case may be, of IIBK and the companies to which they are being compared. In arriving at its opinion, Sandler O'Neill did not attribute any particular weight to any analysis or factor that it considered. Rather, Sandler O'Neill made qualitative judgments as to the significance and relevance of each analysis and factor. Sandler O'Neill did not form an opinion as to whether any individual analysis or factor (positive or negative) considered in isolation supported or failed to support its opinion, rather, Sandler O'Neill made its determination as to the fairness of the exchange ratio on the basis of its experience and professional judgment after considering the results of all its analyses taken as a whole.

In performing its analyses, Sandler O'Neill also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which are beyond the control of IIBK, First Interstate and Sandler O'Neill. The analyses performed by Sandler O'Neill are not necessarily indicative of actual values or future results, both of which may be significantly more or less favorable than suggested by such analyses. Sandler O'Neill prepared its analyses solely for purposes of rendering its opinion and provided such analyses to IIBK's board of directors at its October 11, 2018 meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Sandler O'Neill's analyses do not necessarily reflect the value of IIBK common stock or the prices at which IIBK common stock or First Interstate common stock may be sold at any time. The analyses of Sandler O'Neill and its opinion were among a number of factors taken into consideration by IIBK's board of directors in making its determination to approve the merger agreement and should not be viewed as determinative of the exchange ratio or the decision of IIBK's board of directors or management with respect to the fairness of the merger. The type and amount of consideration payable in the merger were determined through negotiation between IIBK and First Interstate.

Summary of Exchange Ratio and Implied Transaction Metrics. Sandler O'Neill reviewed the financial terms of the proposed merger. Subject to certain adjustments and termination provisions, as more fully described in the merger agreement, at the effective time, each share of IIBK common stock issued and outstanding prior to the effective time, except for certain shares of IIBK common stock as specified in the merger agreement, will be converted into the right to receive 0.50 shares of the Class A common stock of First Interstate. Based on the closing price of First Interstate common stock on October 10, 2018 of \$45.90, Sandler O'Neill calculated an implied transaction price per share of

IIBK common stock of \$22.95 and an aggregate implied transaction value

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of approximately \$183.1 million in exchange for all IIBK common stock and options issued and outstanding as of October 10, 2018. Based upon historical financial information for IIBK as of or for the period ended September 30, 2018, Sandler O Neill calculated the following implied transaction metrics.

Transaction Price / Last Twelve Months Earnings Per Share of IIBK:	34.3x
Transaction Price / Year-to-Date Annualized Earnings Per Share of IIBK:	24.2x
Transaction Price / Book Value Per Share of IIBK	245%
Transaction Price / Tangible Book Value Per Share of IIBK	245%
Tangible Book Premium / Core Deposits ⁽¹⁾⁽²⁾	18.4%
Tangible Book Premium / Core Deposits ⁽¹⁾⁽³⁾	18.3%
Market Premium ⁽⁴⁾	57%

(1) Based on regulatory filings; assumes percentage of core deposits from June 30, 2018 financials applied to September 30, 2018 total deposits

(2) Core deposits calculated as total deposits less CD s greater than \$100,000 and brokered deposits

(3) Core deposits calculated as total deposits less CD s greater than \$250,000 and brokered deposits

(4) As of October 10, 2018

IIBK Comparable Company Analyses. Sandler O Neill used publicly available information as of June 30, 2018 and information provided by IIBK senior management as of September 30, 2018, to compare selected financial information for IIBK with a group of banks selected by Sandler O Neill (the IIBK Peer Group). The IIBK Peer Group consisted of publicly-traded banks headquartered in the western region of the United States with total assets between \$500 million and \$1 billion, excluding announced merger targets. The IIBK Peer Group consisted of the following companies:

1st Capital Bank	OP Bancorp
American River Bankshares	Pacific Enterprise Bancorp
American Riviera Bank	Pacific Financial Corporation
Avidbank Holdings, Inc.	Plumas Bancorp
Baker Boyer Bancorp	Presidio Bank
Bank of Southern California, National Association	Private Bancorp of America, Inc.
California BanCorp	Santa Cruz County Bank
Citizens Bancorp	Seacoast Commerce Banc Holdings
Coastal Financial Corporation	Sound Financial Bancorp, Inc.
CommerceWest Bank	State Bank Corp.
Community West Bancshares	Summit State Bank
Eagle Bancorp Montana, Inc.	Suncrest Bank
First Choice Bancorp	United Security Bancshares
Mission Bancorp	Valley Republic Bancorp

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The analysis compared financial information as of September 30, 2018 for IIBK, as provided by IIBK senior management, with the corresponding publicly available data for the IIBK Peer Group as of June 30, 2018 with pricing data as of October 10, 2018. The table below sets forth the data for IIBK and the high, low, mean and median data for the IIBK Peer Group.

	IIBK	High	IIBK Peer Group		
			Low	Mean	Median
Total Assets (in millions)	\$ 742	\$ 998	\$ 509	\$ 748	\$ 736
Market Value (in millions)	\$ 110	\$ 306	\$ 68	\$ 135	\$ 130
Price/Tangible Book Value	156%	268%	128%	180%	171%
Price/YTDA Earnings Per Share	15.5x	32.5x	9.7x	16.3x	15.2x
Current Dividend Yield	%	4.5%	%	1.2%	0.9%
One-Year Stock Price Change	35.1%	81.9%	(6.1%)	22.8%	15.4%
YTD Efficiency Ratio	69.4%	83.6%	47.2%	63.6%	62.1%
YTD Net Interest Margin	3.97%	5.67%	3.30%	4.18%	4.21%
YTD Return on Average Assets	1.06%	2.09%	0.46%	1.14%	1.08%
Tangible Common Equity/Tangible Assets ⁽¹⁾	9.8%	14.5%	7.8%	9.8%	9.5%
CRE Concentration Ratio ⁽¹⁾	199% ⁽²⁾	410%	129%	275%	268%
Loans/Deposits ⁽¹⁾	59%	110%	51%	87%	90%
Non-performing Assets/Total Assets ⁽¹⁾	0.26% ⁽²⁾	2.53%	0.00%	0.44%	0.24%

(1) Bank-level financials used where holding company information not available

(2) Ratios as of June 30, 2018

IIBK Stock Trading History. Sandler O'Neill reviewed the historical stock price performance of IIBK common stock for the one-year and three-year periods ended October 10, 2018. Sandler O'Neill then compared the relationship between the stock price performance of IIBK's common stock to movements in the IIBK Peer Group as well as certain stock indices.

IIBK One-Year Stock Price Performance

	Beginning October 10, 2017	Ending October 10, 2018
IIBK	100.0%	135.1%
IIBK Peer Group	100.0%	115.4%
NASDAQ Bank	100.0%	101.1%
SNL U.S. Bank \$500M-\$1B	100.0%	113.0%
S&P 500	100.0%	109.2%

IIBK Three-Year Stock Price Performance

	Beginning October 10, 2015	Ending October 10, 2018
IIBK	100.0%	175.3%
IIBK Peer Group	100.0%	181.8%
NASDAQ Bank	100.0%	142.4%
SNL U.S. Bank \$500M-\$1B	100.0%	180.9%
S&P 500	100.0%	138.3%

IIBK Net Present Value Analyses. Sandler O Neill performed an analysis that estimated the net present value per share of IIBK common stock assuming IIBK performed in accordance with internal financial

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projections for the years ending December 31, 2018 through December 31, 2022, as provided by the senior management of IIBK and an estimated dividend payout ratio for the years ending December 31, 2018 through December 31, 2022, as directed by the senior management of IIBK. To approximate the terminal value of a share of IIBK common stock at December 31, 2022, Sandler O'Neill applied price to 2022 earnings per share multiples ranging from 12.0x to 22.0x and price to December 31, 2022 tangible book value per share multiples ranging from 140% to 240%. The terminal values were then discounted to present values using different discount rates ranging from 9.0% to 15.0% which were chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of IIBK common stock. As illustrated in the following tables, the analysis indicated an imputed range of values per share of IIBK common stock of \$13.52 to \$28.93 when applying multiples of earnings per share and \$11.73 to \$23.28 when applying multiples of tangible book value per share.

Discount Rate	Earnings Per Share Multiples					
	12.0x	14.0x	16.0x	18.0x	20.0x	22.0x
9.0%	\$ 16.80	\$ 19.22	\$ 21.65	\$ 24.08	\$ 26.51	\$ 28.93
10.0%	\$ 16.18	\$ 18.52	\$ 20.85	\$ 23.19	\$ 25.52	\$ 27.86
11.0%	\$ 15.60	\$ 17.85	\$ 20.09	\$ 22.34	\$ 24.59	\$ 26.84
12.0%	\$ 15.04	\$ 17.21	\$ 19.37	\$ 21.53	\$ 23.70	\$ 25.86
13.0%	\$ 14.51	\$ 16.59	\$ 18.68	\$ 20.76	\$ 22.84	\$ 24.93
14.0%	\$ 14.00	\$ 16.01	\$ 18.02	\$ 20.02	\$ 22.03	\$ 24.03
15.0%	\$ 13.52	\$ 15.45	\$ 17.38	\$ 19.32	\$ 21.25	\$ 23.18

Discount Rate	Tangible Book Value Per Share Multiples					
	140%	160%	180%	200%	220%	240%
9.0%	\$ 14.54	\$ 16.29	\$ 18.04	\$ 19.78	\$ 21.53	\$ 23.28
10.0%	\$ 14.02	\$ 15.70	\$ 17.38	\$ 19.06	\$ 20.74	\$ 22.42
11.0%	\$ 13.52	\$ 15.14	\$ 16.75	\$ 18.37	\$ 19.98	\$ 21.60
12.0%	\$ 13.04	\$ 14.60	\$ 16.15	\$ 17.71	\$ 19.26	\$ 20.82
13.0%	\$ 12.58	\$ 14.08	\$ 15.58	\$ 17.08	\$ 18.58	\$ 20.08
14.0%	\$ 12.15	\$ 13.59	\$ 15.03	\$ 16.48	\$ 17.92	\$ 19.36
15.0%	\$ 11.73	\$ 13.12	\$ 14.51	\$ 15.90	\$ 17.29	\$ 18.68

Sandler O'Neill also considered and discussed with the IIBK board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to projected net income. To illustrate this impact, Sandler O'Neill performed a similar analysis assuming IIBK's net income varied from 15% above projections to 15% below projections. This analysis resulted in the following range of per share values for IIBK common stock, applying the price to 2022 earnings per share multiples range of 12.0x to 22.0x referred to above and a discount rate of 12.68%.

Variance to Net Income Projection	Earnings Per Share Multiples					
	12.0x	14.0x	16.0x	18.0x	20.0x	22.0x
(15.0%)	\$ 12.78	\$ 14.57	\$ 16.37	\$ 18.16	\$ 19.95	\$ 21.74
(10.0%)	\$ 13.41	\$ 15.31	\$ 17.21	\$ 19.11	\$ 21.00	\$ 22.90
(5.0%)	\$ 14.05	\$ 16.05	\$ 18.05	\$ 20.05	\$ 22.06	\$ 24.06
0.0%	\$ 14.68	\$ 16.79	\$ 18.90	\$ 21.00	\$ 23.11	\$ 25.22

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5.0%	\$ 15.31	\$ 17.53	\$ 19.74	\$ 21.95	\$ 24.17	\$ 26.38
10.0%	\$ 15.94	\$ 18.26	\$ 20.58	\$ 22.90	\$ 25.22	\$ 27.54
15.0%	\$ 16.58	\$ 19.00	\$ 21.42	\$ 23.85	\$ 26.27	\$ 28.70

Sandler O'Neill noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

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Analysis of Selected Merger Transactions. Sandler O Neill reviewed a group of merger and acquisition transactions involving U.S. banks (the Nationwide Precedent Transactions). The Nationwide Precedent Transactions group consisted of bank transactions announced between January 1, 2018 and October 10, 2018 with disclosed deal values and target assets at the time of announcement between \$500 million and \$1 billion.

The Nationwide Precedent Transactions group was composed of the following transactions:

Acquiror	Target
American National Bankshares, Inc. (VA)	HomeTown Bankshares Corporation (VA)
Park National Corporation (OH)	CAB Financial Corporation (SC)
Banner Corporation (WA)	Skagit Bancorp, Inc. (WA)
ConnectOne Bancorp, Inc. (NJ)	Greater Hudson Bank (NY)
Northwest Bancshares, Inc. (PA)	Donegal Financial Services Corp. (PA)
Seacoast Banking Corporation of Florida (FL)	First Green Bancorp, Inc. (FL)
German American Bancorp, Inc. (IN)	First Security, Inc. (KY)
Stifel Financial Corp. (MO)	Business Bancshares, Inc. (MO)
First Interstate BancSystem, Inc. (MT)	Northwest Bancorporation, Inc. (WA)
Private Investor Gaylon Lawrence Jr. (-)	Volunteer State Bancshares, Inc. (TN)
National Commerce Corporation (AL)	Landmark Bancshares, Inc. (GA)
RBB Bancorp (CA)	First American International Corp. (NY)
BancorpSouth Bank (MS)	Icon Capital Corporation (TX)
QCR Holdings, Inc. (IL)	Springfield Bancshares, Inc. (MO)
Triumph Bancorp, Inc. (TX)	First Bancorp of Durango, Inc. (IL)
HarborOne Bancorp, Inc. (MHC) (MA)	Coastway Bancorp, Inc. (RI)
Civista Bancshares, Inc. (OH)	United Community Bancorp (IN)
First Choice Bancorp (CA)	Pacific Commerce Bancorp (CA)
Mechanics Bank (CA)	Learner Financial Corporation (CA)
Mid Penn Bancorp, Inc. (PA)	First Priority Financial Corp. (PA)

Using the latest publicly available information prior to the announcement of the relevant transaction, Sandler O Neill reviewed the following transaction metrics: transaction price to LTM earnings per share, transaction price to tangible book value per share and tangible book value premium to core deposits. Sandler O Neill compared the indicated transaction multiples for the merger to the high, low, mean and median multiples of the Nationwide Precedent Transactions group.

	IIBK/First Interstate	Nationwide Precedent Transactions			
		High	Low	Mean	Median
Transaction Price / LTM Earnings Per Share:	34.3x	44.1x	16.0x	28.4x	28.0x
Transaction Price / Tangible Book Value Per Share:	245%	240%	135%	188%	182%
Tangible Book Value Premium to Core Deposits:	18.4% ⁽¹⁾ , 18.3% ⁽²⁾	20.3%	5.7%	12.9%	13.1%

(1)

Core deposits defined as total deposits less time deposits greater than \$100,000; assumes percentage of core deposits from June 30, 2018 financials applied to September 30, 2018 total deposits

- (2) Core deposits defined as total deposits less time deposits greater than \$250,000; assumes percentage of core deposits from June 30, 2018 financials applied to September 30, 2018 total deposits

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First Interstate Comparable Company Analyses. Sandler O'Neill used publicly available information as of June 30, 2018 to compare selected financial information for First Interstate with a group of banks selected by Sandler O'Neill (the First Interstate Peer Group). The First Interstate Peer Group consisted of major exchange-traded banks with total assets between \$10 billion and \$15 billion, excluding announced merger targets and excluding First BanCorp. due to elevated non-performing assets / total assets. The First Interstate Peer Group consisted of the following companies:

Ameris Bancorp	Heartland Financial USA, Inc.
Banc of California, Inc.	Hilltop Holdings Inc.
Banner Corporation	Home BancShares, Inc.
Berkshire Hills Bancorp, Inc.	Hope Bancorp, Inc.
Cadence Bancorporation	Independent Bank Group, Inc.
CenterState Bank Corporation	International Bancshares Corporation
Columbia Banking System, Inc.	Renasant Corporation
Community Bank System, Inc.	South State Corporation
Customers Bancorp, Inc.	TowneBank
First Financial Bancorp.	Trustmark Corporation
First Midwest Bancorp, Inc.	Union Bankshares Corporation
Glacier Bancorp, Inc.	United Community Banks, Inc.
Great Western Bancorp, Inc.	WesBanco, Inc.

The analysis compared publicly available financial information for First Interstate as of or for the period ended June 30, 2018 with the corresponding publicly available data for the First Interstate Peer Group as of June 30, 2018 with pricing data as of October 10, 2018. The table below sets forth the data for First Interstate and the high, low, mean and median data for the First Interstate Peer Group.

	First Interstate Peer Group				
	First Interstate	High	Low	Mean	Median
Total Assets (in millions)	\$ 12,236	\$ 14,924	\$ 10,017	\$ 12,127	\$ 11,900
Market Value (in millions)	\$ 2,781	\$ 3,794	\$ 737	\$ 2,364	\$ 2,314
Price/Tangible Book Value	278%	353%	105%	223%	231%
Price/Estimated 2018 Earnings Per Share	15.6x	28.4x	8.7x	14.8x	14.2x
Price/Estimated 2019 Earnings Per Share	14.0x	19.0x	7.5x	13.0x	13.0x
Price/YTDA Earnings Per Share	16.5x	37.3x	9.0x	16.9x	16.5x
Current Dividend Yield	2.4%	3.5%	0.0%	2.0%	2.2%
One-Year Stock Price Change	18.1%	16.1%	(29.6%)	(2.1%)	0.2%
YTD Efficiency Ratio	59%	88%	37%	57%	56%
YTD Net Interest Margin	3.78%	4.43%	2.63%	3.81%	3.82%
YTD Return on Average Assets	1.29%	2.09%	0.46%	1.23%	1.24%
Tangible Common Equity/Tangible Assets	8.2%	13.6%	6.3%	9.1%	9.0%
CRE Concentration Ratio	185%	440%	82%	239%	223%
Loans/Deposits	78%	125%	73%	93%	95%
Non-performing Assets/Total Assets	0.75%	1.42%	0.17%	0.53%	0.46%

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First Interstate Stock Trading History. Sandler O'Neill reviewed the historical stock price performance of First Interstate common stock for the one-year and three-year periods ended October 10, 2018. Sandler O'Neill then compared the relationship between the stock price performance of First Interstate's common stock to movements in the First Interstate Peer Group (as described above) as well as certain stock indices.

First Interstate One-Year Stock Price Performance

	Beginning October 10, 2017	Ending October 10, 2018
First Interstate	100.0%	118.1%
First Interstate Peer Group	100.0%	100.2%
NASDAQ Bank	100.0%	101.1%
SNL U.S. Bank > \$10B	100.0%	103.3%
S&P 500	100.0%	109.2%

First Interstate Three-Year Stock Price Performance

	Beginning October 10, 2015	Ending October 10, 2018
First Interstate	100.0%	164.6%
First Interstate Peer Group	100.0%	149.9%
NASDAQ Bank	100.0%	142.4%
SNL U.S. Bank > \$10B	100.0%	143.8%
S&P 500	100.0%	138.3%

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First Interstate Net Present Value Analyses. Sandler O Neill performed an analysis that estimated the net present value per share of First Interstate common stock assuming that First Interstate performed in accordance with publicly available mean analyst net income estimates for First Interstate for the years ending December 31, 2018 through December 31, 2020, as well as an estimated long-term net income growth rate for the years thereafter and estimated annual dividends per share for the years ending December 31, 2018 through December 31, 2022, as directed by the senior management of First Interstate. To approximate the terminal value of a share of First Interstate common stock at December 31, 2022, Sandler O Neill applied price to 2022 earnings per share multiples ranging from 12.0x to 20.0x and price to December 31, 2022 tangible book value per share multiples ranging from 180% to 280%. The terminal values were then discounted to present values using different discount rates ranging from 8.0% to 13.0% which were chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of First Interstate common stock. As illustrated in the following tables, the analysis indicated an imputed range of values per share of First Interstate common stock of \$31.67 to \$59.92 when applying multiples of earnings per share and \$34.00 to \$60.63 when applying multiples of tangible book value per share.

Discount Rate	Earnings Per Share Multiples				
	12.0x	14.0x	16.0x	18.0x	20.0x
8.0%	\$ 37.88	\$ 43.39	\$ 48.90	\$ 54.41	\$ 59.92
9.0%	\$ 36.52	\$ 41.82	\$ 47.11	\$ 52.41	\$ 57.71
10.0%	\$ 35.22	\$ 40.32	\$ 45.41	\$ 50.51	\$ 55.60
11.0%	\$ 33.98	\$ 38.88	\$ 43.79	\$ 48.69	\$ 53.59
12.0%	\$ 32.80	\$ 37.52	\$ 42.23	\$ 46.95	\$ 51.67
13.0%	\$ 31.67	\$ 36.21	\$ 40.75	\$ 45.30	\$ 49.84

Discount Rate	Tangible Book Value Per Share Multiples					
	180%	200%	220%	240%	260%	280%
8.0%	\$ 40.72	\$ 44.70	\$ 48.68	\$ 52.67	\$ 56.65	\$ 60.63
9.0%	\$ 39.24	\$ 43.07	\$ 46.90	\$ 50.74	\$ 54.57	\$ 58.40
10.0%	\$ 37.84	\$ 41.53	\$ 45.21	\$ 48.89	\$ 52.58	\$ 56.26
11.0%	\$ 36.50	\$ 40.05	\$ 43.59	\$ 47.14	\$ 50.68	\$ 54.23
12.0%	\$ 35.22	\$ 38.64	\$ 42.05	\$ 45.46	\$ 48.88	\$ 52.29
13.0%	\$ 34.00	\$ 37.29	\$ 40.58	\$ 43.86	\$ 47.15	\$ 50.44

Sandler O Neill also considered and discussed with the IIBK board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O Neill performed a similar analysis assuming First Interstate's net income varied from 15% above estimates to 15% below estimates. This analysis resulted in the following range of per share values for First Interstate common stock, applying the price to 2022 earnings per share multiples range of 12.0x to 20.0x referred to above and a discount rate of 9.79%.

Variance to Net Income Estimate	Earnings Per Share Multiples				
	12.0x	14.0x	16.0x	18.0x	20.0x
(15.0%)	\$ 30.87	\$ 35.24	\$ 39.60	\$ 43.97	\$ 48.34
(10.0%)	\$ 32.41	\$ 37.04	\$ 41.66	\$ 46.28	\$ 50.91
(5.0%)	\$ 33.95	\$ 38.83	\$ 43.71	\$ 48.60	\$ 53.48

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0.0%	\$ 35.49	\$ 40.63	\$ 45.77	\$ 50.91	\$ 56.04
5.0%	\$ 37.04	\$ 42.43	\$ 47.82	\$ 53.22	\$ 58.61
10.0%	\$ 38.58	\$ 44.23	\$ 49.88	\$ 55.53	\$ 61.18
15.0%	\$ 40.12	\$ 46.03	\$ 51.93	\$ 57.84	\$ 63.75

Sandler O'Neill noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

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Pro Forma Merger Analysis. Sandler O'Neill analyzed certain potential pro forma effects of the merger. In performing this analysis, Sandler O'Neill utilized the following information and assumptions: (1) the merger closes on March 31, 2019; (2) certain internal financial projections for IIBK for the years ending December 31, 2018 through December 31, 2022, as provided by the senior management of IIBK, as well as an estimated dividend payout ratio for the years ending December 31, 2018 through December 31, 2022, as directed by the senior management of IIBK; (3) publicly available mean analyst net income estimates for First Interstate for the years ending December 31, 2018 through December 31, 2020, as well as a long-term net income growth rate for the years thereafter and annual dividends per share for the years ending December 31, 2018 through December 31, 2022, as directed by the senior management of First Interstate; and (4) certain assumptions relating to transaction expenses, purchase accounting adjustments and cost savings, as well as estimated revenue impacts following the closing of the merger, as directed by the senior management of First Interstate. The analysis indicated that the merger could be accretive to First Interstate's earnings per share (excluding one-time transaction costs and expenses) in the years ending December 31, 2019 through December 31, 2022, and dilutive to First Interstate's estimated tangible book at closing.

In connection with this analysis, Sandler O'Neill considered and discussed with the IIBK board of directors how the analysis would be affected by changes in the underlying assumptions, including the impact of final purchase accounting adjustments determined at the closing of the transaction, and noted that the actual results achieved by the combined company may vary from projected results and the variations may be material.

Sandler O'Neill's Relationship. Sandler O'Neill acted as IIBK's financial advisor in connection with the transaction and will receive a fee for its services in an amount equal to 1.40% of the aggregate purchase price, which fee at the time of announcement based on the First Interstate closing price on October 10, 2018 was approximately \$2.6 million. Sandler O'Neill received \$150,000 of such fee upon the signing of the merger agreement and the remainder is contingent upon consummation of the merger. Sandler O'Neill also received a fee of \$350,000 for rendering its opinion, which fairness opinion fee will be credited in full towards the portion of the fee becoming due and payable to Sandler O'Neill on the day of closing of the merger. IIBK has also agreed to indemnify Sandler O'Neill against certain claims and liabilities arising out of Sandler O'Neill's engagement. In the two years preceding the date of Sandler O'Neill's opinion, Sandler O'Neill did not provide any other investment banking services to IIBK. As Sandler O'Neill previously advised the senior management of IIBK, Sandler O'Neill has provided certain investment banking services to First Interstate in the two years preceding the date of Sandler O'Neill's opinion. Most recently, Sandler O'Neill acted as financial advisor in connection with First Interstate's acquisition of Northwest Bancorporation, Inc., which transaction closed in August 2018. In the ordinary course of Sandler O'Neill's business as a broker-dealer, Sandler O'Neill may purchase securities from and sell securities to IIBK, First Interstate and their respective affiliates. Sandler O'Neill may also actively trade the equity and debt securities of IIBK, First Interstate and their respective affiliates for Sandler O'Neill's own account and for the accounts of Sandler O'Neill's customers.

Certain Financial Projections Utilized by the IIBK Board of Directors and IIBK's Financial Advisor

IIBK does not, as a matter of course, publicly disclose forecasts or internal projections as to future performance, earnings, or other results due to, among other reasons, the uncertainty of the underlying assumptions and estimates. However, IIBK's management provided its financial advisor, Sandler O'Neill, and First Interstate with certain non-public unaudited prospective financial information regarding IIBK prepared by IIBK's management that was considered by Sandler O'Neill in preparing its fairness opinion, as described in this document under the heading

Opinion of IIBK's Financial Advisor beginning on page 35. This non-public unaudited prospective financial information was prepared as part of IIBK's overall process of analyzing various strategic initiatives, and was not prepared for the purposes of, or with a view toward, public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information, published guidelines of the SEC regarding forward-looking statements, or generally

accepted accounting principles. A summary of certain significant elements of this information is set forth below. The information included below does not comprise all of the prospective financial information provided by IIBK to Sandler O'Neill and First Interstate.

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Although presented with numeric specificity, the financial forecasts reflect numerous estimates and assumptions of IIBK's management made at the time they were prepared, and assume execution of various strategic initiatives that IIBK is no longer pursuing in light of the merger. These and the other estimates and assumptions underlying the financial forecasts involve judgments with respect to, among other things, the future interest rate environment and other economic, competitive, regulatory, and financial market conditions and future business decisions that may not be realized and that are inherently subject to significant business, economic, competitive, and regulatory uncertainties and contingencies, including, among other things, the inherent uncertainty of the business and economic conditions affecting the industry in which IIBK operates, and the risks and uncertainties described under *Risk Factors* beginning on page 15 and *Cautionary Note About Forward-Looking Statements* beginning on page 19, all of which are difficult to predict and many of which are outside the control of IIBK and will be beyond the control of the combined company. There can be no assurance that the underlying assumptions would prove to be accurate or that the projected results would be realized, and actual results likely would differ materially from those reflected in the financial forecasts, whether or not the merger is completed. Further, these assumptions do not include all potential actions that management could or might have taken during these time periods.

The inclusion in this document of the non-public unaudited prospective financial information below should not be regarded as an indication that IIBK, First Interstate, their respective boards of directors, or Sandler O'Neill considered, or now consider, these projections and forecasts to be a reliable predictor of future results. The financial forecasts are not fact and should not be relied upon as being necessarily indicative of future results, and this information should not be relied on as such. In addition, this information represents IIBK management's evaluation at the time it was prepared of certain measures of IIBK's expected future financial performance on a stand-alone basis, assuming execution of certain strategic initiatives. The unaudited prospective financial information does not give effect to the merger, including the impact of negotiating or executing the merger agreement, the expenses that may be incurred in connection with consummating the merger, the potential synergies that may be achieved by the combined company as a result of the merger, the effect on either First Interstate or IIBK, as applicable, of any business or strategic decision or action that has been or will be taken as a result of the merger agreement having been executed, or the effect of any business or strategic decisions or actions that would likely have been taken if the merger agreement had not been executed, but that were instead altered, accelerated, postponed, or not taken in anticipation of the merger.

No assurances can be given that these financial forecasts and the underlying assumptions are reasonable or that, if they had been prepared as of the date of this document, similar assumptions would be used. In addition, the financial forecasts may not reflect the manner in which First Interstate would operate the IIBK business after the merger. **First Interstate and IIBK do not intend to, and each disclaims any obligation to, make publicly available any update or other revision to this unaudited prospective financial information to reflect circumstances occurring since its preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error, or to reflect changes in general economic or industry conditions.**

The financial forecasts summarized in this section were prepared by and are the responsibility of the management of IIBK. No independent registered public accounting firm has examined, compiled, or otherwise performed any procedures with respect to the prospective financial information contained in these financial forecasts and, accordingly, no independent registered public accounting firm has expressed any opinion or given any other form of assurance with respect thereto and no independent registered public accounting firm assumes any responsibility for the prospective financial information.

Further, the unaudited prospective financial information does not take into account the effect on IIBK of any possible failure of the merger to occur. Neither IIBK nor Sandler O'Neill, or their respective affiliates, officers, directors, advisors, or other representatives has made, makes, or is authorized in the future to make any representation to any

shareholder of IIBK, or other person regarding IIBK's ultimate performance compared to the information contained in the unaudited prospective financial information or that the projected results will be

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achieved. The inclusion of the unaudited prospective financial information herein should not be deemed an admission or representation by First Interstate or IIBK that it is viewed as material information of IIBK particularly in light of the inherent risks and uncertainties associated with such projections.

In light of the foregoing, and taking into account that the IIBK special meeting will be held several months after the unaudited prospective financial information was prepared, as well as the uncertainties inherent in any forecasted information, IIBK shareholders are cautioned not to place unwarranted reliance on such information.

The following table presents select unaudited prospective financial data of IIBK for the years ending December 31, 2018 through 2022 prepared by IIBK's management and provided to Sandler O'Neill and First Interstate.

	As of and for the Year Ended December 31,				
	2018	2019	2020	2021	2022
Net Income (in millions)	\$ 7.4	\$ 8.5	\$ 10.9	\$ 12.5	\$ 14.1
Earnings Per Share	0.93	1.06	1.36	1.56	1.75
Dividends Per Share	0.00	0.55	0.70	0.81	0.91

First Interstate's Reasons for the Merger

First Interstate's board of directors believes that the merger is in the best interests of First Interstate and its shareholders. In deciding to approve the merger and the merger agreement, First Interstate's board of directors considered a number of factors, including:

IIBK's community banking orientation, its favorable reputation within its local communities and its compatibility with First Interstate and its subsidiaries;

First Interstate management's review of the business, operations, earnings and financial condition, including asset quality, of IIBK;

that following the mergers with IIBK and CMYF, First Interstate will have the sixth largest market share in Idaho;

First Interstate's expectation that it will achieve cost savings equal to 56% of IIBK's current annualized non-interest expense;

that the transaction is expected to be accretive to earnings per share in 2019;

the pro forma financial effects of the proposed transaction, including the expected dilution to tangible book value per share;

continued geographic diversification into attractive, high growth markets in the Pacific Northwest, including Boise and Coeur d'Alene;

obtaining low cost deposits and significant excess liquidity;

the scale, scope and strength of operations, product lines and delivery systems that could be achieved by combining First Interstate and IIBK;

the complementary nature of the business, market areas and corporate cultures of First Interstate and IIBK;

First Interstate's historic performance in similar markets, including its recent successes in Idaho and Washington following its acquisitions of Bank of the Cascades in 2017 and Inland Northwest Bank in 2018;

the expectation that the merger will create the opportunity for the combined company to have superior future earnings and prospects compared to First Interstate's earnings and prospects on a stand-alone basis;

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First Interstate's successful track record of creating shareholder value through merger and acquisition transactions, including its proven experience in successfully integrating acquired businesses and management's belief that it will be able to integrate IIBK with First Interstate Bank successfully;

the financial presentation, dated October 10, 2018, of Piper Jaffray & Co. (Piper) to the First Interstate board of directors and the opinion, dated October 10, 2018, of Piper to the First Interstate board of directors as to the fairness, from a financial point of view and as of the date of the opinion, to First Interstate of the merger consideration in the proposed merger;

the review by First Interstate's board of directors with its management and legal advisors of the structure and other terms of the merger and the expectation of First Interstate's legal advisors that the merger will qualify as a transaction of a type that is generally tax-free to IIBK shareholders for U.S. federal income tax purposes (except with respect to cash received in lieu of fractional shares of First Interstate Class A common stock); and

the likelihood of regulators approving the merger without burdensome conditions or delay.

The foregoing discussion of the information and factors considered by First Interstate's board of directors is not intended to be exhaustive. In reaching its decision to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement, First Interstate's board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. First Interstate's board of directors considered all these factors as a whole, with the assistance of First Interstate's management and First Interstate's outside financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

Treatment of IIBK Stock Options

At the effective time of the merger, each option to purchase shares of IIBK common stock outstanding immediately before the effective time of the merger, whether or not vested, will be cancelled and, upon First Interstate's receipt of an option surrender agreement from the holder, exchanged for a cash payment equal to the product of (1) the number of shares of IIBK common stock subject to the stock option multiplied by (2) the amount by which the merger consideration exceeds the exercise price of such option, less applicable withholding taxes. For purposes of this calculation, the merger consideration is the product of the exchange ratio times the average closing sales price of First Interstate Class A common stock over the 20 consecutive trading days ending on the fifth day before the closing date of the merger.

Surrender of Stock Certificates

The conversion of IIBK common stock into the right to receive the merger consideration will occur automatically at the effective time of the merger. As soon as practicable after the completion of the merger, the exchange agent will mail to IIBK shareholders a letter of transmittal, together with instructions for the exchange of their IIBK common stock certificates for the merger consideration. Until you surrender your IIBK stock certificates for exchange after completion of the merger, you will not be paid dividends or other distributions declared after the merger with respect to any First Interstate Class A common stock into which your IIBK shares have been converted. When you surrender your IIBK stock certificates accompanied by a properly completed letter of transmittal, First Interstate will pay any unpaid dividends or other distributions, without interest, that had become payable with respect to the shares of First

Interstate Class A common stock into which your IIBK shares had been converted.

If you own shares of IIBK common stock in street name through a broker, bank or other nominee, you should receive or seek instructions from the broker, bank or other nominee holding your shares concerning how to surrender your shares of IIBK common stock in exchange for the merger consideration.

If you own shares of IIBK common stock in book-entry form, you are not required to take any additional action to exchange such shares for the merger consideration. Promptly following the completion of the merger,

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shares of IIBK common stock held in book-entry form automatically will be exchanged for shares of First Interstate Class A common stock in book-entry form and cash to be paid in exchange for fractional shares, if any.

If your IIBK stock certificates have been lost, stolen or destroyed, you will have to provide an affidavit claiming your IIBK stock certificates to be lost, stolen or destroyed, and post a bond in such amount as the exchange agent may direct before you receive any consideration for your shares.

After the completion of the merger, there will be no further transfers of IIBK common stock. IIBK stock certificates presented for transfer after the completion of the merger will be cancelled and exchanged for the merger consideration.

Accounting Treatment of the Merger

First Interstate will account for the merger under the acquisition method of accounting according to U.S. generally accepted accounting principles. Using the acquisition method of accounting, the assets (including identifiable intangible assets) and liabilities of IIBK will be recorded by First Interstate at their respective fair values at the time of the completion of the merger. The excess of First Interstate's purchase price over the net fair value of the assets acquired and liabilities assumed will then be recorded as goodwill.

Material U.S. Federal Income Tax Consequences of the Merger

General. The following discussion sets forth the material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of IIBK common stock. This discussion does not address any tax consequences arising under the laws of any state, locality, foreign jurisdiction or U.S. federal tax laws other than federal income tax law. This discussion is based upon the Internal Revenue Code, the regulations of the United States Department of the Treasury and court and administrative rulings and decisions in effect on the date of this document. These laws may change, possibly retroactively, and any change could affect the continuing validity of this discussion.

For purposes of this discussion, the term "U.S. holder" means:

an individual who is a citizen or resident of the United States for U.S. federal income tax purposes;

a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia;

a trust if (1) a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) such trust has a valid election in effect under applicable U. S. Treasury regulations to be treated as U.S. person; or

an estate that is subject to U.S. federal income tax on its income regardless of its source.

This discussion assumes that you are a U.S. holder and you hold your shares of IIBK common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code. Further, the discussion does not address all aspects

of U.S. federal income taxation that may be relevant to you in light of your particular circumstances or that may be applicable to you if you are subject to special treatment under the U.S. federal income tax laws, including if you are:

a financial institution;

a tax-exempt organization;

a pass-through entity or investor therein;

an insurance company;

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a mutual fund;

a dealer in securities or currencies;

a trader in securities who elects the mark-to-market method of accounting for your securities;

a regulated investment company;

a real estate investment trust;

a retirement plan, individual retirement account or other tax-deferred account;

an IIBK shareholder whose shares are qualified as small business stock for purposes of Section 1202 of the Internal Revenue Code or who may otherwise be subject to the alternative minimum tax provisions of the Internal Revenue Code;

an IIBK shareholder who received IIBK common stock through the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan;

a person who has a functional currency other than the U.S. dollar;

an IIBK shareholder who holds IIBK common stock as part of a hedge, straddle or a constructive sale or conversion transaction; or

a U.S. expatriate or former resident of the United States.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds IIBK common stock, the tax treatment of a partner in the partnership will generally depend on the status of such partner and the activities of the partnership.

This discussion is not intended to be tax advice to any particular holder of IIBK common stock. Tax matters regarding the merger are complicated, and the tax consequences of the merger to you will depend on your particular situation. IIBK shareholders are urged to consult their tax advisors as to the U.S. federal income tax consequences of the merger, as well as the effects of state, local, federal non-income and non-U.S. tax laws.

It is a condition to the closing of the merger that First Interstate receive the opinion of its legal counsel, Luse Gorman, PC, and IIBK receive the opinion of its legal counsel, Witherspoon Kelley, each dated as of the effective time of the merger, substantially to the effect that, on the basis of facts, representations and assumptions set forth or referred to in each opinion (including factual representations contained in certificates of officers of First Interstate and IIBK), the

merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. The tax opinions are not binding on the Internal Revenue Service, which we refer to as the IRS, or any court. First Interstate and IIBK have not sought and will not seek any ruling from the IRS regarding any matters relating to the merger and, as a result, there can be no assurance that the IRS will not assert, or that a court would not sustain, a position contrary to any of the conclusions set forth below. In addition, if any of the representations or assumptions upon which the opinions are based are inconsistent with the actual facts, the U.S. federal income tax consequences of the merger could be adversely affected.

Assuming that the merger is completed in the manner set forth in the merger agreement, and that the representations found in the merger agreement and in the officers' certificates provided by First Interstate and IIBK delivered at the time of closing will be true and complete without qualification as of the effective time of the merger, it is the opinion of each of Luse Gorman, PC and Witherspoon Kelley that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Based solely on the information set forth herein, and subject to the assumptions, qualifications and limitations set forth herein and in their respective federal income tax opinions filed as exhibits to the registration

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statement on Form S-4, this discussion of the material U.S. federal income tax consequences of the merger, to the extent such discussion expresses conclusions as to the application of U.S. federal income tax law, constitutes the opinions of Luse Gorman, PC, legal counsel to First Interstate, and Witherspoon Kelley, legal counsel to IIBK. In rendering their respective tax opinions, each counsel relied upon representations and covenants, including those contained in officers' certificates of First Interstate and IIBK, reasonably satisfactory in form and substance to each such counsel. If any of the representations, covenants or assumptions upon which the opinions are based are inconsistent with the actual facts, the U.S. federal income tax consequences of the merger could be adversely affected. Copies of the tax opinions are attached as Exhibits 8.1 and 8.2 to the registration statement on Form S-4.

Subject to the foregoing, the material U.S. federal income tax consequences of the merger are as follows:

No gain or loss will be recognized by a U.S. holder of IIBK common stock upon the receipt of shares of First Interstate Class A common stock in exchange for such holder's IIBK common stock pursuant to the merger (except in respect of cash received in lieu of fractional shares, as discussed below);

The aggregate adjusted tax basis of the shares of First Interstate Class A common stock received by the U.S. holder in the merger will be the same as the aggregate adjusted tax basis of shares of IIBK common stock surrendered in exchange therefor, reduced by the tax basis allocable to any fractional share of First Interstate Class A common stock for which cash is received;

The holding period of First Interstate Class A common stock received by a U.S. holder will include the holding period of the IIBK common stock exchanged therefor; and

Although no fractional shares of First Interstate Class A common stock will be issued in the merger, a U.S. holder who receives cash in lieu of such a fractional share of First Interstate Class A common stock will generally be treated as having received the fractional share pursuant to the merger and then having sold that fractional share of First Interstate Class A common stock for cash. As a result, a U.S. holder will generally recognize gain or loss equal to the difference between the amount of cash received and the portion of the holder's aggregate adjusted tax basis of the shares of IIBK common stock surrendered that is allocable to its fractional share. Any capital gain or loss will be long-term capital gain or loss if the holding period for the fractional share (including the holding period of the shares of IIBK common stock surrendered therefor) is more than one year. Long-term capital gains of individuals generally are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

For purposes of the above discussion of the basis and holding periods for shares of IIBK stock and First Interstate Class A common stock, IIBK shareholders who acquired different blocks of IIBK common stock at different times or at different prices must calculate their basis and holding periods separately for each identifiable block of such stock exchanged or received in the merger.

Backup Withholding. A non-corporate U.S. holder may be subject to backup withholding (currently at a rate of 24%) on any cash received in the merger, including cash received in lieu of a fractional share of First Interstate Class A common stock. Backup withholding generally will not apply, however, to U.S. holders who:

Furnish a correct taxpayer identification number, certify that they are not subject to backup withholding on Form W-9 or successor form and otherwise comply with all the applicable requirements of the backup withholding rules; or

Provide proof that they are otherwise exempt from backup withholding.

Any amounts withheld under the backup withholding rules will generally be allowed as a refund or credit against the U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

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Reporting Requirements. U.S. holders of IIBK common stock who receive First Interstate Class A common stock pursuant to the merger will be required to retain records pertaining to the merger, and any such holder who, immediately before the merger, holds at least 1% (by vote or value) of the outstanding IIBK stock, or securities of IIBK with a basis for U.S. federal income tax purposes of at least \$1 million, will be required to file with its U.S. federal income tax return for the year in which the merger takes place a statement setting forth certain facts relating to the merger. U.S. holders are urged to consult with their tax advisors with respect to these and other reporting requirements applicable to the merger.

The preceding discussion is a summary of the material U.S. federal income tax consequences of the merger to a U.S. holder of IIBK stock and does not address all potential tax consequences that apply or that may vary with, or are contingent on, individual circumstances, and should not be construed as tax advice. Moreover, the discussion does not address any U.S. federal non-income tax or any foreign, state or local tax consequences of the merger. Tax matters are very complicated and, accordingly, we strongly urge you to consult with a tax advisor to determine the particular federal, state, local and foreign income and other tax consequences to you of the merger.

Regulatory Matters Relating to the Merger

Completion of the merger is subject to the receipt of all required approvals and consents from regulatory authorities. The merger is subject to approval by the Federal Reserve Board, the Montana Division and the Idaho Department. First Interstate has filed the required applications. While First Interstate does not know of any reason why it would not obtain the approvals in a timely manner, other than the complexities involved in acquiring two financial institutions simultaneously, First Interstate cannot be certain when or if it will receive the regulatory approvals.

Federal Reserve Board. The merger is subject to approval by the Federal Reserve Board under the Bank Merger Act.

The Federal Reserve Board takes into consideration a number of factors when acting on applications under the Bank Merger Act, including: (1) the financial and managerial resources and the effect of the proposed merger on these resources (including capital and pro forma capital ratios of the combined organization, the management expertise, internal controls, and risk management systems, especially those with respect to compliance with laws applicable to consumers and fair lending laws); (2) the effect of the proposal on competition; (3) the future prospects of the existing and merged entities; (4) the convenience and needs of the communities served; (5) any risk to the stability of the United States banking or financial system; and (6) the effectiveness of the acquiring entity in combating money laundering activities. The Federal Reserve Board also reviews the records of the relevant insured depository institutions under the Community Reinvestment Act of 1997, which we refer to as the CRA. In connection with such a review, the Federal Reserve Board will provide an opportunity for public comment on the application and is authorized to hold a public meeting or other proceeding if it determines such meeting or other proceeding would be appropriate.

In addition, a period of 15 to 30 days must expire following approval by the Federal Reserve Board before completion of the merger is allowed, within which period the United States Department of Justice may file objections to the merger under the federal anti-trust laws. There can be no assurance that the Department of Justice will not initiate proceedings to block the merger.

Montana Division. Prior approval of the merger is required from the Montana Division. The Division requires a 30-day public comment period on a merger application and may consider any comments received and other factors in considering the merger. On January 10, 2019, First Interstate received the approval from the Montana Division.

Idaho Department. The merger is subject to and must comply with the requirements of the Idaho Bank Act. Under the Idaho Bank Act, an application for approval of the merger must be provided to the Idaho

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Department, which includes a copy of the Bank Merger Act application filed with the Federal Reserve Board and the applicable fee. The director of the Idaho Department will not approve the application if, among other things: (1) the merger would be detrimental to the safety and soundness of First Interstate Bank or IIBK; (2) First Interstate Bank, its executive officers, directors or principal shareholders do not have a record of sound performance, efficient management, financial responsibility and integrity such that it would be against the interest of the depositors, other customers, creditors or shareholders of IIBK, or against the public interest to authorize the merger; or (3) the financial condition of First Interstate Bank or IIBK is such that the financial stability of First Interstate Bank or First Interstate might be jeopardized or the interests of depositors or other customers of First Interstate Bank or First Interstate might be prejudiced; (4) the consummation of the merger will tend to substantially lessen competition within Idaho unless the director finds that the anticompetitive effects of the merger are clearly outweighed by the benefit of meeting the convenience and needs of the community to be served; or (5) First Interstate Bank has not established a record of meeting the credit needs of the communities which it services. On January 10, 2019, First Interstate Bank received the approval from the Idaho Department.

The merger cannot proceed in the absence of the requisite regulatory approvals. See *Conditions to Completing the Merger* and *Terminating the Merger Agreement*. There can be no assurance that the requisite regulatory approvals will be obtained, and if obtained, there can be no assurance as to the date of any approval. There also can be no assurance that any regulatory approvals will not contain a condition or requirement that causes the approvals to fail to satisfy one or more conditions set forth in the merger agreement and described under *Conditions to Completing the Merger*.

The approval of any application merely implies the satisfaction of regulatory criteria for approval, which does not include, for example, review of the merger from the standpoint of the adequacy of the merger consideration. Furthermore, regulatory approvals do not constitute an endorsement or recommendation with respect to the merger.

Interests of Certain Persons in the Merger that are Different from Yours

In considering the recommendation of the board of directors of IIBK to approve the merger agreement and the merger, you should be aware that IIBK's executive officers and directors have employment and other compensation agreements or plans that give them financial interests in the merger that are different from, or in addition to, the interests of IIBK shareholders generally, which are described below. The board of directors of IIBK was aware of these interests and considered them, among other matters, in approving the merger agreement and the transactions contemplated by the merger agreement.

Treatment of Stock Options. The merger agreement provides that all options to purchase IIBK common stock outstanding at the effective time of the merger, whether or not vested, will be cancelled and, subject to First Interstate's receipt of an option surrender agreement, the holder will be entitled to receive a lump sum cash payment equal to the product of (1) the number of shares of IIBK common stock subject to the stock option multiplied by (2) the amount by which the merger consideration exceeds the exercise price of such option, less applicable withholding taxes. For purposes of this calculation, the merger consideration is the product of the exchange ratio times the average closing sales price of First Interstate Class A common stock over the 20 consecutive trading days ending on and including the fifth day before the closing date of the merger. If the exercise price of an IIBK stock option is equal to or greater than the merger consideration, such option will be cancelled at the effective time of the merger for no consideration.

Stock Options Held by IIBK's Named Executive Officers and Directors. For an estimate of the amounts that would be payable to each of IIBK's named executive officers, Jack W. Gustavel, Kurt R. Gustavel and Paul H. Montreuil, on settlement of their unvested IIBK equity awards, see *Summary of Merger-Related Executive Compensation for IIBK's Named Executive Officers* below. IIBK non-employee directors Rick D. Ambrosio, Jerald Jaeger and Alicia Ritter hold 13,000, 23,500 and 15,500 stock options, respectively, and will receive a cash payment of \$159,506, \$342,932 and

\$223,786, respectively, upon the termination and cash-out of the stock

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options, based on a per share price of IIBK common stock of \$21.11, which is the average closing market price of IIBK common stock over the five business days following the public announcement of the merger. All of the stock options held by the IIBK non-employee directors are fully vested, and, accordingly, the stock options will not be subject to accelerated vesting in connection with the merger.

Payments Under Employment Agreements with IIBK. IIBK previously entered into employment agreements with each of Jack W. Gustavel, Kurt R. Gustavel and Paul H. Montreuil. The employment agreements provide generally that in the event an involuntary termination of employment without cause (as defined in the employment agreement) or a voluntary termination for good reason (as defined in the employment agreement) following a change in control, the executive will receive a lump sum cash severance payment equal to three times the executive's average annual Form W-2, Box 1 compensation earned in the five calendar years preceding the date of the termination or the date of change in control and the value of the executive's pro-rated bonuses and incentive compensation in the year of a change in control (except Mr. Montreuil's agreement provides for a severance payment equal to two times the amount of his annual base salary). In addition, Jack W. Gustavel's employment agreement provides that the executive is entitled to five years of continued medical or welfare benefits, use of an automobile for five years and five years of the payment of annual dues and assessment charges to continue membership in all country clubs and private clubs in which he is currently a member. Each employment agreement provides that payments will be reduced by the minimum amount necessary so that such payments would not result in the loss of deductibility to IIBK under Section 280G of the Internal Revenue Code or imposition of excise taxes on the executive under Section 4999 of the Internal Revenue Code. Jack W. Gustavel and Kurt R. Gustavel's benefits under their employment agreements will be determined pursuant to a settlement agreement entered into with each executive concurrent with the execution of the merger agreement, as discussed in more detail below. The estimated amount that would be payable to Mr. Montreuil under his employment agreement is \$281,709.

Settlement Agreements with Jack W. Gustavel and Kurt R. Gustavel. In connection with the execution of the merger agreement, First Interstate, First Interstate Bank and IIBK entered into a settlement agreement with each of Jack W. Gustavel and Kurt R. Gustavel. In accordance with the terms of each settlement agreement, the executive's employment agreement will be terminated, effective as of the closing of the merger, and in lieu of any payments under such agreement, Jack W. Gustavel and Kurt R. Gustavel, respectively, will be entitled to a cash payment equal to three times the executive's base amount, as determined in accordance with Section 280G of the Internal Revenue Code, less for Jack W. Gustavel only, the parachute payment value, as determined in accordance with Section 280G of the Code, of the accelerated timing of the 2019 performance-based bonus to the extent required by applicable law. For Kurt R. Gustavel only, the cash severance will be paid two-thirds in cash and one-third in restricted stock, subject to a two-year vesting schedule. The payments are subject to a possible reduction so that the payments to Jack W. Gustavel and Kurt R. Gustavel, respectively, will not result in the loss of deductibility to IIBK under Section 280G of the Internal Revenue Code or imposition of excise taxes on Jack W. Gustavel and Kurt R. Gustavel under Section 4999 of the Internal Revenue Code. The settlement agreement with Kurt R. Gustavel provides that he will continue employment with First Interstate Bank as Regional President responsible for operations in the Idaho and Eastern Washington region at an initial base salary rate of \$283,000 per year and that he will participate in First Interstate Bank's short-term and long-term incentive plans on the same terms as similarly situated employees. The settlement agreements provide generally that Jack W. Gustavel and Kurt R. Gustavel may not compete with First Interstate Bank and may not solicit business, customers and employees for one year and two years following the effective time of the merger, respectively. The estimated amounts that would be payable to Jack W. Gustavel and Kurt R. Gustavel under their settlement agreements is approximately \$3,186,767, and \$1,313,675, respectively.

Treatment of Supplemental Executive Retirement Plans and Deferred Compensation Plans. IIBK previously entered into a Second Amended and Restated Executive Non-Qualified Retirement Plan with each of Jack W. Gustavel, Kurt R. Gustavel and Paul H. Montreuil and certain other officers, and with Jack W. Gustavel only, an

Amended and Restated Deferred Compensation Agreement and a Second Amended and Restated 2005 Deferred Compensation Agreement. Jack W. Gustavel, Kurt R. Gustavel and Paul H. Montreuil are fully vested

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in their benefits under these agreements and the executives are not entitled to any additional benefits under these agreements in connection with the merger. First Interstate Bank has agreed to honor the terms of these agreements.

Summary of Merger-Related Executive Compensation for IIBK's Named Executive Officers. The following table sets forth the amount of payments and benefits that each of Jack W. Gustavel, Kurt R. Gustavel and Paul H. Montreuil would receive in connection with the merger, as described above. This table does not include the value of benefits in which the executives are vested without regard to the occurrence of a change in control. The amounts shown below are estimates based on multiple assumptions that may or may not actually occur, and as a result, the actual amounts to be received by an executive may differ materially from the amounts shown below.

Executive	Cash⁽¹⁾	Equity⁽²⁾	Other⁽³⁾	Total
Jack W. Gustavel	\$ 3,186,767	\$	\$	\$ 3,186,767
Kurt R. Gustavel	1,313,675			1,313,675
Paul H. Montreuil	281,709			281,709

- (1) The cash payments consist of: (a) for Jack W. Gustavel and Kurt W. Gustavel, the estimated amounts payable under their settlement agreements; and (b) for Mr. Montreuil, the estimated amount payable under his employment agreement.
- (2) Jack W. Gustavel does not hold any stock options. All of Kurt R. Gustavel's 100,000 stock options are fully vested and he will receive an estimated cash payment of \$1,390,700 in exchange for the cancellation of the stock options, based on a per share price of IIBK common stock of \$21.11, which is the average closing market price of IIBK common stock over the five business days following the public announcement of the merger. All of Paul H. Montreuil's 22,500 stock options are fully vested and he will receive an estimated cash payment of \$328,725 in exchange for the cancellation of these stock options, based on a per share price of IIBK common stock of \$21.11.
- (3) Jack W. Gustavel's employment agreement provides that the executive is entitled to five years of continued medical or welfare benefits, use of an automobile for five years and five years of the payment of annual dues and assessment charges to continue membership in all country clubs and private clubs in which he is currently a member. The value of these benefits are not reflected in the above table since he is fully vested in the benefits without regard to a change in control.

Indemnification and Insurance of Directors and Officers. In the merger agreement, First Interstate has agreed to indemnify and hold harmless each of the current and former officers and directors of IIBK and its subsidiaries against any costs, expenses, judgments, fines, amounts paid in settlements, damages and other liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether arising before or after the effective time of the merger, pertaining to any matter that existed or occurred at or before the effective time of the merger to the same extent as IIBK currently provides for indemnification of its officers and directors. First Interstate has also agreed to maintain in effect for a period of six years following the effective time of the merger the directors' and officers' liability insurance policy currently maintained by IIBK or to provide a policy with comparable coverage, provided that, to obtain such insurance coverage, First Interstate is not obligated to expend, in the aggregate, an amount exceeding 200% of the amount of the annual premiums currently paid by IIBK for such insurance.

Employee Matters

Each person who is an employee of IIBK as of the effective time of the merger (whose employment is not specifically terminated as of the effective time of the merger) will become an employee of First Interstate Bank. These employees, at the sole discretion of First Interstate, may continue on IIBK's benefit plans through the end of 2019, if this occurs,

and will be eligible to participate in employee benefit plans that are substantially comparable to the employee benefit that are generally made available to similarly situated employees of First

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Interstate Bank beginning in 2020; provided, however, that continuing employees will not experience a gap in coverage and will not be eligible to participate in any frozen plans of First Interstate Bank. With respect to any First Interstate Bank health or welfare plan, First Interstate Bank will cause any pre-existing condition limitations or eligibility waiting periods to be waived and credit each continuing employee for any co-payments or deductibles incurred by such continuing employee under an IIBK health plan for the plan year in which coverage commences under First Interstate Bank's health plan. Terminated IIBK employees that do not continue as employees of First Interstate Bank following the effective time of the merger, and their qualified beneficiaries, will have the right to continued coverage in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985.

Continuing employees will receive prior service credit for purposes of eligibility and vesting (but not for purposes of benefit accrual under First Interstate Bank's 401(k) Plan for 2019 employer contributions) provided that such recognition of service will not (1) apply to paid time-off, to the extent, at First Interstate Bank's discretion, the cash value of unused paid time-off is paid to continuing employees at the closing of the merger, or (2) operate to duplicate any benefits with respect to the same period of service.

Each full-time employee of IIBK whose employment is involuntarily terminated by First Interstate (other than for cause) within six months following the effective time of the merger and who is not covered by a separate employment agreement, change in control agreement or other agreement that provides for the payment of severance will, upon executing an appropriate release in the form reasonably determined by First Interstate, receive a severance payment equal to two weeks of base pay for each year of service with IIBK, with a minimum payment equal to four weeks for base pay and a maximum payment of 52 weeks of base pay, depending on such employee's title.

First Interstate will provide all employees of IIBK whose employment was terminated other than for cause, disability or retirement at or following the merger, job counseling and outplacement assistance services to assist such employees in locating new employment. First Interstate will notify all such employees of opportunities for positions that First Interstate Bank reasonably believes such persons are qualified and will consider any application for such positions submitted by such persons, provided, however, that any decision to offer employment to any such person will be made in the sole discretion of First Interstate Bank.

A retention bonus pool will be established for employees of IIBK other than employees of IIBK who are covered by employment agreements or other contracts providing for severance, as jointly designated by First Interstate and IIBK. The amount and payment date of the retention bonus for each employee will be jointly determined by First Interstate and IIBK.

Operations of First Interstate Bank after the Merger

The merger agreement provides for the merger of IIBK with and into First Interstate Bank, with First Interstate Bank as the surviving entity.

The directors and executive officers of First Interstate and First Interstate Bank will remain the same following the merger.

Resale of Shares of First Interstate Class A Common Stock

All shares of First Interstate Class A common stock issued to IIBK's shareholders in connection with the merger will be freely transferable. This document does not cover any resales of the shares of First Interstate Class A common stock to be received by IIBK's shareholders upon completion of the merger, and no person may use this document in connection with any resale.

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Time of Completion

Unless the parties agree otherwise and unless the merger agreement has otherwise been terminated, the closing of the merger will take place within 15 days following the date on which all of the conditions to the merger contained in the merger agreement are satisfied or waived. See *Conditions to Completing the Merger*. On the closing date, to merge IIBK into First Interstate Bank, First Interstate Bank will file Articles of Merger with the Montana Division and the Idaho Department. The merger will become effective at the time stated in the Articles of Merger.

It is currently expected that the merger will be completed in the first half of 2019. However, because completion of the merger is subject to regulatory approvals and other conditions, the parties cannot be certain of the actual timing of the completion of the merger.

Conditions to Completing the Merger

First Interstate's, First Interstate Bank's and IIBK's obligations to consummate the merger are conditioned on the following:

approval of the merger agreement by IIBK shareholders;

receipt of all required regulatory approvals, consents or waivers and the expiration of all statutory waiting periods;

the absence of any order, decree, injunction, statute, rule or regulation that prevents the consummation of the merger or that makes completion of the merger illegal;

receipt of consent of all third parties whose consent is required to consummate the merger, except where failure to obtain such consent would not have a material adverse effect on First Interstate;

effectiveness of the registration statement of which this document is a part;

First Interstate filing a notice with The Nasdaq Stock Market for the listing of the shares of First Interstate Class A common stock to be issued by First Interstate in the merger, and The Nasdaq Stock Market not objecting to the listing of such shares of First Interstate Class A common stock;

receipt by each of First Interstate and IIBK of an opinion from their respective legal counsel to the effect that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code; and

the absence of any material adverse effect with respect to First Interstate and First Interstate Bank, on the one hand, or IIBK, on the other hand.

In addition, First Interstate's and First Interstate Bank's obligations to consummate the merger are conditioned on the following:

the representations and warranties of IIBK contained in the merger agreement being true and correct as of the closing date of the merger (except to the extent such representations and warranties speak as of an earlier date and subject to materiality and material adverse effect standards described in the merger agreement), and the receipt by First Interstate and First Interstate Bank of a written certificate from IIBK's Chief Executive Officer and Chief Financial Officer to that effect;

IIBK's performance in all material respects of all of its obligations and covenants required to be performed before the effective time of the merger, and First Interstate's and First Interstate Bank's receipt of a written certificate from IIBK's Chief Executive Officer and Chief Financial Officer to that effect;

none of the regulatory approvals, consents or waivers necessary to consummate the merger and the transactions contemplated by the merger agreement including any condition or requirement that would

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so materially and adversely impact the economic or business benefits to First Interstate and First Interstate Bank of the transactions contemplated by the merger agreement that, had such condition or requirement been known, First Interstate and First Interstate Bank would not, in its reasonable judgment, have entered into the merger agreement; and

as of the date immediately before the closing of the merger, no more than 10% of the outstanding shares of IIBK common stock having exercised its dissenters' rights.

In addition, IIBK's obligations to consummate the merger are conditioned on the following:

the representations and warranties of First Interstate and First Interstate Bank contained in the merger agreement being true and correct as of the closing date of the merger (except to the extent such representations and warranties speak as of an earlier date and subject to materiality and material adverse effect standards described in the merger agreement), and IIBK's receipt of a written certificate from First Interstate's and First Interstate Bank's Chief Executive Officer and Chief Financial Officer to that effect; and

First Interstate's performance in all material respects of all of its obligations and covenants required to be performed before the effective time of the merger, and IIBK's receipt of a written certificate from First Interstate's and First Interstate Bank's Chief Executive Officer and Chief Financial Officer to that effect.

First Interstate, First Interstate Bank and IIBK cannot guarantee that all of the conditions to the merger will be satisfied or waived by the party permitted to do so.

Conduct of Business Before the Merger

IIBK has agreed that, until completion of the merger and unless consented to by First Interstate or First Interstate Bank, or to the extent required by law or regulation of any governmental entity, neither IIBK nor its subsidiaries will:

General Business

conduct its business other than in the regular, ordinary and usual course consistent with past practice;

fail to use reasonable efforts to maintain and preserve intact its business organization, properties, leases, employees and advantageous business relationships and retain the services of its officers and key employees;

take any action that would adversely affect or materially delay its ability to perform its obligations under the merger agreement or to consummate the transactions contemplated by the merger agreement;

Indebtedness

incur, modify, extend or renegotiate any indebtedness for borrowed money or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any person, other than, in each case, in the ordinary course of business consistent with past practice;

prepay any indebtedness or other similar arrangements so as to cause IIBK to incur any prepayment penalty;

accept any brokered certificates of deposit;

Capital Stock

adjust, split, combine or reclassify its capital stock;

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make, declare or pay any dividend or make any other distribution on its capital stock;

grant any person any right to acquire any shares of its capital stock or make any grant or award under IIBK's equity plans;

issue any additional shares of capital stock or any securities or obligations convertible or exercisable for any shares of its capital stock, except pursuant to the exercise of stock options outstanding as of the date of the merger agreement;

redeem or otherwise acquire any shares of its capital stock other than a security interest or as a result of the enforcement of a security interest and other than provided in the merger agreement;

Dispositions

sell, transfer, mortgage, encumber or otherwise dispose of any of its real property or other assets to any person other than to its subsidiary or cancel, release or assign any indebtedness or claims, other than in the ordinary course of business consistent with past practice;

Investments

make any equity investment, either by purchase of stock or securities, contributions to capital, property transfers, or purchase of any property or assets of any other person, or form any new subsidiary;

purchase any debt security other than U.S. government and U.S. government agency securities with final maturities of less than two years or FDIC insured certificates of deposit of three years or less, other than in the ordinary course of business, consistent with past practice;

enter into any futures contract, option, swap agreement, interest rate exchange agreement, or take any other action to hedge the exposure of its interest-earning assets or interest-bearing liabilities to changes in market rates of interest;

Contracts

enter into, renew, amend or terminate any material contract, plan or agreement or make any change in its leases or material contracts, other than in the ordinary course of business consistent with past practice;

Loans

except for loans or commitments for loans that have previously been approved by IIBK before the date of the merger agreement, make, renegotiate, renew, increase the amount of, extend the term of, modify or purchase any loans, or make any commitment in respect of any of the foregoing, other than in the ordinary course of business consistent with past practice;

make any new loan, or commit to make any new loan, to any director or executive officer of IIBK or entity controlled by them, or, except for in accordance with Regulation O of the Federal Reserve Board regulations, amend, renew or increase any existing loan, or commit to do so, with any director or executive officer of IIBK or entity controlled by them;

purchase any mortgage loan servicing rights other than in the ordinary course of business consistent with past practice;

Benefit Plans

increase the base compensation or fringe benefits payable to any employee or director other than in the ordinary course of business consistent with past practice and pursuant to policies and written incentive plans in effect and in an amount not to exceed the greater of 5% of such individual's base salary or wage rate as of the date of the merger agreement or an aggregate of \$7,500;

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pay any bonus, pension, retirement allowance or contribution except for cash bonuses in the ordinary course of business, consistent with past practice;

become a party to, renew or amend any pension, retirement, profit-sharing or welfare plan or employment, severance or change in control agreement, except for amendments to any plan or agreement that are required by law and except for compensation agreements with real estate loan officers in the ordinary course of business consistent with past practice;

amend the terms of any outstanding stock options or voluntarily accelerate the vesting of, or lapse the restrictions with respect to, any stock options or other stock-based compensation; or make any contributions to any defined contribution plan not in the ordinary course of business consistent with past practice;

Employees

elect any person to any office with the title of Senior Vice President or higher who does not currently hold such office as of the date of the merger agreement or elect any person to the board of directors who is not a member of the board as of the date of the merger agreement;

hire any employee whose annual base salary would be greater than \$150,000, except as may be necessary to replace any employee;

Settling Claims

commence any action or proceeding other than to enforce any obligation owed to IIBK and in accordance with past practice, or settle any claim, action or proceeding against it involving payment of money damages in excess of \$100,000 or that would impose any material restrictions on IIBK's operations;

Governing Documents

amend IIBK's articles of incorporation or bylaws, or similar governing documents;

Deposits

increase or decrease the rate of interest paid on time deposits or on certificates of deposit, except in the ordinary course of business;

Capital Expenditures

make any capital expenditures in excess of \$250,000, other than existing binding commitments as of the date of the merger agreement and expenditures reasonably necessary to maintain existing assets in good repair;

Branches

establish or commit to establish any new branch office or file any application to relocate or terminate any banking office;

Policies

make any changes in policies in any material respect in existence on the date of the merger agreement with regard to: the extension of credit, or the establishment of reserves with respect to possible loss

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thereon or the charge off of losses incurred thereon; investments; asset/liability management; deposit pricing or gathering; underwriting, pricing, originating, acquiring, selling, servicing or buying or selling rights to service, loans; its hedging practices and policies; or other material banking policies, in each case except as may be required by changes in applicable law or regulations, generally accepted accounting principles, or at the direction of a governmental entity;

Communications

except as required by law or for communications in the ordinary course of business consistent with past practice that do not relate to the merger: (1) issue any communication of a general nature to employees without prior consultation with First Interstate and, to the extent relating to post-closing employment, benefit or compensation information, without the prior consent of First Interstate (which will not be unreasonably withheld, conditioned or delayed); or (2) issue any communication of a general nature to customers without the prior approval of First Interstate (which will not be unreasonably withheld, conditioned or delayed);

Environmental Assessments

except with respect to foreclosures in process as of the date of the merger agreement, foreclose upon or take a deed or title to any commercial real estate (1) without providing prior notice to First Interstate and conducting a Phase I environmental assessment of the property, and (2) if the Phase I environmental assessment reflects the presence of any hazardous material or underground storage tank;

Taxes

make, change or rescind any material tax election concerning IIBK's taxes or tax returns, file any amended tax return, enter into any closing agreement with respect to taxes, settle any material tax claim, assessment or surrender any right to claim a tax refund;

Accounting

implement or adopt any change in its accounting principles, practices or methods, other than as may be required by generally accepted accounting principles or regulatory guidelines;

New Lines of Business

enter into any new lines of business;

Merger or Liquidation

merge or consolidate any subsidiary with any other corporation or restructure, reorganize or completely or partially liquidate or dissolve itself or any of its subsidiaries;

Tax-Free Reorganization

knowingly take action that would prevent or impede the merger from qualifying as a reorganization under the Internal Revenue Code;

Other Agreements

take any action that is intended or expected to result in any of IIBK's representations and warranties set forth in the merger agreement being or becoming untrue in any material respect at any time before the closing of the merger, or in any of the closing conditions not being satisfied or in a violation of any provision of the merger agreement; or

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agree to take, commit to take or adopt any resolutions in support of any of the actions prohibited by the section in the merger agreement governing IIBK's conduct of business until the completion of the merger. First Interstate and First Interstate Bank have agreed that, until the completion of the merger and unless permitted by IIBK, or to the extent required by laws or regulation of any governmental entity, or as expressly contemplated or permitted by the merger agreement or as required by law, they will not:

fail to use reasonable efforts to maintain and preserve intact their business organization, properties, leases, employees and advantageous business relationships and retain the services of their officers and key employees;

take any action that would adversely affect or materially delay their ability to perform their obligations under the merger agreement or to consummate the transactions contemplated by the merger agreement;

take any action that is intended or expected to result in any of First Interstate's and First Interstate Bank's representations and warranties set forth in the merger agreement being or becoming untrue in any material respect at any time before the closing of the merger, or in any of the closing conditions not being satisfied or in a violation of any provision of the merger agreement;

knowingly take action that would prevent or impede the merger from qualifying as a reorganization under the Internal Revenue Code;

agree to take, commit to take or adopt any resolutions in support of any of the actions prohibited by the section in the merger agreement governing First Interstate's or First Interstate Bank's conduct of business until the completion of the merger; or

amend or repeal its articles of incorporation or bylaws in a manner that would adversely affect IIBK or any IIBK shareholder or the transactions contemplated by the merger agreement.

Additional Covenants of IIBK and First Interstate in the Merger Agreement

Agreement Not to Solicit Other Proposals. From the date of the merger agreement until the earlier of the closing of the merger or the termination of the merger agreement, IIBK will not, and will not authorize or permit any of its subsidiaries or any of its subsidiaries' officers, directors, employees, or any investment banker, financial advisor, attorney, accountant or other representative to, directly or indirectly: (1) solicit, initiate, induce or encourage, or take any action to facilitate, any inquiries, offers, discussions or the making of any proposal that constitutes or could reasonably be expected to lead to, an acquisition proposal by a third party; (2) furnish any confidential or non-public information regarding IIBK, or afford access to any such information or data, to any person in connection with or in response to an acquisition proposal by a third party or an inquiry or indication of interest that would reasonably be expected to lead to such an acquisition proposal; (3) continue or otherwise participate in any discussions or negotiations, or otherwise communicate in any way with any person other than First Interstate and First Interstate Bank, regarding an acquisition proposal by a third party; (4) approve, endorse or recommend any acquisition proposal by a third party; (5) release any person from, waive any provisions of, or fail to use its reasonable best efforts to

enforce any confidentiality agreement or standstill agreement to which IIBK is a party; or (6) enter into or consummate any agreement, agreement in principle, letter of intent, arrangement or understanding contemplating any acquisition proposal by a third party or requiring IIBK to abandon, terminate or fail to consummate the transactions contemplated by the merger agreement.

An acquisition proposal is a proposal or offer, whether or not in writing, with respect to any of the following:

any merger, consolidation, share exchange, business combination or other similar transaction involving IIBK or its subsidiaries;

any sale, lease, exchange, mortgage, pledge, transfer or other disposition of 20% or more of the consolidated assets of IIBK in a single transaction or series of transactions;

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any tender offer or exchange offer for 20% or more of the outstanding shares of IIBK capital stock or the filing of a registration statement under the Securities Act of 1933, as amended, in connection therewith;

any transaction that is similar in form, substance or purpose to any of the foregoing transactions or any combination of the foregoing transactions; or

any public announcement, notice or regulatory filing or a proposal, plan or intention to do any of the foregoing transactions or any agreement to engage in any of the foregoing transactions.

Despite the agreement of IIBK not to solicit other acquisition proposals, IIBK may generally, negotiate or have discussions with, or provide non-public information to, a third party before the IIBK shareholder meeting, provided that (1) IIBK has not breached its obligations not to seek a third party offer, (2) the IIBK board of directors determines in good faith, after consultation with its outside legal counsel, that the failure to take such action would reasonably be expected to violate the directors' fiduciary obligations to IIBK's shareholders under applicable law and (3) the acquisition proposal constitutes or is reasonably expected to result in a superior proposal. Before providing any non-public information to, or entering into discussions with, a third party, IIBK must give First Interstate written notice of the identity of the third party and of IIBK's intention to furnish non-public information to, or enter into discussion with, such third party and IIBK must enter into a confidentiality agreement with such third party on terms no more favorable to such third party than the confidentiality agreement between First Interstate and IIBK. A superior proposal is an unsolicited, bona fide written offer or proposal made by a third party to consummate an acquisition proposal by a third party that: (1) IIBK's board of directors determines in good faith, after consulting with its outside legal counsel and its financial advisor, would, if consummated, result in a transaction that is more favorable to the shareholders of IIBK than the transactions contemplated by the merger agreement (taking into account all factors relating to such proposed transaction deemed relevant by IIBK's board of directors, including without limitation, the amount and form of consideration, the timing of payment, the risk of consummation of the transaction, the financing thereof and all other conditions thereto (including any adjustments to the terms and conditions of such transactions proposed by First Interstate and First Interstate Bank in response to such acquisition proposal)); (2) is for 100% of the outstanding shares of IIBK common stock or all or substantially all of the assets of IIBK; and (3) is reasonably likely to be completed on the terms proposed, in each case taking into account all legal, financial, regulatory and other aspects of such acquisition proposal.

If IIBK receives an acquisition proposal or information request from a third party or enters into negotiations with a third party regarding a superior proposal, IIBK must notify First Interstate orally within one business day, and within two business days in writing, of the receipt of the acquisition proposal or information request and provide First Interstate with information about the third party and its proposal or information request.

Certain Other Covenants. The merger agreement also contains other agreements relating to the conduct of First Interstate and IIBK before consummation of the merger, including but not limited to the following:

IIBK, on the one hand, and First Interstate and First Interstate Bank, on the other hand, will promptly advise the other party of (1) any representation or warranty made by it contained in the merger agreement becoming untrue or inaccurate in any material respect or (2) the failure by it to comply in any material respect with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under the merger agreement;

IIBK, on the one hand, and First Interstate and First Interstate Bank, on the other hand, will provide each other reasonable access during normal business hours to its books, records, contracts, properties, personnel, information technology systems and such other information relating to the other party as may be reasonably requested, except where such materials relate to (1) matters involving the merger agreement, (2) pending or threatened litigation or investigations if disclosing such information adversely affects the confidential nature of any privilege, (3) matters involving a third party acquisition proposal or (4) confidential supervisory information;

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IIBK will provide First Interstate Bank with a copy of each report filed with a governmental entity, each periodic report provided to its senior management and all materials relating to its business or operations furnished to its board of directors, each press release and all other information concerning its business, properties and personnel as First Interstate Bank may reasonably request, except where such materials relate to (1) matters involving the merger agreement, (2) pending or threatened litigation or investigations if disclosing such information adversely affects the confidential nature of any privilege, (3) matters involving a third party acquisition proposal or (4) confidential supervisory information;

IIBK will meet with representatives of First Interstate and First Interstate Bank on a regular basis to discuss and plan for the conversion of IIBK's data processing and related electronic information systems;

First Interstate, First Interstate Bank and IIBK will cooperate and use their reasonable best efforts to prepare and file within 45 days after the date of the merger agreement all necessary applications, notices and other filings with any governmental entity, the approval of which is required to complete the merger and the other transactions contemplated by the merger agreement;

First Interstate, First Interstate Bank and IIBK, and their subsidiaries, will use their reasonable best efforts to obtain all third-party consents that are required to consummate the merger and the other transactions contemplated by the merger agreement;

IIBK will take all steps required to exempt First Interstate and First Interstate Bank, the merger agreement and the transactions contemplated by the merger agreement from any provisions of an anti-takeover nature in IIBK's articles of incorporation and bylaws, or similar organizational documents, and the provisions of any federal or state anti-takeover laws;

First Interstate, First Interstate Bank and IIBK will use their reasonable best efforts to take promptly all actions and to do promptly all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by the merger agreement;

First Interstate and IIBK will consult with one another before issuing any press release or otherwise making public statements with respect to the merger;

IIBK will take all actions necessary to call, give notice of, convene and hold a meeting of its shareholders as promptly as practicable to vote on the merger agreement and the transactions provided for in the merger agreement;

IIBK's board of directors will recommend at its shareholder meeting that the shareholders vote to approve the merger agreement and will use its commercially reasonable efforts to obtain shareholders' approval (*provided, however*, that, before the IIBK special meeting, IIBK's board of directors may, if it concludes in good faith (after consultation with its outside legal advisors) that the failure to do so would be reasonably

likely to result in a violation of its fiduciary duties under applicable law, withdraw, modify or change its recommendation that IIBK's shareholders approve the merger agreement in a manner adverse to First Interstate; provided that before such change in recommendation, IIBK has not breached its obligation not to solicit other acquisition proposals and, if the decision relates to a third party acquisition proposal, IIBK has provided to First Interstate the material terms and conditions of the acquisition proposal or inquiry and given First Interstate the opportunity to revise the merger agreement in light of the third party acquisition proposal;

within 45 days following the date of the merger agreement, First Interstate will prepare and file a registration statement, of which this document forms a part, with the SEC registering the shares of First Interstate Class A common stock to be issued in the merger to IIBK shareholders;

First Interstate will use its reasonable best efforts to have the registration statement, of which this document forms a part, declared effective by the SEC;

First Interstate will take any action required to be taken under applicable state securities laws;

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before completion of the merger, First Interstate will notify The Nasdaq Stock Market of the additional shares of First Interstate Class A common stock that First Interstate will issue in exchange for shares of IIBK common stock;

First Interstate will indemnify IIBK's and its subsidiaries' current and former directors, officers and employees to the fullest extent as would have been permitted under Idaho law and the IIBK articles of incorporation and bylaws and advance expenses as incurred to the fullest extent permitted under applicable law;

First Interstate will maintain for a period of six years after completion of the merger IIBK's current directors and officers' liability insurance policies, or policies of at least the same coverage and amount and containing terms and conditions that are no less favorable than the current policy, with respect to acts or omissions occurring after before the effective time of the merger, except that First Interstate is not required to incur in the aggregate an expense greater than 200% of IIBK's current annual directors' and officers' liability insurance premium;

IIBK will give First Interstate and First Interstate Bank the opportunity to participate, at its own expense, in the defense or settlement of any shareholder litigation against IIBK and/or its directors relating to the transactions contemplated by the merger agreement, and no such settlement will be agreed to without First Interstate's prior written consent (such consent not to be unreasonably withheld, conditioned or delayed); and

First Interstate will establish an advisory board to advise First Interstate on its operations in the Coeur d'Alene, Idaho market and generating additional business contacts for First Interstate Bank in the Coeur d'Alene, Idaho market. It is expected that Jack W. Gustavel will be invited to serve on the advisory board.

Representations and Warranties Made by First Interstate, First Interstate Bank and IIBK in the Merger Agreement

First Interstate and First Interstate Bank, on the one hand, and IIBK, on the other hand, have made certain customary representations and warranties to each other in the merger agreement relating to their businesses. The representations and warranties contained in the merger agreement were made only for purposes of such agreement and are made as of specific dates, were solely for the benefit of the parties to such agreement, and may be subject to limitations agreed to by First Interstate, First Interstate Bank or IIBK, including being qualified by disclosures between the parties. These representations and warranties may have been made to allocate risk between the parties to the merger agreement instead of establishing these matters as facts, and may be subject to standards of materiality that differ from the standard of materiality that an investor may apply when reviewing statements of factual information.

First Interstate and First Interstate Bank, on the one hand, and IIBK, on the other hand, have made representations and warranties to the other regarding, among other things:

corporate matters, including due organization, qualification and the organizational structure, including corporate matters related to subsidiaries;

capitalization, including total outstanding shares and classes of stock;

authority relative to execution and delivery of the merger agreement and the absence of conflicts with, violations of, or a default under organizational documents or other obligations as a result of the merger;

governmental filings and consents necessary to complete the merger;

the timely filing of regulatory and, for First Interstate, securities reports;

financial statements;

undisclosed liabilities;

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litigation matters;

tax matters;

the absence of any event or action that would, or reasonably be expected to, constitute a material adverse effect since June 30, 2018;

legal proceedings;

the absence of regulatory actions;

compliance with applicable laws;

the existence, performance and legal effect of certain contracts;

intellectual property and IT systems;

labor and employee benefit matters;

real and personal property;

receipt of a fairness opinion;

compliance with applicable environmental laws;

loan portfolio matters;

anti-takeover provisions;

insurance matters;

corporate documents and records;

community reinvestment act and regulatory compliance matters;

internal controls; and

tax treatment of the merger.

In addition, IIBK has made other representations and warranties about itself to First Interstate as to:

brokers or financial advisor fees;

material interests of certain persons;

indemnification matters;

investment portfolio matters;

related party transactions; and

trust accounts.

The representations and warranties of each of First Interstate, First Interstate Bank and IIBK will expire upon the effective time of the merger.

Terminating the Merger Agreement

The merger agreement may be terminated by mutual written consent of First Interstate and IIBK at any time before the completion of the merger. Additionally, subject to conditions and circumstances described in the merger agreement, either First Interstate or IIBK may terminate the merger agreement if, among other things, any of the following occur:

IIBK shareholders do not approve the merger agreement at the IIBK special meeting (in the case of IIBK terminating, only if IIBK has complied with certain obligations relating to calling the IIBK special meeting and recommending that the IIBK shareholders approve the merger agreement);

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any required regulatory approval has been denied and such denial has become final and non-appealable, or a governmental authority or court has issued a final, unappealable order prohibiting consummation of the transactions contemplated by the merger agreement;

the merger has not been consummated by May 31, 2019, unless the failure to complete the merger by that time was due to the failure of the party seeking to terminate the merger agreement to perform or observe the covenants and agreements provided in the merger agreement; or

there is a breach by the other party of any covenant or agreement contained in the merger agreement, or any representation or warranty of the other party becomes untrue, in each case such that the conditions to closing would not be satisfied and such breach or untrue representation or warranty has not been or cannot be cured within 30 days after the giving of written notice to such party of such breach.

First Interstate may also terminate the merger agreement if IIBK breaches its obligations in any material respect regarding the solicitation of other acquisition proposals or submission of the merger agreement to IIBK's shareholders or if the IIBK board of directors does not publicly recommend in this document that IIBK shareholders approve the merger agreement or withdraws or revises its recommendation in a manner adverse to First Interstate.

IIBK may also terminate the merger agreement:

before adoption and approval of the merger agreement by its shareholders, to enter into an agreement with respect to a superior proposal to be acquired by a third party, but only if IIBK's board of directors has determined in good faith based on the advice of legal counsel that failure to take such action would cause the IIBK board of directors to violate its fiduciary duties and IIBK has not breached its obligations regarding the solicitation of other acquisition proposals; and

within the five-day period commencing with the fifth day before the closing date of the merger (which we refer to as the determination date), if both of the following conditions have been satisfied:

the average daily closing sale prices of a share of First Interstate Class A common stock as reported on the Nasdaq Global Select Market for the 20 consecutive trading days ending on and including the determination date is less than \$36.54 (80% of the closing sale price of First Interstate Class A common stock on the third trading date before the date of the first public announcement of the merger agreement); and

First Interstate Class A common stock underperforms the KBW Regional Banking Index by more than 20% during the same period.

However, if IIBK chooses to exercise this termination right, First Interstate has the option, within five days of receipt of notice from IIBK, to adjust the merger consideration and prevent termination under this provision.

Termination Fee

The merger agreement requires IIBK to pay First Interstate a fee of \$6.8 million if IIBK terminates the merger agreement to enter into an agreement with respect to a superior proposal. Additionally, IIBK must pay the termination fee if First Interstate terminates the merger agreement as a result of a breach by IIBK of its covenants regarding acquisition proposals or its obligation to submit the merger agreement to its shareholders, or if IIBK's board of directors fails to recommend approval of the merger agreement or, after recommending the approval of the merger agreement, it withdraws, modifies or changes its recommendation, so long as at the time of such termination First Interstate is not in material breach of any representation, warranty, or material covenant contained in the merger agreement.

If (1) First Interstate terminates the merger agreement because IIBK breaches a covenant or agreement or if any representation or warranty of IIBK has become untrue and such breach or untrue representation or warranty

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has not been or cannot be cured within 30 days following written notice to IIBK and such breach giving rise to such termination was knowing and intentional, or (2) either party terminates the merger agreement because IIBK's shareholders fail to approve and adopt the merger agreement, then IIBK must pay the termination fee if (a) an acquisition proposal was publicly announced (i) before the termination of the merger agreement if terminated in accordance with (1) above, or (ii) before IIBK's shareholders meeting if terminated in accordance with (2), above, and (b) within 12 months after termination of the merger agreement, IIBK consummates or enters into an agreement with respect to an acquisition proposal.

Expenses

Each of First Interstate and First Interstate Bank, on the one hand, and IIBK, on the other hand, will pay its own costs and expenses incurred in connection with the merger.

Changing the Terms of the Agreement and Plan of Merger

Before the completion of the merger, First Interstate and First Interstate Bank, on the one hand, and IIBK, on the other hand, may agree to waive, amend or modify any provision of the merger agreement. However, after the vote by IIBK shareholders, First Interstate, First Interstate Bank and IIBK can make no amendment or modification that would reduce the amount or alter or change the kind of consideration to be received by IIBK's shareholders or that would contravene any provisions of the Montana Business Corporation Act (MBCA) or applicable state and federal banking laws, rules and regulations.

Voting Agreements

Each of IIBK's directors and certain executive officers, in their individual capacity as an IIBK shareholder, have entered into a separate voting agreement with First Interstate and First Interstate Bank, pursuant to which each such director and executive officer has agreed to vote all shares of IIBK common stock over which he or she exercises sole or shared dispositive and voting rights in favor of the approval of the merger agreement and certain related matters and against alternative transactions. Under the voting agreements, IIBK's directors and executive officers may not, without the prior written consent of First Interstate, transfer any of their shares of IIBK common stock except for certain limited purposes described in the voting agreements. These voting agreements will terminate if the merger agreement is terminated. As of the January 14, 2019, shares constituting approximately 18.7% of the voting power of IIBK common stock were subject to the voting agreements.

Non-Competition and Non-Solicitation Agreements

Each director and executive officer of IIBK has entered into an agreement in which they agree, among other things, not to compete against First Interstate and First Interstate Bank in Idaho, not to solicit employees or customers and not to disparage First Interstate or its directors, officers or employees.

Dissenters' Rights of Appraisal

Under the Idaho Bank Act, IIBK shareholders are entitled to exercise dissenters' rights and to receive the fair value in cash of their shares of IIBK common stock if they fully comply with the provisions of the Idaho Bank Act relating to dissenters' rights, if the merger agreement is approved and the merger is consummated. As noted previously, First Interstate may terminate the merger agreement if holders of 10% or more of the outstanding shares of IIBK common stock propose to exercise dissenters' rights with respect to the merger. The following summary of the Idaho Bank Act provisions with respect to dissenters' rights is qualified in its entirety by reference to those statutes. **Shareholders**

anticipating exercising dissenters' rights with respect to the merger are strongly encouraged to consult their legal counsel and tax, financial or other appropriate advisors.

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To exercise dissenters' rights, you must vote against the merger agreement. You may vote any or all of your shares against the merger. However, if you vote less than all of your shares against the merger, you may only exercise your dissenters' rights as to those shares that were voted against the merger. You must also make written demand to First Interstate Bank within thirty days after the effective date of the merger, accompanied by the surrender of the stock certificates. The written demand should be sent to the following address:

First Interstate Bank

401 North 31st Street

Billings, Montana 59101

Attn: Corporate Secretary

The value of your shares will be determined, as of the date of the shareholders' meeting by appraisers, one selected by the vote of the owners of two-thirds of the shares involved at a meeting called by the Idaho Director of Finance on ten days' notice, one by the board of directors of First Interstate Bank, and the third by the two appraisers so chosen. The valuation agreed upon by any two appraisers shall govern.

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

DESCRIPTION OF FIRST INTERSTATE CAPITAL STOCK

As a result of the merger, IIBK shareholders will become First Interstate shareholders. Your rights as a shareholder of First Interstate will be governed by the MBCA, First Interstate's amended and restated articles of incorporation and First Interstate's bylaws. The following summary describes the material terms of First Interstate's capital stock and is subject to, and qualified by, First Interstate's amended and restated articles of incorporation and bylaws and Montana law. We urge you to read the applicable provisions of the MBCA, First Interstate's amended and restated articles of incorporation and First Interstate's bylaws. Copies of First Interstate's governing documents have been filed with the SEC. See *Where You Can Find More Information* as to how to obtain a copy of First Interstate's articles of incorporation and bylaws.

General

First Interstate's amended and restated articles of incorporation provide for two classes of common stock: First Interstate Class A common stock, which has one vote per share, and First Interstate Class B common stock, which has five votes per share. Any holder of First Interstate Class B common stock may at any time convert his or her shares into shares of First Interstate Class A common stock on a share-for-share basis. The shares of First Interstate Class B common stock will be automatically converted into shares of First Interstate Class A common stock on a share-for-share basis:

when the aggregate number of shares of First Interstate Class B common stock outstanding as of the record date for any meeting of First Interstate shareholders is less than 20% of the aggregate number of shares of

First Interstate Class A common stock and First Interstate Class B common stock then outstanding; or

upon any transfer, whether or not for value, except for permitted transfers as set forth in First Interstate's articles of incorporation and described below.

The shares of First Interstate Class B common stock are generally non-transferable, except in connection with a permitted transfer as set forth in First Interstate's amended and restated articles of incorporation and described below. The rights of the two classes of First Interstate's common stock are otherwise identical.

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First Interstate's authorized capital stock consists of 200,100,000 shares, each with no par value per share, of which:

100,000,000 shares are designated as First Interstate Class A common stock;

100,000,000 shares are designated as First Interstate Class B common stock; and

100,000 shares are designated as preferred stock.

At January 14, 2019, First Interstate had issued and outstanding 38,174,451 shares of First Interstate Class A common stock and 22,451,963 shares of First Interstate Class B common stock. At January 14, 2019, First Interstate also had outstanding stock options to purchase an aggregate of 333,583 shares of First Interstate Class A common stock. There were no outstanding shares of First Interstate preferred stock at January 14, 2019.

Common Stock

Dividends. The holders of First Interstate Class A common stock and First Interstate Class B common stock are entitled to share equally, on a per share basis, in any dividends that First Interstate's board of directors may declare from time to time from legally available funds, subject to limitations under Montana law and the preferential rights of holders of any outstanding shares of preferred stock. If a dividend is paid in the form of shares of common stock or rights to acquire shares of common stock, the holders of First Interstate Class A common stock will be entitled to receive First Interstate Class A common stock, or rights to acquire First Interstate Class A common stock, as the case may be, and the holders of First Interstate Class B common stock will be entitled to receive shares of First Interstate Class B common stock, or rights to acquire First Interstate Class B common stock, as the case may be. First Interstate is not subject to regulatory restrictions on the payment of dividends. However, its ability to pay dividends may depend, in part, upon dividends it receives from First Interstate Bank. Applicable regulations limit dividends and other distributions by First Interstate Bank.

Voting Rights. The holders of First Interstate common stock possess exclusive voting rights. The holders of First Interstate Class A common stock are entitled to one vote per share and the holders of First Interstate Class B common stock are entitled to five votes per share on any matter to be voted upon by the shareholders. Holders of First Interstate Class A common stock and First Interstate Class B common stock will vote together as a single class on all matters (including the election of directors) submitted to a vote of shareholders, unless otherwise required by law or First Interstate's articles of incorporation.

First Interstate's amended and restated articles of incorporation provide that it may not, without first obtaining the affirmative vote of the holders of a majority of the outstanding shares of First Interstate Class A common stock and First Interstate Class B common stock, each voting as a separate class, issue any additional shares of First Interstate Class B common stock, subject to certain exceptions. The holders of First Interstate common stock are not entitled to cumulative voting rights with respect to the election of directors. Directors will be elected by a majority of the voting power of the shares of First Interstate capital stock present in person or represented by proxy at the meeting and entitled to vote on the election of directors.

Liquidation. Upon liquidation, dissolution or winding up of First Interstate, the holders of First Interstate Class A common stock and First Interstate Class B common stock are entitled to share equally, on a per share basis, in all First Interstate's assets available for distribution after payment or provision for payment of all its debts and liabilities. If

First Interstate issues preferred stock, the holders of First Interstate preferred stock may have a priority over the holders of First Interstate common stock upon liquidation or dissolution.

Conversion. First Interstate Class A common stock is not convertible into any other shares of First Interstate's capital stock. Each share of First Interstate Class B common stock is convertible at any time, at the option of the holder, into one share of First Interstate Class A common stock. However, each share of First Interstate Class B common stock will convert automatically into one share of First Interstate Class A common

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stock upon certain transfers that are not permitted under First Interstate's amended and restated articles of incorporation. See *Transfer* below. Once converted into First Interstate Class A common stock, the First Interstate Class B common stock cannot be reissued.

Transfer. Outstanding shares of First Interstate Class B common stock are subject to transfer restrictions under First Interstate's amended and restated articles of incorporation, limiting their transfer principally to: (1) the holder's spouse; (2) certain of the holder's relatives; (3) estates, trusts or other fiduciary arrangements established for the benefit of a holder of First Interstate Class B common stock; (4) certain charitable remainder trusts; provided that the noncharitable beneficiary of any such trust is one or more of the individuals or fiduciary arrangements set forth in (1) through (3) above; and (5) corporations and partnerships wholly-owned by holders of First Interstate Class B common stock and/or any one or more of the individuals or fiduciary arrangements set forth in (1) through (3) above. Furthermore, the First Interstate Class B common stock is not listed on The Nasdaq Stock Market or any other exchange, and there is no trading market for the First Interstate Class B common stock.

Shares of First Interstate Class B common stock will convert automatically into shares of First Interstate Class A common stock if they are transferred to any party who is not an eligible transferee as described in the preceding paragraph and set forth in First Interstate's amended and restated articles of incorporation.

Subdivision; Combination. No class of common stock may be subdivided or combined unless the other class of common stock concurrently is subdivided or combined in the same proportion and in the same manner.

Preemptive Rights. The holders of First Interstate common stock do not have any preemptive rights.

Preferred Stock

First Interstate's board of directors is authorized, without approval of the holders of First Interstate Class A common stock or First Interstate Class B common stock, to issue preferred stock from time to time in one or more series in such number and with such designations, preferences, powers and other special rights as may be stated in the resolution providing for such preferred stock. The issuance of First Interstate preferred stock with voting, dividend, liquidation and conversion rights could dilute the voting strength of the holders of First Interstate common stock and may assist management in impeding an unfriendly takeover or attempted change in control.

Anti-Takeover Considerations and Provisions of First Interstate's Articles, Bylaws and Montana Law

A number of provisions of First Interstate's amended and restated articles of incorporation and bylaws concern matters of corporate governance and the rights of First Interstate's shareholders. Certain of these provisions may have an anti-takeover effect by discouraging takeover attempts not first approved by First Interstate's board of directors, including takeovers that may be considered by some of First Interstate's shareholders to be in their best interests. To the extent takeover attempts are discouraged, temporary fluctuations in the market price of First Interstate Class A common stock, which may result from actual or rumored takeover attempts, may be inhibited. Such provisions also could delay or frustrate the removal of incumbent directors or the assumption of control by shareholders, even if such removal or assumption would be viewed by First Interstate's shareholders as beneficial to their interests. These provisions also could discourage or make more difficult a merger, tender offer or proxy contest, even if such a transaction could be viewed by First Interstate's shareholders as beneficial to their interests and could potentially depress the market price of First Interstate Class A common stock. First Interstate's board of directors believes that these provisions are appropriate to protect First Interstate's interests and the interests of First Interstate's shareholders.

Preferred Stock. First Interstate's board of directors may from time to time authorize the issuance of one or more classes or series of preferred stock without shareholder approval. Subject to the provisions of First

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Interstate's articles of incorporation, limitations prescribed by law and the rules of The Nasdaq Stock Market, if applicable, First Interstate's board of directors is authorized to adopt resolutions to issue shares, establish the number of shares, change the number of shares constituting any series and provide or change the voting powers, designations, qualifications, limitations or restrictions on shares of First Interstate's preferred stock, including dividend rights, terms of redemption, conversion rights and liquidation, dissolution and winding-up preferences, in each case without any action or vote by First Interstate's shareholders.

One of the effects of undesignated preferred stock may be to enable First Interstate's board of directors to discourage an attempt to obtain control of First Interstate by means of a tender offer, proxy contest, merger or otherwise. The issuance of preferred stock may adversely affect the rights of holders of First Interstate Class A common stock and First Interstate Class B common stock by, among other things:

restricting dividends on either or both classes of common stock;

diluting the voting power of either or both classes of common stock;

impairing the liquidation rights of either or both classes of common stock;

delaying or preventing a change in control without further action by the shareholders; or

decreasing the market price of either or both classes of common stock.

Meetings of Shareholders. First Interstate's bylaws provide that annual meetings of First Interstate's shareholders will be held at such time as is determined by First Interstate's board of directors to elect directors and for the transaction of any other business as may come before the annual meeting. First Interstate's amended and restated articles of incorporation provide that special meetings of shareholders may be called by (1) First Interstate's board of directors, (2) the Chairman of First Interstate's board of directors, (3) the Chief Executive Officer of First Interstate, or (4) a holder, or a group of holders, of common stock holding more than 10% of the total voting power of the outstanding shares of First Interstate capital stock then entitled to vote.

Advance Notice Provisions. First Interstate's bylaws provide that nominations for directors may not be made by shareholders at any special meeting thereof unless the shareholders intending to make a nomination notifies First Interstate of its intention a specified number of days in advance of the meeting and furnishes to First Interstate certain information regarding itself and the intended nominee. First Interstate's bylaws also require a shareholder to provide written demand to the First Interstate secretary and must describe the purpose for which the special meeting is to be held. Only business within the purposes described in the notice of the meeting may be conducted at a special meeting. These provisions could delay shareholder actions that are favored by the holders of a majority of First Interstate's outstanding capital stock until the next shareholders' meeting.

Filling of Board Vacancies. Unless First Interstate's board of directors otherwise determines or is otherwise required by applicable law, vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by the shareholders may be filled only by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of First Interstate's board of directors, or by a sole remaining

director. Each such director will hold office until the next election of directors and until such director's successor is elected and qualified.

Amendment of the First Interstate Amended and Restated Articles of Incorporation. First Interstate's amended and restated articles of incorporation may be amended in the manner allowed under the MBCA; however, the affirmative vote of the holders of at least 70% of the outstanding shares of the First Interstate Class A common stock, voting separately as a class, is required to amend or repeal any of the provisions in the amended and restated articles of incorporation of First Interstate relating to First Interstate common stock, a change in control transaction or a Class B acquisition transaction (each as defined in the First Interstate amended and restated articles of incorporation).

Amendment of the First Interstate Bylaws. First Interstate's amended and restated articles of incorporation provide that the First Interstate bylaws may be adopted, altered, amended or repealed by First

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Interstate's board of directors upon the affirmative vote of at least a majority of the directors then in office. First Interstate's amended and restated articles of incorporation also provide that the bylaws may be adopted, amended, or repealed by a majority of the voting power of the shareholders entitled to vote.

Change in Control. First Interstate's amended and restated articles of incorporation provide for certain voting thresholds needed to consummate a change in control transaction (as defined in the First Interstate amended and restated articles of incorporation). Accordingly, if First Interstate proposes to engage in a change in control transaction in which holders of First Interstate Class A common stock and First Interstate Class B common stock will receive different consideration, First Interstate will need to obtain, in addition to any shareholder approval required by the MBCA and the First Interstate amended and restated articles of incorporation, the approval of at least 70% of the outstanding shares of First Interstate Class A common stock, voting separately as a single class.

In addition, if First Interstate proposes to merge into another corporation and in the twelve months before such merger the acquiring company acquired any shares of First Interstate Class B common stock, then such merger transaction will require the affirmative vote of 70% of the outstanding shares of First Interstate Class A common stock, voting separately as a single class, unless the holders of the First Interstate Class A common stock and First Interstate Class B common stock receive the same consideration for their shares in the merger and the merger consideration paid is at least equal to the highest amount paid by the acquiring corporation for the First Interstate Class B common stock.

Transactions with Interested Shareholders. First Interstate cannot merge with or sell any material assets to any shareholder of First Interstate Class B common stock unless such transaction is approved by a majority of the disinterested directors on First Interstate's board of directors and the holders of a majority of the shares of First Interstate Class A common stock, voting separately as a single class.

No Cumulative Voting. The MBCA provides that shareholders are not entitled to cumulate votes in the election of directors unless First Interstate's articles of incorporation provide otherwise. First Interstate's amended and restated articles of incorporation prohibit cumulative voting.

Dual Class Structure

As discussed above, First Interstate Class B common stock is entitled to five votes per share, while First Interstate Class A common stock is entitled to one vote per share. First Interstate Class A common stock is the class of stock to be issued to IIBK shareholders in the merger and is the only class of First Interstate's capital stock that is publicly traded. As of January 14, 2019, members of the Scott family held 21,285,014 shares of First Interstate Class B common stock and, therefore, controlled in excess of 71% of the voting power of First Interstate's outstanding stock. As a result, the Scott family will be able to exert a significant degree of influence or actual control over First Interstate's management and affairs and over matters requiring shareholder approval, including the election of directors, a merger, consolidation or sale of all or substantially all of First Interstate's assets and any other significant transaction. This concentrated control will limit the ability of other shareholders to influence corporate matters and the interests of the Scott family may not always coincide with First Interstate's interests or the interests of other shareholders.

Transfer Agent and Registrar

The transfer agent and registrar for First Interstate's common stock is American Stock Transfer & Trust Company, LLC.

Restrictions on Ownership

Under the federal Change in Bank Control Act, a notice must be submitted to the Federal Reserve Board if any person (including a company), or group acting in concert, seeks to acquire control of a bank holding

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company or a bank. An acquisition of control can occur upon the acquisition of ten percent or more of the voting stock of a bank holding company or depository institution or as otherwise defined by the Federal Reserve Board. Under the Change in Bank Control Act, the Federal Reserve Board has 60 days from the filing of a complete notice to act, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the anti-trust effects of the acquisition. Any company that so acquires control would then be subject to regulation as a bank holding company.

COMPARISON OF RIGHTS OF SHAREHOLDERS

The rights of shareholders of First Interstate are currently governed by First Interstate's amended and restated articles of incorporation, bylaws and the MBCA. The rights of shareholders of IIBK are currently governed by IIBK's articles of incorporation, bylaws and the Idaho Bank Act. If the merger is completed, IIBK shareholders will become First Interstate shareholders and their rights will likewise be governed by First Interstate's amended and restated articles of incorporation, First Interstate's bylaws and the MBCA.

The following summary compares the rights of an IIBK shareholder and the rights of a shareholder of First Interstate. The following summary is not a complete statement of the differences between the rights of IIBK shareholders and the rights of First Interstate shareholders and is qualified in its entirety by reference to the articles of incorporation and bylaws of each corporation. Copies of First Interstate's amended and restated articles of incorporation and bylaws are on file with the SEC and are available on written request addressed to Kirk D. Jensen, General Counsel, First Interstate BancSystem, Inc., 401 North 31st Street, Billings, Montana 59101.

Authorized Stock

First Interstate

First Interstate's articles of incorporation authorize 200,100,000 shares of capital stock, consisting of 100,000,000 shares of First Interstate Class A common stock, no par value per share, 100,000,000 shares of First Interstate Class B common stock, no par value per share, and 100,000 shares of preferred stock, no par value per share.

As of January 14, 2019, there were 38,174,451 shares of First Interstate Class A common stock issued and outstanding and 22,451,963 shares of First Interstate Class B common stock issued and outstanding.

As of January 14, 2019, there were no shares of First Interstate preferred stock issued and outstanding.

IIBK

IIBK's articles of incorporation authorize 20,000,000 shares of common stock and 10,000,000 shares of preferred stock.

As of January 14, 2019, there were 7,742,982 shares of IIBK common stock issued and outstanding.

As of January 14, 2019, there were no shares of IIBK preferred stock issued and outstanding.

Voting Rights

First Interstate

IIBK

Same provisions as IIBK with respect to cumulative voting.

IIBK's articles of incorporation do not provide for cumulative voting by shareholders in the election of directors.

Each share of First Interstate Class A common stock is entitled to one vote per share. Each share of First Interstate Class B common stock is entitled to five votes per share.

IIBK's bylaws provide that each shareholder is entitled to one vote for each share of stock held by such shareholder.

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Preemptive Rights

First Interstate

No holder of any stock has any preemptive rights to subscribe for or purchase any stock other than as First Interstate's board of directors, in its sole discretion, may determine.

IIBK

No holders of any stock have any preemptive rights to subscribe for or purchase any stock.

Required Vote for Authorization of Certain Actions

First Interstate

Under the MBCA, a two-thirds vote is generally required for approval of mergers or share exchanges, unless otherwise provided in a company's articles of incorporation. First Interstate's amended and restated articles of incorporation provide that, if First Interstate proposes to engage in a change in control transaction in which holders of First Interstate Class A common stock and First Interstate Class B common stock will receive different consideration, First Interstate will need to obtain, in addition to any shareholder approval required by the MBCA and the First Interstate amended and restated articles of incorporation, the approval of at least 70% of the outstanding shares of First Interstate Class A common stock, voting separately as a single class.

IIBK

Under Idaho law, a merger or share exchange requires the affirmative vote of at least a majority of the votes cast at a meeting at which a quorum consisting of at least a majority of the outstanding shares of IIBK common stock is present.

If First Interstate proposes to merge into another corporation and in the twelve months before such merger the acquiring company acquired any shares of First Interstate Class B common stock, then such merger transaction will require the affirmative vote of 70% of the outstanding shares of First Interstate Class A common stock, voting separately as a single class, unless the holders of the First Interstate Class A common stock and First Interstate Class B common stock receive the same consideration for their shares in the merger and the merger consideration paid is at least equal to the highest amount paid by the acquiring corporation for the First Interstate Class B common stock.

Required Vote for Authorization of Business Combinations with Interested Shareholders

First Interstate

First Interstate cannot merge with or sell any material assets to any shareholder of First Interstate Class B common stock unless such transaction is approved by a majority of the disinterested directors on First Interstate's

IIBK

IIBK has no similar restriction on business combinations with interested shareholders.

board of directors and the holders of a majority of the

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shares of First Interstate Class A common stock, voting separately as a single class.

Dissenters Rights

First Interstate

Under the MBCA, First Interstate shareholders are entitled to exercise dissenters rights and to receive payment of the fair value of their shares of First Interstate common stock if they fully comply with the provisions of the MBCA relating to dissenters rights. Corporate actions that entitle First Interstate shareholders to exercise their dissenters rights include, but are not limited to, (1) mergers that require shareholder approval to be consummated, (2) amendments to the articles of incorporation that materially and adversely affect certain shareholder rights and (3) any corporate action taken pursuant to a shareholder vote (to the extent the articles of incorporation, bylaws or a resolution of the board provides that voting or nonvoting shareholders are entitled to dissent and to obtain payment for their shares).

IIBK

Under the Idaho Bank Act, IIBK shareholders are entitled to exercise dissenters rights and to receive the fair value in cash of their shares of IIBK common stock if they fully comply with the provisions of the Idaho Bank Act relating to dissenters rights. Corporate actions that entitle IIBK shareholders to exercise their dissenters rights include: (1) a merger that results in a state bank; (2) a conversion of an Idaho state bank into a national bank; or (3) a sale of all or substantially all of the bank's assets.

Dividends

First Interstate

Under the MBCA, First Interstate may not declare a dividend if, after giving it effect: (1) First Interstate would not be able to pay its debts as they become due in the usual course of business; or (2) First Interstate's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution. The holders of First Interstate Class A common stock and First Interstate Class B common stock are entitled to share equally, on a per share basis, in any dividends that First Interstate's board of directors may declare from time to time from legally available funds, subject to limitations under Montana law and the preferential rights of holders of any outstanding shares of preferred stock.

IIBK

Under the Idaho Bank Act, IIBK may not declare a dividend until a surplus equal to 20% of the paid-in capital stock of IIBK has been built up. Thereafter, subject to further limitations, IIBK's board of directors may declare a dividend of so much of its net profits as it deems; but before any such dividend is declared or paid, not less than one-fifth of IIBK's net profits for such period as is covered by the dividend are carried to the surplus fund until such surplus fund amounts to 50% of the paid-in common stock.

Indemnification of Directors and Officers and Limitation of Liability

First Interstate's amended and restated articles of incorporation provides that it will indemnify to the fullest extent permitted by the MBCA any officer or director made or threatened to be made

IIBK's articles of incorporation provide that it will indemnify to the fullest extent permitted by applicable law any officer or director made or threatened to be made a party to an action or

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a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, or she is or was a director, officer, employee or agent of First Interstate or any predecessor to First Interstate or serves or served at any other enterprise as a director, officer, employee or agent at the request of First Interstate or any predecessor to First Interstate.

First Interstate's bylaws further provide that it will indemnify to the fullest extent permitted by law any person who was or is a party or threatened to be a party to a proceeding or threatened proceeding by reason of the fact that such person is or was a director or officer of First Interstate or is or was serving as a director or officer serving at the request of First Interstate as a director or officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees), judgments, fines and settlements reasonably incurred by the indemnitee. Such indemnification is only permitted if (1) the indemnitee acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal proceeding, the indemnitee had no reasonable cause to believe the conduct was unlawful and (2) the indemnification is properly authorized by First Interstate according to the procedures set forth in its bylaws. Furthermore, no indemnification for actions by or in the right of the corporation is permitted in respect of any claim, issue or matter as to which the indemnitee has been adjudged liable to First Interstate, unless and only to the extent the applicable court determines the indemnitee is fairly and reasonably entitled to indemnification for expenses as the court deems proper.

Expenses reasonably incurred by an indemnitee will be paid in advance of the final disposition of any civil, criminal, administrative or investigative action, suit or proceeding upon receipt by First Interstate of an statement that the indemnitee has met the applicable standard of conduct to be entitled to indemnification and an undertaking by such indemnitee that he or she will repay the advanced expenses should it ultimately be

proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, or she is or was a director, officer, employee or agent of IIBK or serves or served at any other organization in any such capacity at the request of IIBK.

IIBK's articles of incorporation provide that expenses (including attorneys' fees) incurred in defending a civil or criminal action, suit or proceeding must be paid by IIBK in advance of the final disposition of such action, suit or proceeding. The director, officer, employee or agent must repay such amount, however, if it is ultimately determined that he is not entitled to be indemnified by IIBK.

IIBK's articles of incorporation provide that IIBK may, upon the affirmative vote of a majority of its board of directors, purchase insurance for the purpose of indemnifying its directors, officers, other employees and agents.

IIBK's articles of incorporation include a provision that eliminates its directors' and executive officers' personal liability to IIBK or its shareholders for breach of fiduciary duty as a director to the fullest extent permitted by law.

determined that the he or she is not

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entitled to indemnification by First Interstate.
 Indemnification of and advancement of expenses to employees and agents of First Interstate is permitted to the fullest extent not prohibited by the MBCA or by any other applicable law.

Under First Interstate's bylaws, First Interstate may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of First Interstate, or is or was a director, officer, employee or agent of First Interstate serving at the request of First Interstate as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against liability incurred by the insured in any such capacity or arising out of such status of the insured, whether or not First Interstate would have the power or obligation to indemnify the insured against liability under the provisions of First Interstate's bylaws.

First Interstate's amended and restated articles of incorporation include a provision that eliminates its directors' personal liability to First Interstate or its shareholders for breach of fiduciary duty as a director to the fullest extent permitted by law.

Shareholders Meetings

First Interstate

Notice of a meeting must be delivered and, in the case of a special meeting, a description of its purpose, no fewer than 10 days and no more than 60 days before the meeting to each shareholder entitled to vote.

Special meetings of shareholders may be called by (1) the board of directors, (2) the Chairman of the board of directors, (3) the Chief Executive Officer (or, in the absence of a Chief Executive Officer, its President) or (4) a holder, or a group of holders, of common stock holding more than 10% of the total voting power of the outstanding shares of capital stock.

IIBK

Notice of a meeting must be delivered no fewer than 10 days before the meeting to each shareholder of record entitled to vote.

Special meetings of shareholders may be called by (1) the board of directors or (2) a holder, or a group of holders, of common stock holding more than 20% of the stock of IIBK.

For purposes of determining shareholders entitled to vote at a meeting, the board of directors may fix a record date that is not more than 70 days nor less than 10 days before the meeting.

To nominate a director or propose new business, shareholders must give written notice to the secretary not less than the close of business on