

FIRST INTERSTATE BANCSYSTEM INC

Form 424B3

February 07, 2019

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**Filed Pursuant to Rule 424(b)(3)
Registration No. 333-228574**

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 \$38.92 on January 31, 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 \$19.46. 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 February 5, 2019, and it is first being mailed or otherwise delivered to shareholders of IIBK on or about February 7, 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 February 5, 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

February 5, 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 and CMYF 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, 7,742,982 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 7,742,982 shares of IIBK common stock outstanding and entitled to vote. The directors and executive officers of IIBK, as a group, beneficially owned 1,491,350 shares of IIBK common stock, not including shares that may be acquired upon the exercise of stock options, representing approximately 19.26% 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 \$38.92 on January 31, 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 \$19.46. 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 31, 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 31, 2019	38.92	19.15	19.46

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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 31, 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.

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 31, 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 \$38.92. 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 9.2% of the outstanding shares of First Interstate Class A common stock and 6.0% of the aggregate outstanding shares of the First Interstate common stock, which equates to 2.5% 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 31, 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.

Table of Contents**SELECTED HISTORICAL FINANCIAL AND OTHER DATA**

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, 7,742,982 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 31, 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 31, 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 31, 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

IBK 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		