REPORT TO THE community 2009
Most of us would probably agree that we are all glad to put 2009 behind us. The economic crisis was at the forefront and seemed to dominate every facet of our lives. Unemployment rates continued to rise to unacceptable levels as consumer confidence continued to fall and more and more banks continued to fail. Meanwhile, war continued in Iraq and Afghanistan, and wild weather conditions and devastating natural disasters around the world challenged our resolve and resources. At First Interstate Bank, we are choosing to remain focused on facilitating and supporting all that is good and positive in our company and communities.

We are pleased to report that, despite the economic environment, First Interstate achieved its 22nd consecutive year of profitability. Our commitment to conservative, sound banking values and high ethical standards has enabled us to avoid many of the serious difficulties experienced by other banks. While we were approved, we declined participation in the federal government’s Troubled Asset Relief Program (TARP). In our view, American taxpayers are already carrying enough of a burden and we simply did not need the help. In fact, based on our financial performance, First Interstate was named one of America’s Top 10 mid-size banks for 2009 by US Banker magazine. We are well capitalized with strong earnings and good asset quality.

We also believe that with great adversity comes great opportunity. Despite being well capitalized, we have spent considerable time exploring a variety of opportunities to raise additional capital to support our long-term growth and for potential strategic acquisition purposes. We concluded that an Initial Public Offering (IPO) of our common stock was the best alternative for our company, our employees, our shareholders and our communities. We completed the IPO on March 29, 2010.

We know you may have questions as to how the IPO may change our company. Well, here is what will not change. We will remain:

- A family business.
- A company whose culture is driven by strong family and corporate values.
- Committed to continuing to exceed our customer expectations with the products and services we provide.
- Committed to supporting, with leadership and resources, the communities we serve.

We completed the final piece of our acquisition of First Western Bank in South Dakota on September 28, 2009 when its 18 branches officially changed their name to First Interstate Bank. We also added a second office in Helena. This brought our total to 72 banking branches throughout Montana, Wyoming and western South Dakota. Growth continued in other ways too with the construction of a new Operations Center in downtown Billings that is home to more than 250 employees, a new bank and business center in downtown Missoula and a new branch in Great Falls. We are seeking LEED certification, the nationally accepted benchmark for environmentally conscious building design, on all three of these buildings.

We are proud of our success over the past year and recognize that our bank is a reflection of the communities we serve. When our communities do well, we do well and there is much about our local economy that remains positive. In many of our communities, the real estate market continues to be strong and unemployment rates, while rising, remain lower than the national average.
But, even though our economy is stronger than most, we did begin to feel the effects of the recession. Some local businesses were forced to close their doors leaving people out of work. Lines got longer at our local food pantries. Our employees recognized the need and reached out to help. Throughout the pages of this report, we’ll share the results of their efforts and the stories of people we were able to help through our community contributions and the First Interstate Foundation. Last year, First Interstate Bank, its directors and employees, the Foundation and the Scott family donated nearly $4 million to many worthwhile organizations and causes in our communities across our region.

2009 had its share of dark clouds, but there were also many bright spots full of growth and opportunity. As we look to 2010, we remain confident that together, we are making our way through these trying economic times and that the tide will turn. We thank you for choosing First Interstate to be your community bank and we appreciate your banking relationship with us. You’ve helped us become one of the strongest banks in the region and continue to reinforce our belief in the future of this place we call home.
Tradition, main street wisdom and old-fashioned values have never looked so good. Especially when it comes to banking. While banks across the country have struggled, First Interstate has held strong, even being named one of the country’s Top 10 mid-tier banks in 2009 by US Banker magazine.

We’re certain our founder, Homer Scott, Sr., would be proud of the path we’ve taken. Measured growth rooted in customer service and commitment to community were the cornerstones of the bank he founded and remain so today. As a rancher, resident and business owner in northern Wyoming and southern Montana, Homer clearly understood the challenges facing business owners and communities that First Interstate serves. His legacy continues to guide second- and third-generation members of the Scott family who continue to guide First Interstate with his deep-seated beliefs in hard work, teamwork, fair dealing and walking the extra mile for the customers and communities we serve.

This philosophy manifests itself in each of our 72 branches. In every community, we make a commitment to our stakeholders. These include: our employees, our customers, our neighbors and our shareholders.

For our employees, we strive to be the best place to work in the best place to live. We offer opportunities for growth, personal achievement, competitive salaries, comprehensive health and retirement benefits, a child-care assistance program and a safe, secure and healthy workplace.

For our customers, we strive to offer exemplary customer service, banking products and treat you like a person, not a number. For us, this means keeping most of our management and decisions local and in the hands of people who understand your individual situation and your community firsthand.

For our neighbors, we believe in the responsibility of banks and the business community to donate time and money to improve the quality of life and economic viability of the towns we serve. During 2009, First Interstate was proud to support more than 950 community organizations across our region.

For our shareholders, we strive for superior financial results. By achieving this, we are ensuring the strength, growth and continuity of our organization.

Employees, customers, neighbors, shareholders—it’s a philosophy stretching all the way back to our founder that continues to guide us today.

Homer Scott, Sr.
TO US, BANKING ISN’T ABOUT FLASHY PRODUCTS OR QUICK DEALS. AT FIRST INTERSTATE, IT’S ABOUT ONE-ON-ONE RELATIONSHIPS, THE KIND OUR EMPLOYEES BUILD AND OUR CUSTOMERS COUNT ON. WHILE OTHER BANKS MAY OFFER SIMILAR PRODUCTS AND SERVICES, NONE HAVE OUR UNIQUE CORPORATE CULTURE. BECAUSE IN MONTANA, SOUTH DAKOTA AND WYOMING, IF WE’RE SERVING CUSTOMERS, WE’RE SERVING NEIGHBORS.

BUILDING PERSONAL RELATIONSHIPS

WE STRIVE TO BE THE EMPLOYER OF CHOICE, ATTRACTING AND RETAINING THE REGION’S MOST PROFESSIONAL AND KNOWLEDGEABLE BANKERS. IN FACT, 9.5% OF OUR 1,785 EMPLOYEES HAVE SERVED FIRST INTERSTATE CUSTOMERS FOR OVER 25 YEARS. THIS LONGEVITY CAN BE SEEN IN OUR EVERYDAY BRANCH OPERATIONS AND THE RELATIONSHIPS WE HAVE WITH OUR CUSTOMERS.

FIRST INTERSTATE’S DECENTRALIZED BUSINESS MODEL HELPS US TAKE A PERSONAL APPROACH TO BANKING AND SETS US APART FROM OTHER REGIONAL BANKS. EACH BRANCH MANAGER MAKES DECISIONS, SPONSORS EVENTS AND CONDUCTS PLANNING ON A LOCAL LEVEL. WHETHER IT’S BUYING A HOME, STARTING A BUSINESS OR PLANNING RETIREMENT, OUR BANKERS LISTEN TO CUSTOMERS, UNDERSTAND THEIR NEEDS AND ARE ABLE TO SELECT PRODUCTS AND SERVICES TO MEET THOSE INDIVIDUAL NEEDS. OUR CUSTOMERS KNOW THAT WE’RE JUST DOWN THE STREET OR A PHONE CALL AWAY. THE RESULT IS LIFELONG RELATIONSHIPS BASED ON TRUST, LOCAL EXPERTISE AND PERSONAL AND RESPONSIVE SERVICE.

MEETING FINANCIAL NEEDS

WE ARE PROUD TO OFFER CONVENIENT LOCATIONS AND A COMPREHENSIVE AND INNOVATIVE LINE OF PRODUCTS AND SERVICES THAT ALLOW OUR CUSTOMERS TO BANK WHEN, WHERE AND HOW THEY WANT.

The First Interstate family grew considerably last year with a second office in Helena and 18 new offices in South Dakota. We now operate 72 First Interstate branches across three states.

In addition to expanding our branch operations, we strive to provide the latest banking options and e-commerce capabilities to our customers. We continually review and update our product line and actively cultivate and enhance our technology. During 2009, we introduced electronic alerts to help customers better manage their accounts. Customers can choose from a list of alert options to notify them of changes in their account balances to new deposits or withdrawals from their accounts.

We significantly expanded our Online Account Opening service over the past year. Previously, only First Interstate Internet banking customers could open accounts online. Now, anyone who visits our website at www.firstinterstate.com can open deposit accounts online, 24 hours a day, seven days a week.

Coming in 2010:

- Enhanced mobile banking
- Online loan applications
- Enhanced I-Pay
- Enhanced I-Bank, personal Internet banking
- Enhanced I-Corp, corporate Internet banking
Planning for the Future

First Interstate Wealth Management works with our clients to help them define, execute, and live their financial dreams. Through our team of local, experienced, and seasoned wealth advisors, we deliver comprehensive advice on many topics including estate and retirement planning, gifting, and asset management. We also provide investment consulting services for Foundation and Family Offices. With over $3 billion in Assets Under Management, our team of wealth management professionals offers the expertise needed to meet financial goals. Yet, we are small enough to create a personalized road map that provides direction and flexibility to achieve your long-term goals.
ENRICHING OUR COMMUNITIES

At First Interstate, our commitment to the communities we serve is deep and longstanding. Simply, we believe in being a good neighbor; standing side-by-side with those who live and work with us, helping our communities to grow and thrive.

Lending a Hand

2009 was a tough year for many in our communities as we began to feel the impact of the national recession. Our employees recognized the need to lend a hand to those struggling to put food on the table. Through our Foundation’s neighbors feeding neighbors program, 219 First Interstate Employees and Directors gave 247 gifts to 60 nonprofit organizations throughout Montana, South Dakota and Wyoming for a total Gift to Food Programs reaching over $100,000.

We were also partners in the promotion of a national coat drive campaign and collected more than 5,000 coats which were distributed within our local communities, free of charge, by 40 different organizations such as the Salvation Army and Kiwanis Coats for Kids.

Community Reinvestment

First Interstate continued to lead the way in community reinvestment in 2009. We received recognition from the Federal Home Loan Bank of Seattle who named us the recipient of the 2009 Community Spirit Award for our community partnership efforts in creating affordable housing and economic development opportunities within the Seattle Bank’s district.

We were also recognized by the Federal Reserve Bank (FRB) with an “outstanding” rating as part of the federal Community Reinvestment Act (CRA). This means that First Interstate has an excellent distribution of loans among low- and moderate-income areas and people, has been very responsive to the convenience and service needs of its communities and has actively invested in community and economic revitalization efforts in its service area. This is the highest CRA rating that can be received by a financial institution and only 15.8% of the banks regulated by the FRB reach this level.

So, while you may have heard national news reports that banks aren’t lending, here at First Interstate, we are proud of our community reinvestment program and during 2009, we provided more than:

- $1.4 billion in single-family loans
- $9.4 million in multi-family loans
- $134.8 million in consumer lending
- $277 million in small business lending
- $57 million in small farm lending

We also made over $28 million in community development loans and continue to collaborate with public and private partners to generate investments to both nonprofit and for-profit financial intermediaries that provide resources in these areas.

With First Interstate Bank’s help, the Missoula Housing Authority recently completed a $6.6 million, 37 unit affordable housing project called the Garden District. The units are for Missoula, Montana residents who earn less than 60% of the area’s median income. A market study showed that Missoula needs approximately 478 units in that range. This project will help address that need and ensure that residents have a safe and affordable place to live.
Our BancSystem

BOARD OF DIRECTORS

OUR STRATEGIC VISION

• To provide a range of financial services which meets or exceeds market expectations and which sustains, enhances and/or creates our competitive advantage.

• To be recognized as clearly superior to our competitors—in the quality of our service and the satisfaction of our customers’ needs.

• To exercise business leadership through a highly professional and dedicated team of owners, managers and employees who are able to adapt strategically and dynamically to external change.

• To assist in making our communities better places to live and work.

SENIOR MANAGEMENT

LYLE R. KNIGHT
President & Chief Executive Officer

GREGORY A. DUNCAN
Executive Vice President &
Chief Operating Officer

ED GARDING
Executive Vice President &
Chief Credit Officer

TERRILL R. MOORE
Executive Vice President &
Chief Financial Officer

JULIE CASTLE
President - Wealth Management

KEVIN GUENTHNER
Senior Vice President of Operations
& Chief Information Officer

NEIL KLUSMANN
Senior Vice President &
Chief Marketing Officer

STEVE WHEELER
Senior Vice President &
Branch Administrator

KEITH COOK
Regional President - Billings

MIKE HICKEY
Regional President - Missoula

BILL HUPPERT
Regional President - Sheridan

MIKE HUSTON
Regional President - Casper

JOHN JOHNSON
Regional President - Northern Hills

NORBERT SEBADE
Regional President - Southern Hills
### ASSETS

<table>
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<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Cash and due from banks</td>
<td>$213,029</td>
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<tr>
<td>Federal funds sold</td>
<td>11,474</td>
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<tr>
<td>Interest bearing deposits in banks</td>
<td>398,979</td>
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<td>Investment securities</td>
<td>1,446,280</td>
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<tr>
<td>Loans</td>
<td>4,528,004</td>
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<tr>
<td>Less allowance for loan losses</td>
<td>103,030</td>
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<tr>
<td><strong>Net Loans</strong></td>
<td><strong>4,424,974</strong></td>
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<tr>
<td>Premises</td>
<td>196,307</td>
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<td>Goodwill</td>
<td>183,673</td>
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<tr>
<td>Company-owned life insurance</td>
<td>71,374</td>
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<tr>
<td>Other real estate owned</td>
<td>38,400</td>
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<td>Mortgage servicing rights</td>
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<td>Core deposit intangibles</td>
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<td>Other assets</td>
<td>125,287</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$7,137,653</strong></td>
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### LIABILITIES AND STOCKHOLDERS’ EQUITY

#### Deposits

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<td>Non-interest bearing</td>
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<tr>
<td>Interest bearing</td>
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<td><strong>Total Deposits</strong></td>
<td><strong>5,824,056</strong></td>
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<table>
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<tr>
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<tbody>
<tr>
<td>Securities sold under repurchase agreements</td>
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<tr>
<td>Accounts payable and accrued expenses</td>
<td>62,531</td>
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<td>Other borrowed funds</td>
<td>5,423</td>
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<td>Long-term debt</td>
<td>73,353</td>
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<tr>
<td>Subordinated debentures held by subsidiary trusts</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>6,563,219</strong></td>
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#### Stockholders’ Equity:

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<th>Description</th>
<th>Amount</th>
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<tr>
<td>Preferred stock</td>
<td>50,000</td>
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<tr>
<td>Common stock</td>
<td>112,135</td>
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<tr>
<td>Retained earnings</td>
<td>397,224</td>
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<tr>
<td>Accumulated other comprehensive income, net</td>
<td>15,075</td>
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<td><strong>Total Stockholders’ Equity</strong></td>
<td><strong>574,434</strong></td>
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<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td><strong>Total Liabilities and Stockholders’ Equity</strong></td>
<td><strong>$7,137,653</strong></td>
</tr>
</tbody>
</table>
# ADVISORY BOARD OF DIRECTORS

Each First Interstate market has its own local Advisory Board, made up of recognized community and industry leaders. Our Advisory Board Directors understand and support the mission and objectives of First Interstate, help address community needs and define our role in supporting those needs.

## MONTANA

### BILLINGS
- Keith Cook
- Eric Anderson
- Timothy Brocopp
- Mike Eastwood
- Karen Fugg
- Jim Haar
- John (Hans) Hansen, Jr.
- Mike Schaer
- Mike Schmechel
- Aaron Sparboe

### BILLINGS WEST
- Mike Palmer
- James Bennett
- Rick Dorn
- M.C. Kastrop
- Frank Kolendich
- Harry Miller
- Merton Musser

### BOZEMAN
- Scott Levandowski
- Brad Dawes
- Richard Harte
- Duncan MacNab
- Tom McCoy
- Phil Rotherham
- Steve Sparks

### BILLINGS HEIGHTS
- Phil Hammond
- Brian Linde
- Gary Oakland
- Van Pittack
- Randy Scott
- Dennis Whitmore

## SOUTH DAKOTA

### BELLE FOURCHE
- Lynn Hammersstrom
- Thomas Carlson
- Cathy Eaton
- Armin Finkbeiner
- Jack Owen
- Rod Woodruff

### CUSTER
- Pat Walker
- Charley Najachat
- Jason Petik
- Michael Tennyson

### DEADWOOD/LEAD
- Shawn Rost
- Dusty Pinke
- Michael Gustafson
- Dr. Thomas Groeger
- Susan Johnson
- Greg Klein
- Dr. Daniel Leikvold
- Ron Wheeler

### RAPID CITY
- Bob Nicholson
- Ka Alberts
- Richard Anderson
- Dan Darst
- Dr. Charles Hart
- Phil Lampert
- Doug Peters
- Casey Peterson

### SPEARFISH
- Bruce Byrum
- TJ Guzzo
- Elizabeth Benning
- Daryl Johnson
- Fred Romkema
- Kay Schallenkamp
- Tom Shaffer
- Steven Williams

### STURGIS/PIEDMONT VALLEY
- Cal McGinnis
- Dennis Thuringer
- Philip Anderson
- Robert Burns
- Boyd Larson
- Dan Mayer
- George Mitchell

## WYOMING

### BUFFALO
- Lynne Michellea
- Dennis Dobbin
- David Harness
- Bill Joy
- Dennis Lawrence
- John Pearson
- Greg Smith

### CASPER
- Mike Huston
- David Crum
- Ken Eickhoff

### CHEYENNE
- Matt Pope
- Bill Edwards
- Pete Illoway
- Mike Sullivan

### JACKSON
- Jim Moses
- Julianna Fakley
- Sara Flitner
- Carolynn Hawthin
- William Healey
- Arne Jorgensen
- Larry Jorgenson
- John Tozzi

### GILLETTE
- Les Mahon
- Craig Dally
- Kerry Hayden
- Arlyn Magnussen
- Mirch Maycock
- Bruce Schilling
- Larry Suchor

### LARAMIE
- Gary Negich
- Irene Devine
- Mike Fortman
- Francis (Frank) Galey
- Trent Kaufman
- Danette Keadle
- James Rinehart

### LANDER
- Doug Anesi
- Carl Asbell
- Sharon Dunlap
- Andy Gramlich
- Mike Weideman

### LIVINGSTON
- Darwin Rabenberg
- Donald Gimbel
- Dean Holmes
- Donald Laubach
- John Mahie
- Dennis Noteboon
- Christian Salacinski
- Nick Forrester
- Thoe Hugs
- David Reisig
- Rusty Rokita

### HELENA
- Pat Johnson
- Patrick McCutcheon
- William Pierce
- David Simkins
- Bruce Parker

### GREAT FALLS
- Bill Weber
- William (Bill) Coyle
- Susan Humble
- Jerry Lehman
- Owen Robinson
- Gregory (Greg) Schwandt
- Glen Stewart
- Leslie Oakland Thomas

### MILES CITY
- Terry Wagner
- Mac Robert Fraser
- Les Hirsch
- Raymond Schmidt, Jr.
- Charles Steedman
- Mike Stevenson

### MISSOULA
- Mike Hickey
- Fran Albrecht
- Kent Bray
- Gary Bryan
- Kevin Gordon
- Jan Parks
- Terry Payne
- Mike Peissig
- Dirk Visser
- Keith Ward

### POLSON
- Jeremy Morgan
- Tom Acevedo
- Rod Johnson
- Dan Lake
- Rick Smith
- Jerry Wheeler

### RED LODGE
- Rich Bruner
- Sandy Brajich
- Richard Gesling
- Suzanne Kadous
- Albert Loeffgen
- Jim Noe
- Myrna Wright

### BILLINGSTOWN
- Myrna Wright
- Jim Noe
- R. Scott Ludwig
- Vicki Jorgenson
- Bruce King
- Mike Fortman
- Tom Neighbors
- Jack Pelissier

List current as of April 2, 2010
Neighbors helping neighbors in the place we call home.

MONTANA
- Eureka
- Great Falls
- Helena
- Billings
- Hardin
- Miles City
- Colstrip
- Lame Deer
- Red Lodge

BILLINGS
- Belgrade
- Bozeman
- Livingston
- Gardiner

SOUTH DAKOTA
- Belle Fourche
- Spearfish
- Sturgis
- Deadwood
- Piedmont Valley
- Black Hawk
- New Underwood
- Wall
- Rapid City
- Rapid City
- Hot Springs
- Edgemont

WYOMING
- Sheridan
- Gillette
- Lead
- Hill City
- Custer
- Riverton
- Lander
- Casper
- Laramie
- Cheyenne

First Interstate BancSystem
Neighbors helping neighbors in the place we call home.