




# EXCITING NEW ROADS AHEAD

2021 Annual Report



**Communities grow. Everyday needs change.  
We are here to see that those days run right  
– no matter what the day ahead has in store,  
no matter how our communities evolve.**

## Core Beliefs:

# What Makes Us Us

The enduring nature of our Company's Mission, Vision, and Values define why we do what we do, the way we do. They give weight and purpose to each of our interactions with clients, co-workers, and communities.



### Mission

The focus of every action we take each day.

We help people and their money work better together.



### Vision

Our North Star and ultimate goal.

To be the most relevant everyday experience our clients have with their money.



### Values

The principles we live by and hold ourselves accountable to along the way.

People First, Always  
Seek Greatness  
Integrity  
Celebrate Success  
Commitment to Community

## To Our Shareholders

**Optimism, with good reason. This is our outlook and attitude. Despite the uncertainty as we entered 2021, First Interstate held steadfast to the values that collectively serve as our guiding star. As they have from day one, these values enabled the Bank to be a refuge in all economic environments, generating growth and creating opportunity for our people, our clients, our communities, and our shareholders.**

### CONTINUED STRENGTH WITHIN

In the midst of ongoing challenges — persistently low interest rates, an evolving pandemic, labor shortages, and supply chain constraints — First Interstate stayed the course this past year and focused on sustainable, long-term success. We avoided taking undue risks with interest rate or credit risk tolerances in an unpredictable environment and maintained flexibility to invest in future opportunities. As a result, shareholders were rewarded with another year of strong financial performance and stellar credit quality, realizing net income of \$192.1 million and diluted earnings per share of \$3.11, representing 19% and 23% growth, respectively, over the previous year.

First Interstate's strength and stability can be attributed largely to our people and the processes and technology we've put in place. Our people continue to be involved in and excited about making a positive impact with our clients and in their communities, whether working onsite or remotely to accommodate COVID-19 concerns. In 2021, 95% of employees participated in our annual employee Gallup engagement survey, resulting in best-in-class ratings. In 2021, our employees donated over 23,000 hours of service to organizations across our footprint, many of which focused on serving those most in need. Further, we provided clients and non-clients access to the second wave of Paycheck Protection Program (PPP) loans, injecting an additional \$480 million of funding into our communities, complementing the \$1.2 billion of PPP originations in 2020.

Additionally, we continue to build and enhance our processes and technology to ensure we remain relevant and competitive in a demanding marketplace. We are determined to provide our clients with quicker decisioning and more flexible access in meeting their banking needs. This focus is evident in the small business digital lending platform we introduced in 2021. These efforts will carry on into 2022 as we continue to enhance our digital platforms and introduce a new digital consumer loan origination system this year.

### TRANSFORMATIVE MERGER UNDERWAY

I frequently tell my Board and my team that "Bigger is not Better," but in September 2021, we announced a financially compelling and transformative merger with Great Western Bank that will make us both bigger and better. This partnership is expected to deliver significant earnings accretion and improved returns to our shareholders without incurring any tangible book value dilution. The alignment between our two institutions comes naturally. Both share a culture dedicated to making a positive impact on the communities we serve. Upon closing in February 2022, Great Western Bank enabled the First Interstate franchise to increase to more than \$32 billion in assets and more than 300 branch locations.

Our footprint will extend from six states – Idaho, Montana, Oregon, South Dakota, Washington, and Wyoming – to 14. On May 23, 2022, the First Interstate name will appear in Arizona, Colorado, Iowa, Kansas, Minnesota, Missouri, Nebraska, and North Dakota. These markets are vibrant, and the response from our new colleagues has been overwhelmingly positive.

### OUR COMMITMENT TO COMMUNITY GROWS

With our house in good order, First Interstate was able to expand on fulfilling one of our five core values: commitment to community. The Bank maintains a policy of contributing 2% of net income, before taxes, to the communities in which we live, work, and play. For 2021, that amounted to \$4.9 million for organizations that support arts and culture, education, and health and human services, among others.

In celebration of our merger with Great Western Bank, we are contributing over \$20 million to the First Interstate BancSystem Foundation in honor of the Bank's founding family. This gift will make it possible for First Interstate to have an immediate and lasting impact throughout our 14-state footprint and ensure our philanthropic presence in the communities we serve for years to come.

Finally, First Interstate prides itself on being a responsible financial advocate for all people. In 2022, we will take the lead in our markets with the introduction of our new checkless, zero overdraft account to better serve the full spectrum of our community participants. Additionally, we are proactively making meaningful changes to our consumer fees, eliminating all non-sufficient fund charges, and significantly scaling back our overdraft fees. While a small price to our shareholders, it is the right thing to do for the communities we serve.

### OPTIMISM, WITH GOOD REASON

First Interstate is fortunate to operate in a vibrant, healthy section of America. While our focus early in 2022 will be on the seamless integration of Great Western Bank, we are excited about the opportunities we see across the footprint to generate financially responsible growth capable of generating long-term value for all stakeholders.

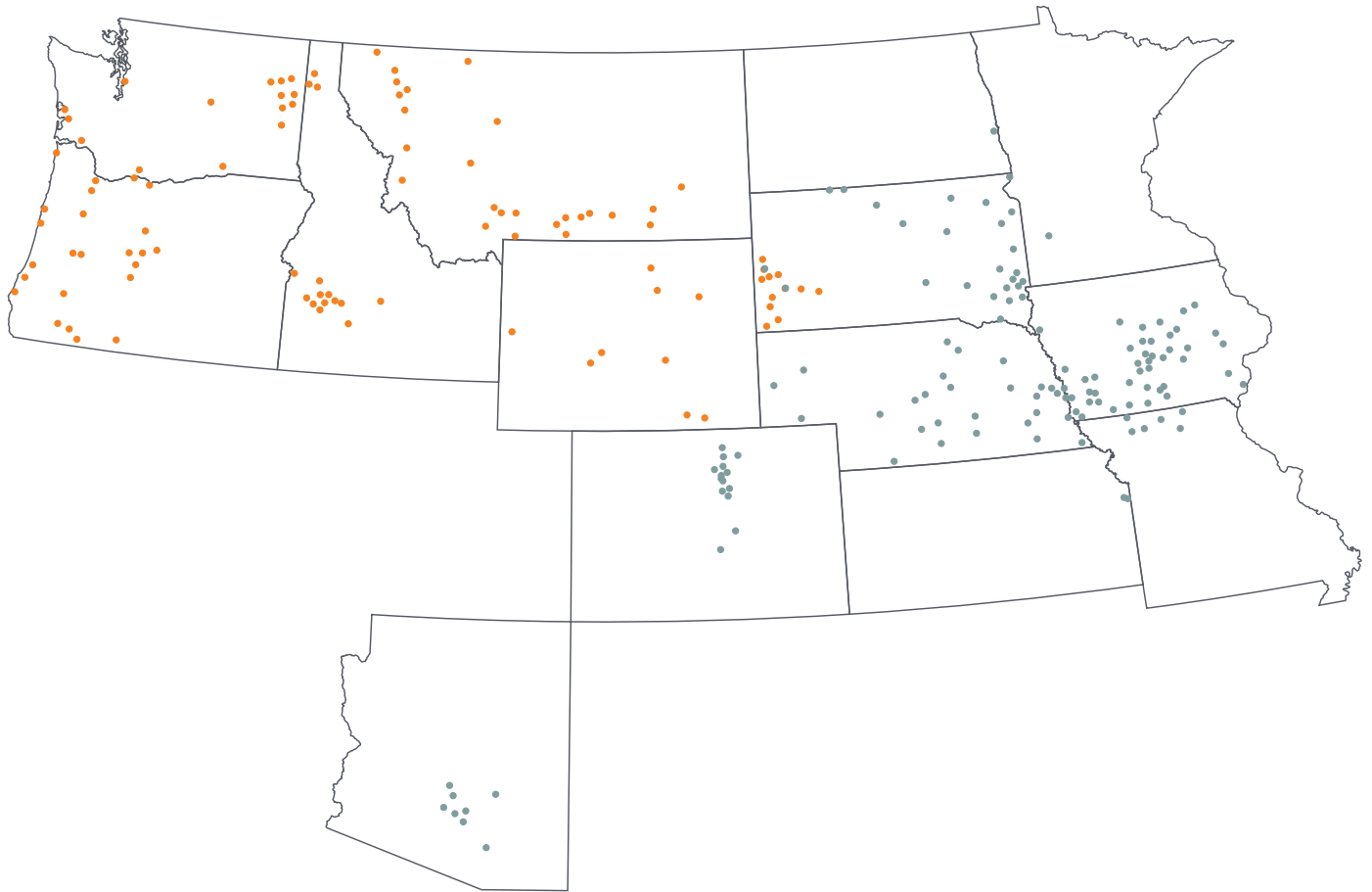
Change is inevitable, but we believe First Interstate's solid foundation and steadfast commitment to our core values will continue to foster strength and stability within the Bank and the communities we serve.

Sincerely,



**Kevin P. Riley**  
President & CEO  
First Interstate BancSystem, Inc.





# Momentum Paves the Way

**Our dedicated business focus delivered strong financial performance in 2021, with net income of \$192.1 million, and earnings per share of \$3.11, resulting in year-over-year increases of 19% and 23%, respectively. Net income included acquisition costs of \$11.6 million, which impacted earnings per share by \$0.15.**

- Compared to 2020, total assets increased 11.5% to \$19.7 billion as of December 31, 2021
- We facilitated over 7,100 Paycheck Protection Program (PPP) loans for clients in 2021, totaling \$480 million in funding
- In 2021, total deposits grew over 14.4%, as our clients considered us a safe haven for their hard-earned dollars

- Book value per common share increased to \$31.94 as of December 31, 2021, compared to \$31.56 as of December 31, 2020
- Year-over-year, non-performing assets declined 41.2% to \$29.7 million or 15 basis points of total assets as of December 31, 2021 and total criticized loans declined 36.7%, or \$125.4 million

#### **MAKING HEADWAY IN A BIG WAY**

In September 2021, we signed a definitive agreement to merge with Great Western Bancorp, Inc., out of Sioux Falls, South Dakota. The all-stock transaction, valued at \$1.7 billion, united the two companies under the First Interstate name and brand in February 2022. With assets totaling over \$32 billion, the pro forma company establishes First Interstate as the premier banking franchise in the West.

FIBK's existing dual-class stock structure will sunset on March 25, 2022, which is the record date of the annual shareholder meeting. At that time, existing FIBK Class B common stock will be converted 1:1 into Class A common stock and FIBK will no longer be a controlled company.

**Source:** S&P Global Market Intelligence; Financial data as of 6/30/2021 <sup>1</sup> Rank based on Assets; FIBK pro forma for GWB acquisition <sup>2</sup> Ranked based Deposits; FIBK pro forma for GWB acquisition; Excludes foreign bank subsidiaries <sup>3</sup> Based on Street 2023 consensus estimates for FIBK and 2023 FIBK management estimates for GWB Stand-alone De-risked Net Income Run Rate plus cost savings and other merger adjustments; For more detail see slide 26 of the September 16, 2021 Investor Presentation. <sup>4</sup> For more detail see slide 27 of the September 16, 2021 Investor Presentation.

# \$32B

Pro Forma Assets

# \$27B

Pro Forma Deposits

# 20%

EPS Accretion<sup>3</sup>

# 16%

Pro Forma ROATCE<sup>3</sup>

# 1.2%

Pro Forma ROA<sup>3</sup>

# TOP 50

National Deposit Rank<sup>2</sup>

# TOP 15


Bank West of the Mississippi<sup>2</sup>

# TBV

Accretive<sup>4</sup>

## Our Mission In Motion

Exemplary corporate citizenship is part of First Interstate's DNA. We actively strive to conduct ourselves responsibly and contribute positively to communities we serve through substantial and tangible philanthropic, environmental, and social efforts.



**Our commitment to community comes alive in philanthropy, volunteerism, leadership, community development, sustainable practices, financial education, and community relations.**

### OUR CONTRIBUTIONS IN 2021 AT-A-GLANCE:

- Approximately \$4.9 million donated to over 1,000 nonprofits across our footprint, including approximately \$2 million donated directly to hunger programs
- Employees volunteered 16,900 hours, with organizations receiving nearly \$150,000 in Volunteer Matching from the First Interstate Foundation
- Nearly 60% of nonprofits focused on poverty and served low- to moderate-income individuals
- On September 8, First Interstate held its third annual Volunteer Day. Approximately 1,800 employees spent half the workday volunteering 6,400 total hours with more than 230 local nonprofits.



First Interstate is committed to folding conservation considerations into our core business strategy and values. Becoming a more sustainable Company won't happen overnight—it is a progressive, ongoing effort. We are working to introduce practices that, when taken individually and collectively, can effectively reduce our carbon footprint and create a better environment for everyone. Energy efficiency is a key focus, as evidenced by the addition of solar panels to our new Livingston, Montana branch, pictured at right, which opened in August 2021.

**50 / WOMEN  
50 / ON BOARDS**

In May 2021, First Interstate was recognized by 50/50 Women on Boards for having three or more women serving on its corporate board of directors.

"Investors, legislative mandates, and enlightened leaders continue to make institutional decisions that reinforce the business advantages of gender balance," said Betsy Berkhemer-Credaire, CEO of 50/50 Women on Boards. "We are pleased to recognize First Interstate for prioritizing this business imperative that benefits stakeholders and shareholders."



As our charitable affiliate, the First Interstate BancSystem Foundation is funded by the bank and works closely with the bank to make each of our communities a better place to live and work. In 2022, the Bank donated over \$20 million to the Foundation to continue making a meaningful impact throughout our footprint for years to come.



# Milestones





# Optimism, With Good Reason

## Aligning Our Actions

Our Company's Mission is supported by four key pillars that fuel, organize, and align internal strategies for business success.

We believe engaged employees produce happy clients, which in turn support their communities, and lead to growth for our Company.

These pillars guide Company operations, drive our commitment to the communities we serve, and ultimately provide long-term shareholder value.



**We are proud of our Company  
and believe we have built a solid  
foundation ready for the road ahead.**

Financial detail of our performance for 2021 follows. We invite you to review it for additional perspective on our year.

**OUR PEOPLE, OUR PRIORITY**



**RELENTLESS CLIENT FOCUS**



**FUTURE-READY, TODAY**



**FINANCIAL VITALITY**





# Form 10-K

DECEMBER 31, 2021

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2021

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 001-34653

FIRST INTERSTATE BANCSYSTEM, INC.

(Exact name of registrant as specified in its charter)

Montana

81-0331430

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

401 North 31st Street
Billings, MT

59101

(Address of principal executive offices)

(zip code)

(406) 255-5311

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Table with 3 columns: Title of each class, Trading Symbol(s), Name of exchange on which registered. Row 1: Class A common stock, no par value; FIBK; NASDAQ

Securities registered pursuant to Section 12(g) of the Act:

Class B common stock

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§223.405 of this chapter) during the preceding 12 months (or for such shorter period that registrant was required to submit such files).  Yes  No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark if the registrant is a shell company (as defined in Rule 12b-2 of the Act.)  Yes  No

The aggregate market value of voting and non-voting common equity held by non-affiliates, computed by reference to the price at which the common equity was last sold on the NASDAQ, as of the last business day of the registrant's most recently completed second fiscal quarter was \$1,809,181,299.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of January 31, 2022:

Table with 2 columns: Class of stock, Number of shares. Row 1: Class A common stock, 41,707,175. Row 2: Class B common stock, 20,501,047

Documents Incorporated by Reference

The registrant intends to file a definitive Proxy Statement for the Annual Meeting of Shareholders scheduled to be held May 25, 2022. The information required by Part III of this Form 10-K is incorporated by reference to such Proxy Statement.

# FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES

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December 31, 2021

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## PART I

### Cautionary Note Regarding Forward-Looking Statements

*When we refer to “we,” “our,” “us,” “First Interstate,” or the “Company” in this report, we mean First Interstate BancSystem, Inc. and our consolidated subsidiaries, including our wholly-owned subsidiary, First Interstate Bank, unless the context indicates that we refer only to the parent company, First Interstate BancSystem, Inc. When we refer to the “Bank” or “FIB” in this report, we mean only First Interstate Bank.*

This report contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended, and Rule 3b-6 promulgated thereunder, that involve inherent risks and uncertainties. Any statements about our plans, objectives, expectations, strategies, beliefs, or future performance or events constitute forward-looking statements. Such statements are identified by words or phrases such as “believes,” “expects,” “anticipates,” “plans,” “trends,” “objectives,” “continues,” or similar expressions, or future or conditional verbs such as “will,” “would,” “should,” “could,” “might,” “may,” or similar expressions. Forward-looking statements involve known and unknown risks, uncertainties, assumptions, estimates, and other important factors that could cause actual results to differ materially from any results, performance or events expressed or implied by such forward-looking statements. The factors included below under the caption “Summary Risk Factors” and described in further detail below under Item 1A Risk Factors of this report, among others, may cause actual results to differ materially from current expectations in the forward-looking statements, including those set forth in this report.

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

### Summary Risk Factors

An investment in shares of our Class A common stock involves a high degree of risk. If any of the factors enumerated below and described in more detail in the section entitled "Risk Factors" under Item 1A of this report occurs, our business, financial condition, liquidity, results of operations, and prospects could be materially and adversely affected. In that case, the market price of our Class A common stock could decline, and you may lose some or all of your investment. Some of the most material risks relating to an investment in our Class A common stock include the impact or effect on our Company and its operating results, or its investors, of:

#### **Regulatory and Compliance Risks, including:**

- new, or changes in, governmental regulations;
- tax legislative initiatives or assessments;
- more stringent capital requirements, to the extent they may become applicable to us;
- changes in accounting standards; and
- any failure to comply with applicable laws and regulations, including the CRA and fair lending laws, the USA PATRIOT ACT, OFAC guidelines and requirements, the BSA, and the related FinCEN and FFIEC Guidelines and regulations (as each of such terms and acronyms is defined below);

#### **Credit Risks, including:**

- lending risks and risks associated with loan sector concentrations;
- a decline in economic conditions that could reduce demand for our products and services and negatively impact the credit quality of loans;
- loan credit losses exceeding estimates;
- the soundness of other financial institutions; and
- declining oil and gas prices, and declining demand for coal could negatively impact the demand and credit quality of loans;

#### **Liquidity Risks, including:**

- the availability of financing sources for working capital and other needs; and
- a loss of deposits or a change in product mix that increases the Company’s funding costs;

**Market Risks, including:**

- changes in interest rates;
- changes to United States trade policies, including the imposition of tariffs and retaliatory tariffs;
- competition from new or existing competitors; and
- variable interest rates tied to LIBOR (defined below) that may no longer be available, or may become unreliable, to us;

**Operational Risks, including:**

- cyber-security risks, including “denial-of-service attacks,” “hacking,” and “identity theft” that could result in the disclosure of confidential information;
- privacy, information security, and data protection laws, rules, and regulations that affect or limit how we collect and use personal information;
- the potential impairment of our goodwill;
- exposure to losses in collateralized loan obligation securities;
- our reliance on other companies that provide key components of our business infrastructure;
- events that may tarnish our reputation;
- the loss of the services of our management team and directors;
- our ability to attract and retain qualified employees to operate our business, including retaining qualified employees following the merger with Great Western;
- costs associated with repossessed properties, including environmental remediation;
- the effectiveness of our systems of internal operating controls; and
- our ability to implement new technology-driven products and services or be successful in marketing these products and services to our clients;

**Strategic Risks, including:**

- our ability to execute on our intended expansion plans;
- difficulties we may face in combining the operations of acquired entities or assets with our own operations or assessing the effectiveness of businesses in which we make strategic investments or with which we enter into strategic contractual relationships, including the difficulties we may face following the merger with Great Western; and
- incurrence of significant costs related to the merger with Great Western and related integration;

**Common Stock Risks, including:**

- the volatility in the price and trading volume of our common stock;
- “anti-takeover” provisions and the regulations, which may make it more difficult for a third party to acquire control of us even in circumstances that could be deemed beneficial to stockholders;
- changes in our dividend policy or our ability to pay dividends;
- our common stock not being an insured deposit;
- the potential dilutive effect of future equity issuances; and
- the subordination of our common stock to our existing and future indebtedness; and

**General Risk Factors, including:**

- the ongoing impact of the COVID-19 pandemic and the U.S. government’s response to the pandemic; and
- the effect of global conditions, earthquakes, tsunamis, floods, fires, and other natural catastrophic events.

The foregoing risk factors are not necessarily all of the factors that could cause our actual results, performance, or achievements to differ materially from expectations. Other unknown or unpredictable factors also could harm our results. Investors and other interested parties are encouraged to read the information included under the section captioned “Risk Factors” below in its entirety before making an investment decision about our securities.



## Item 1. Business

### Our Company

We are a financial and bank holding company focused on community banking. Since our incorporation in Montana in 1971, we have grown both organically and through strategic acquisitions, most recently through our acquisition on February 1, 2022 of Great Western Bancorp, Inc. (“Great Western”) and its wholly owned banking subsidiary, Great Western Bank (“GWB”). As of December 31, 2021, we operated 147 banking offices, including detached drive-up facilities, in communities across six states—Idaho, Montana, Oregon, South Dakota, Washington, and Wyoming. As a result of our acquisition of Great Western and GWB, we now operate an additional 174 banking offices in eight new states—Arizona, Colorado, Iowa, Kansas, Minnesota, Missouri, Nebraska, and North Dakota—and the state of South Dakota, where we already have banking offices. For additional information regarding the Great Western and GWB acquisition see Part II, Item 7, “Management’s Discussion and Analysis of Financial Information and Results of Operations—Recent Trends and Developments.”

Through our bank subsidiary, First Interstate Bank, we deliver a comprehensive range of banking products and services—including online and mobile banking—to individuals, businesses, municipalities, and others throughout our market areas. We are proud to provide lending opportunities to clients that participate in a wide variety of industries, including:

- Agriculture;
- Construction;
- Education;
- Energy;
- Governmental services;
- Healthcare;
- Hospitality;
- Housing;
- Professional services;
- Real estate development;
- Retail;
- Technology;
- Tourism; and
- Wholesale trade.

We completed a recapitalization of our previously-existing common stock in March 2010, pursuant to which we effected a 4-for-1 split of our previously-existing common stock, a redesignation of our previously-existing common stock into Class B common stock, which is entitled to five votes per share, and the creation of a new class of common stock designated as Class A common stock, which is entitled to one vote per share. Holders of Class B common stock and Class A common stock vote together as a single class on all matters submitted to a vote of shareholders, unless otherwise required by law or by our articles of incorporation. The recapitalization was completed in preparation for our initial public offering, or IPO, of Class A common stock later that same month on the NASDAQ stock market, or NASDAQ, under the symbol “FIBK.” Since our IPO, we have expanded our market reach through organic growth and strategic acquisitions, including our acquisitions of Mountain West Bank, United Bank, N.A., Flathead Bank of Bigfork, Bank of the Cascades, Inland Northwest Bank, Idaho Independent Bank, and Community 1<sup>st</sup> Bank. As of December 31, 2021, we had consolidated assets of \$19.7 billion, deposits of \$16.3 billion, loans held for investment of \$9.3 billion, and total stockholders’ equity of \$2.0 billion.

Our mission is to help people and their money work better together. With that as our guiding focus, we strive to be the most relevant everyday experience our clients have with their money. With our focus on community banking, we adhere to common values that have long provided a foundation for our growth and success:

- (1) Put people first, always;
- (2) Seek greatness;
- (3) Act with integrity;
- (4) Celebrate success; and
- (5) Demonstrate commitment to our communities.

These values support our commitment to our employees, our clients, our communities, and our shareholders.

Our business model is strategically focused around four key pillars, which help us align, organize, and prioritize business strategies. These pillars guide our actions related to our employees, our clients, and our operations, ultimately leading to our financial success and creating value for our shareholders.

- The first pillar is ***Our People, Our Priority***. The success of our Company is a reflection of our people. We are building a diverse company, attracting the right people, retaining them in the right jobs, and developing them to meet our long-term needs. Our people are informed, capable, and resilient.
- The second pillar is ***Relentless Client Focus***. Our client loyalty is cultivated by our focus on every interaction, every time. By listening to our clients and learning about their needs, we are better able to connect their goals and dreams to the right products and services.
- The third pillar is ***Future Ready, Today***. We live in a world in constant motion, which requires agility and resiliency; adapting our products and processes to be scalable and sustainable is essential. Robust and relevant systems and processes create a foundation for our employees to excel—not only in their personal performance, but in their delivery of our products and services to our clients.
- The fourth pillar is ***Financial Vitality***. Our strategic focus on balance sheet management and goal-oriented financial rigor keeps us a top-performing bank. Our emphasis on accountability and our collaborative approach to aligning our efforts under our four pillars allows our community banking model to flourish.

By adhering to a strong set of values, we have grown our business strategically and significantly. Our long-term perspective emphasizes providing high-quality financial products and services, delivering exceptional client service, influencing business leadership within our communities through professional and dedicated bankers, supporting our communities through financial contributions and socially responsible leadership, and cultivating a strong corporate culture. We plan to continue our business in a disciplined and prudent manner, fueled by organic growth in our existing market areas and expansion into new and complementary markets when appropriate acquisition and other opportunities arise.

## **Community Banking**

We have one operating segment—community banking. Community banking encompasses commercial and consumer banking services provided through our Bank: primarily the acceptance of deposits, extensions of credit, mortgage loan origination and servicing, and trust, employee benefit, investment, and insurance services. Our philosophy emphasizes community banking locally using a personalized service approach while also strengthening the communities in our market areas through service activities. We grant our banking offices significant authority in delivering products in response to local market considerations and client needs. This autonomy enables our banking offices to remain competitive by quickly responding to local market conditions and enhancing relationships with the clients they serve. We also require accountability by having company-wide standards and established limits on the authority and discretion of each banking office. This combination of authority and accountability allows our banking offices to provide personalized service and localized community support while at the same time remaining focused on our overall financial vitality.

### *Lending Activities*

We offer real estate, consumer, commercial, agricultural, and other loans to individuals and businesses in our market areas. We have comprehensive credit policies establishing company-wide underwriting and documentation standards to assist management in the lending process and to limit our risk. Each loan must meet minimum underwriting standards specified in our credit policies. Minimum underwriting standards generally specify that loans:

- (1) are made to borrowers generally located within or adjacent to our market footprint or own businesses and/or real estate within or adjacent to our footprint, with limited exceptions that may include participation loans and loans to national accounts;
- (2) are made only for identified legal purposes;
- (3) have specifically identified sources of repayment;
- (4) mature within designated maximum maturity periods that coincide with repayment sources;
- (5) are appropriately collateralized whenever possible;
- (6) are supported by current credit information;
- (7) do not exceed the Bank's legal lending limit;
- (8) include medium-term fixed interest rates or variable rates that are adjusted within designated time frames; and
- (9) require a flood determination prior to closing.

In addition, our minimum underwriting standards include lending limitations to prevent concentrations of credit in agricultural, commercial, real estate, or consumer loans. Furthermore, each minimum underwriting standard must be documented, with exceptions noted, as a part of the loan approval process.

While each loan must meet minimum underwriting standards established in our credit policies, bankers are granted levels of credit authority in approving and pricing loans to assure that banking offices are responsive to competitive issues and community needs in each market area. Lending authorities are established at individual, branch, and market levels. Credit authorities are established and assigned based on the credit experience and credit acumen of each branch loan officer. Credit authority is under the direction of our Chief Credit Officer or such officer's designee and is reviewed on an ongoing basis. Credits over the authority of bankers are approved by the Chief Credit Officer with the concurrence of our Chief Risk Officer.

#### *Deposit Products*

We offer traditional depository products including checking, savings, and time deposits. Deposits at the Bank are insured by the Federal Deposit Insurance Corporation, or the FDIC, up to statutory limits. We also offer repurchase agreements primarily to commercial and municipal depositors. Under repurchase agreements, we sell investment securities held by the Bank to our clients under an agreement to repurchase the investment securities at a specified time or on demand. All outstanding repurchase agreements are due in one business day.

#### *Wealth Management*

We provide a wide range of trust, employee benefit, investment management, insurance, agency, and custodial services to individuals, businesses, and nonprofit organizations. These services include the administration of estates and personal trusts, management of investment accounts for individuals, employee benefit plans and charitable foundations, and insurance planning.

#### *Centralized Services*

We have centralized certain operational activities to provide consistent service levels to our clients company-wide, which helps us gain efficiency in management of those activities as well as ensure regulatory compliance. Centralized operational activities generally support our banking offices in the delivery of products and services to clients and include:

- marketing;
- credit review;
- loan servicing;
- credit card issuance and servicing;
- mortgage loan sales and servicing;
- indirect consumer loan purchasing and processing;
- loan collections; and
- other operational activities.

Additionally, specialized staff support services have been centralized to enable our branches to more efficiently serve their markets. These services include:

- credit risk management;
- finance;
- human resource management;
- internal audit;
- facilities management;
- technology;
- risk management;
- legal;
- compliance; and
- other support services.

## Market Area

The following table reflects our deposit market share and branch locations by state:

<b>Deposit Market Share and Branch Locations by State</b>	<b>% of Market Deposits <sup>(1)</sup></b>	<b>Deposit Market Share Rank <sup>(1)</sup></b>	<b>Number of Branches <sup>(2)</sup></b>
Idaho	4.3	8	23
Montana	17.5	2	44
Oregon	2.3	11	33
South Dakota	0.2	12	14
Washington	0.4	31	18
Wyoming	14.5	1	15
Total			147

<sup>(1)</sup> Source: FDIC.gov-data as of June 30, 2021.

<sup>(2)</sup> As of December 31, 2021.

We operate in markets with a diverse employment base covering numerous industries and we believe our community bank approach to providing client service is a competitive advantage that strengthens the Company's ability to effectively provide financial products and services to businesses and individuals in its markets.

## Competition

There is significant competition among commercial banks in our market areas. We also compete with other providers of financial services who all actively engage in providing various types of loans and other financial services to their clients, such as:

- savings and loan associations;
- credit unions;
- financial technology companies;
- internet banks;
- consumer finance companies;
- brokerage firms;
- mortgage banking companies;
- insurance companies;
- securities firms;
- mutual funds;
- government agencies; and
- major retailers.

To remain competitive in this congested industry, we continue to develop our omni-channel experience. Some of our competitors have greater resources and, as such, may have higher lending limits and may offer other services we do not provide. We generally compete on the basis of service and responsiveness to client needs, available loan and deposit products, rates of interest charged on loans, rates of interest paid for deposits, and the availability and pricing of services such as trust, employee benefit, investment, and insurance services.

## Government Regulation and Supervision

We are subject to extensive government regulation and supervision under federal and state laws. Summaries of the material laws and regulations that are applicable to us are provided below. The descriptions that follow are not intended to summarize all laws and regulations applicable to us. Furthermore, the descriptions that follow do not purport to be complete and are qualified in their entirety by reference to the full provisions of those laws and regulations. In addition to laws and regulations, state and federal banking regulatory agencies may issue policy statements, interpretive letters, and similar written guidance that may impose additional regulatory obligations or otherwise affect the conduct of our business. Additionally, proposals to change laws and regulations are frequently introduced at both the federal and state levels. The likelihood and timing of any such changes and their impact on the Company cannot be determined with certainty.

### *Regulatory Authorities*

As a public company with our securities listed for trading on the NASDAQ, we are subject to the disclosure and regulatory requirements of the Securities and Exchange Commission, or SEC (including under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (or the Exchange Act)), and the NASDAQ.

As a financial and bank holding company, we are subject to regulation under the Bank Holding Company Act of 1956, as amended, and to supervision, regulation, and regular examination by the Board of Governors of the Federal Reserve System (the “Federal Reserve”).

The Bank is subject to supervision and regular examination by its primary banking regulators, the Federal Reserve and the Montana Department of Administration, Division of Banking and Financial Institutions (the “Montana Division”). The Bank is also subject to supervision and regular examination by the Consumer Financial Protection Bureau (“CFPB”).

The Bank’s deposits are insured by the Deposit Insurance Fund (“DIF”) administered by the FDIC in the manner and to the extent provided by law. As such, the Bank is subject to the Federal Deposit Insurance Act (the “FDIA”) and FDIC regulations relating to deposit insurance and may also be subject to supervision and examination by the FDIC.

We are currently subject to the regulatory capital framework and guidelines reached by Basel III as adopted by the Federal Reserve. The Federal Reserve has risk-based capital adequacy guidelines intended to measure capital adequacy with regard to a banking organization’s balance sheet, including off-balance sheet exposures such as unused portions of loan commitments, letters of credit, and recourse arrangements.

The extensive regulation of the Bank limits both the activities in which the Bank may engage and the conduct of its permitted activities. Further, the laws and regulations impose reporting and information collection obligations on the Bank. The Bank incurs significant costs relating to compliance with various laws and regulations and the collection and retention of information. As the regulatory framework for bank holding companies and banks continues to grow and become more complex, the cost of complying with regulatory requirements continues to increase.

#### *Financial and Bank Holding Company*

First Interstate BancSystem, Inc. is a bank holding company and has registered as a financial holding company under regulations issued by the Federal Reserve. As a financial holding company, we may engage in certain business activities that are determined by the Federal Reserve to be financial in nature or incidental to financial activities as well as all activities authorized generally to bank holding companies. We may engage in authorized financial activities, provided that we remain a financial holding company and are “well-capitalized” and “well-managed.” We do not currently engage in significant financial holding company business or activities not otherwise permitted generally for bank holding companies.

Under federal law, First Interstate BancSystem, Inc. is required to serve as a source of financial and managerial strength to the Bank, which may include providing financial assistance to the Bank if the Bank experiences financial distress. Under existing Federal Reserve source of strength policies, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank. The Federal Reserve may also determine that the bank holding company is engaging in unsafe and unsound practices if it fails to commit resources to a subsidiary bank.

We are required by the Bank Holding Company Act to obtain Federal Reserve approval prior to acquiring, directly or indirectly, ownership or control of voting shares of any bank, if, after such acquisition, we would own or control more than 5% of its voting stock. The Federal Reserve considers a number of factors in evaluating acquisitions, including the financial and managerial resources and future prospects of the parties, the convenience and needs of the communities served, and competitive factors. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), when considering an application, the Federal Reserve is also required to evaluate whether the transaction would result in more concentrated risks to the United States banking or financial system. Under federal law and regulations, a bank holding company may acquire banks in states other than its home state if, among other things, the bank holding company is both “well-capitalized” and “well-managed” both before and after the acquisition.

Banks may also merge across state lines. With additional changes made to federal statutes under the Dodd-Frank Act, banks are also permitted to establish new interstate branches if a bank located in the target state could establish a new branch at the proposed location without regard to state laws limiting interstate de novo branching. A state can prohibit interstate mergers entirely or prohibit them if the continuing bank would control insured bank deposits in excess of a specified percentage of total insured bank deposits in the state. Under Montana law, a bank cannot acquire control of a bank located in Montana if, after the acquisition, the acquiring institution would control, in the aggregate, more than 30% of the total deposits of insured depository institutions located in Montana. As of June 30, 2021, based on publicly available information provided by the FDIC, we believe the Bank controlled approximately 17.5% of the total deposits of all insured depository institutions located in Montana. As such, the state limitation may limit our ability to directly or indirectly acquire additional banks located in Montana.

In order to assess the financial strength of the bank holding company, the Federal Reserve and the State of Montana may conduct periodic on-site and off-site inspections and credit reviews throughout the year. The federal banking agencies, including the Federal Reserve, may require additional information and reports from us. In addition, the Federal Reserve may examine, and require reports and information regarding, any entity that we control, including entities other than banks or entities engaged in financial activities. In certain circumstances, the Federal Reserve may require us to divest of non-bank entities or limit the activities of those entities even if the activities are otherwise permitted to bank holding companies under governing law.

#### *Dividends and Restrictions on Transfers of Funds*

Dividends from the Bank are the primary source of funds for the payment of our operating expenses and for the payment of dividends to our shareholders. Dividends are also limited by state and federal laws and regulations. We are also subject to various regulatory restrictions relating to capital distributions, including dividends, regulatory capital minimums, and the requirement to remain “well-capitalized” under the prompt corrective action regulations summarized below under the caption “Business – Government Regulation and Supervision – Capital Standards and Prompt Corrective Action.” In general, the Bank is limited to paying dividends that do not exceed the current year net profits together with retained earnings from the two preceding calendar years unless prior consent of the Federal Reserve is obtained. In addition, the Bank may not pay dividends in excess of the previous two years’ net earnings without providing notice to the Montana Division.

The capital buffer rules adopted by the federal banking regulators in accordance with the Basel Accords impose further limitations on the Bank’s ability to pay dividends. In general, the Bank’s ability to pay dividends is limited under the capital buffer rules unless the Bank’s common equity conservation buffer exceeds the minimum required capital ratio by 2.5% of risk-weighted assets.

A state or federal banking regulator may also impose, by regulatory order or agreement of the Bank, specific dividend limitations or prohibitions. The Bank is not, however, currently subject to a specific regulatory dividend limitation.

The Federal Reserve has issued a policy statement regarding the payment of dividends and the repurchase of common stock by bank holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization’s capital needs, asset quality, and overall financial condition. Regulatory guidance provides for prior regulatory consultation with respect to capital distributions in certain circumstances such as where the company’s net income for the past four quarters (net of previous capital distributions) is insufficient to fully fund the dividend or the company’s overall rate of earnings retention is inconsistent with the company’s capital needs and overall financial condition. The ability of a holding company to pay dividends may be restricted if a subsidiary bank becomes under-capitalized. The policy statement also states that a holding company should inform the Federal Reserve supervisory staff prior to redeeming or repurchasing common stock or perpetual preferred stock if the holding company is experiencing financial weaknesses or if the repurchase or redemption would result in a net reduction, as of the end of a quarter, in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred. These regulatory policies may affect our ability to pay dividends, repurchase shares of common stock, or otherwise engage in capital distributions.

#### *Capital Standards and Prompt Corrective Action*

Banks and bank holding companies are subject to various regulatory capital requirements administered by state and federal banking agencies, which involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting, and other factors. The capital requirements are intended to ensure that banking organizations have adequate capital given the risk levels of assets and off-balance sheet financial instruments and are applied separately to the Bank and its parent holding company.

Federal regulations require FDIC-insured depository institutions and bank holding companies to meet several minimum capital standards:

- a common equity Tier 1 capital to risk-based assets ratio of 4.5%;
- a Tier 1 capital to risk-based assets ratio of 6.0%;
- a total capital to risk-based assets ratio of 8.0%; and
- a 4.0% Tier 1 capital to total assets leverage ratio.

The existing capital requirements were effective January 1, 2015, and are based on recommendations of the Basel Committee on Banking Supervision and requirements of the Dodd-Frank Act.

For purposes of the regulatory capital requirements, common equity Tier 1 capital is generally defined as common stockholders' equity and retained earnings and is reduced by substantially all of the regulatory deductions including items such as goodwill and other intangibles and certain deferred tax assets. Tier 1 capital is generally defined as common equity Tier 1 capital and additional Tier 1 capital. Additional Tier 1 capital includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is composed of capital instruments and related surplus, meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock, and subordinated debt. Also included in Tier 2 capital is the allowance for credit losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions like us that have exercised an opt-out election regarding the treatment of Accumulated Other Comprehensive Income ("AOCI"), up to 45.0% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. Institutions that have not exercised the AOCI opt-out have AOCI incorporated into common equity Tier 1 capital (including unrealized gains and losses on available-for-sale securities). Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, all assets, including certain off-balance sheet assets (for example, recourse obligations, direct credit substitutes, residual interests), are multiplied by a risk weight factor assigned by the regulations based on the risks believed inherent in the type of asset.

Higher levels of capital are required for asset categories believed to present greater risk. For example, a risk weight of 0% is assigned to cash and United States government securities, a risk weight of 50% generally is assigned to prudently underwritten first lien one- to four-family residential mortgages, a risk weight of 100% is assigned to commercial and consumer loans, a risk weight of 150% is assigned to certain past due loans, and a risk weight of between 0% to 600% is assigned to permissible equity interests, depending on certain specified factors.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements.

In assessing an institution's capital adequacy, the Federal Reserve takes into consideration not only these numeric factors, but qualitative factors as well and has the authority to establish higher capital requirements in individual cases where deemed necessary. The Federal Reserve has not established individual capital requirements applicable to us.

The Dodd-Frank Act and the revised regulations limit the use of hybrid capital instruments in meeting regulatory capital requirements, including instruments similar to those which we currently have issued and outstanding. As of December 31, 2021, we met the criteria for grandfathering under the Dodd-Frank Act, therefore, the limitations on use of hybrid capital instruments did not apply to our outstanding instruments which included Tier 1 qualification for trust preferred securities. The Company surpassed \$15.0 billion in assets by acquisition with the merger of Great Western, effective February 1, 2022, in which our trust preferred securities now only qualify as Tier 2 capital.

Federal law requires the federal banking agencies to take "prompt corrective action" in respect of depository institutions that do not meet minimum capital requirements. The law sets forth the following five capital tiers:

- "well capitalized;"
- "adequately capitalized;"
- "under-capitalized;"
- "significantly under-capitalized;" and
- "critically under-capitalized."

A depository institution's capital tier will depend upon how its capital levels compare with various relevant capital measures and certain other factors, as established by regulation. The relevant capital measures are the common equity tier 1 capital ratio, total capital ratio, the tier 1 capital ratio, and the leverage ratio.

A depository institution is generally prohibited from making any capital distributions (including payment of a dividend) or paying any management fee to its parent holding company if the depository institution would thereafter be under-capitalized. Under-capitalized institutions may be subject to growth limitations and other restrictions and are required to submit a capital restoration plan. If a depository institution fails to submit an acceptable plan, it is treated as if it is “significantly under-capitalized.”

“Significantly under-capitalized” depository institutions are subject to additional requirements and restrictions, such as orders to sell sufficient stock to become “adequately capitalized,” to reduce total assets, restrict interest rates paid, remove management and directors, and cease receipt of deposits from correspondent banks. “Critically under-capitalized” institutions are subject to the appointment of a receiver or conservator.

The capital stock of banks organized under Montana law, such as the Bank, may be subject to assessment upon the direction of the Montana Department of Administration under the Montana Bank Act. Under the Montana Bank Act, if the Department of Administration determines an impairment of a bank’s capital exists, it may notify the bank’s board of directors of the impairment and require payment of an assessment on the bank stock. If the bank fails to do so, the Department of Administration may, among other things, take charge of the bank and proceed to liquidate the bank.

#### *Restrictions on Transactions with Affiliates, Directors, and Officers*

Under the Federal Reserve Act, the Bank may not lend funds or otherwise extend credit to its parent holding company or any other affiliate, except on specified types and amounts of collateral generally upon market terms and conditions. The Federal Reserve also has authority to define and limit the transactions between banks and their affiliates. The Federal Reserve’s Regulation W and relevant federal statutes and regulations, among other authorities, impose significant limitations on transactions in which the Bank may engage with us or with other affiliates, including per-affiliate and aggregate limits on affiliate transactions.

Federal Reserve Regulation O restricts loans to the Bank and its parent holding company’s insiders, which includes directors, certain officers, and principal shareholders and their respective related interests. All extensions of credit to the insiders and their related interests must be on the same terms as, and subject to the same loan underwriting requirements as, loans to persons who are not insiders. In addition, Regulation O imposes lending limits on loans to insiders and their related interests and imposes, in certain circumstances, requirements for prior approval of the loans by the Bank board of directors.

#### *Safety and Soundness Standards and Other Supervisory and Enforcement Mechanisms*

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

Pursuant to the Dodd-Frank Act, federal banking regulators impose additional supervisory measures on banking organizations such as us when they exceed \$10 billion in assets. These include enhanced risk management and corporate governance processes specified by the regulators.

The Federal Reserve has authority to bring an enforcement action against a bank or bank holding company and all “institution-affiliated parties” of a bank or bank holding company, including directors, officers, stockholders, and under certain circumstances, attorneys, appraisers, and accountants for the bank or holding company. Formal enforcement actions may include measures such as the issuance of a capital directive or cease and desist order for the removal of officers and/or directors or the appointment of a receiver or conservator. Civil money penalties cover a wide range of violations and actions, and can range up to \$25,000 per day, unless a finding of reckless disregard is made, in which case penalties may be as high as \$1 million per day. The FDIC also has the authority to terminate deposit insurance or recommend to the Federal Reserve that enforcement action be taken with respect to a particular bank. If such action is not taken, the FDIC has authority to take the action under specified circumstances. Montana law also provides the Montana Division with various enforcement mechanisms and, ultimately, authority to appoint a receiver or conservator for a Montana bank.



### *Deposit Insurance*

The FDIC insures our client deposits through the DIF up to \$250,000 per depositor. The amount of FDIC assessments paid by each DIF member institution is based on financial measures and supervisory ratings derived from a statistical model estimating the probability of failure within a three-year period, with banks deemed more risky paying higher assessments.

The FDIC was required by the Dodd-Frank Act to take actions necessary to cause the DIF to reach a reserve ratio of 1.35% of total estimated insured deposits by September 30, 2020. On September 30, 2018, the DIF Reserve Ratio reached 1.36%. As of September 30, 2020, the FDIC had announced that the ratio had declined to 1.30% due largely to consequences of the COVID-19 pandemic. The FDIC adopted a plan to restore the fund to the 1.35% ratio within eight years, but did not change its assessment schedule.

All FDIC-insured institutions are also required to pay assessments to the FDIC to fund interest payments on bonds issued by the Financing Corporation, or the FICO, an agency of the Federal government established to recapitalize the predecessor to the DIF. The assessment rate is applied to total average assets less tangible equity, as defined under the Dodd-Frank Act. The assessment rate schedule can change from time-to-time at the discretion of the FDIC, subject to certain limits. Under the current system, premiums are assessed quarterly.

### *Interchange Fees*

Under the Durbin Amendment to the Dodd-Frank Act, the Federal Reserve adopted rules establishing standards for assessing whether the interchange fees that may be charged with respect to certain electronic debit transactions are “reasonable and proportional” to the costs incurred by issuers for processing such transactions, which alters the competitive structure of the debit card payment processing industry and caps debit card interchange fees for banks with over \$10 billion in assets. Interchange fees are charges that merchants pay to us and other card-issuing banks for processing electronic payment transactions. The Federal Reserve also has rules governing routing and exclusivity that require issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product. We are subject to the interchange fee cap because our assets exceed \$10 billion.

### *Client Privacy and Other Consumer Protections*

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

The Bank is subject to a variety of federal and state laws, regulations, and reporting obligations aimed at protecting consumers and Bank clients. Failure to comply with these laws and regulations may, among other things, impair the collection of loans made in violation of the laws and regulations, provide borrowers or other clients certain rights and remedies, or result in the imposition of penalties on the Bank. Certain of these laws and regulations are described below.

The Equal Credit Opportunity Act generally prohibits discrimination in credit transactions on, among other things, the basis of race, color, religion, national origin, sex, marital status, or age and, in certain circumstances, limits the Bank’s ability to require co-obligors or guarantors as a condition of the extension of credit to an individual.

The Real Estate Settlement Procedures Act (“RESPA”) requires certain disclosures be provided to borrowers in real estate loan closings or other real estate settlements. In addition, RESPA limits or prohibits certain settlement practices, fee sharing, “kickbacks,” and similar practices that are considered to be abusive.

The Truth in Lending Act (“TILA”) requires disclosures to borrowers and other parties in consumer loans, including, among other things, disclosures relating to interest rates and other finance charges, payments and payment schedules, and annual percentage rates.

The Fair Housing Act regulates, among other things, lending practices in residential lending and prohibits discrimination in housing-related lending activities on the basis of race, color, religion, national origin, sex, handicap, disability, or familial status.

The Home Mortgage Disclosure Act requires certain lenders and other firms engaged in the home mortgage industry to collect and report information relating to applicants, borrowers, and home mortgage lending activities in which they engage in their market areas or communities. The information is used for, among other purposes, evaluation of discrimination or other impermissible acts in home mortgage lending.

The Home Ownership and Equity Protection Act regulates terms and disclosures of certain closed-end home mortgage loans that are not purchase money loans and includes loans classified as “high-cost loans.”

The Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act, generally limits lenders and other financial firms in their collection, use, or dissemination of client credit information, gives clients some access to, and control over, their credit information, and requires financial firms to establish policies and procedures intended to deter identity theft and related frauds.

The Fair Debt Collection Practices Act regulates actions that may be taken in the collection of consumer debts and provides consumers with certain rights of access to information related to collection actions.

The Electronic Fund Transfer Act regulates fees and other terms on electronic funds transactions.

The CFPB has promulgated numerous regulations relating to consumer financial services-related topics, such as mortgage origination disclosures, mortgage servicing practices, and others.

The Community Reinvestment Act (“CRA”) generally requires the federal banking agencies to evaluate the record of a financial institution in meeting the credit needs of its local communities, including low- and moderate-income neighborhoods. In addition to substantial penalties and corrective measures that may be assessed for a violation of fair lending laws, the federal banking agencies may take compliance with such laws and the CRA into account when evaluating applications for transactions such as mergers and for new branches.

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

#### *USA PATRIOT Act*

The USA PATRIOT Act of 2001 amended the Bank Secrecy Act of 1970 and the Money Laundering Control Act of 1986 and adopted additional measures requiring insured depository institutions, broker-dealers, and certain other financial institutions to have policies, procedures, and controls to detect, prevent, and report money laundering and terrorist financing. The laws and related regulations also provide for information sharing, subject to conditions, between federal law enforcement agencies and financial institutions, as well as among financial institutions, for counter-terrorism purposes. Federal banking regulators are required, when reviewing bank holding company acquisition or merger applications, to take into account the effectiveness of the anti-money laundering activities of the applicants.

#### *Office of Foreign Asset Control*

The United States Treasury Office of Foreign Asset Control enforces economic and trade sanctions imposed by the United States on foreign persons and governments. Among other authorities, the Office of Foreign Asset Control, or OFAC, may require United States financial institutions to block or “freeze” assets of identified foreign persons or governments which come within the control of the financial institution. Financial institutions are required to adopt procedures for identification of new and existing deposit accounts and other relationships with persons or governments identified by OFAC and to timely report the accounts or relationships to OFAC.

### *Incentive Compensation*

In May 2016, the Federal Reserve Board, other federal banking agencies, and the SEC jointly published a re-proposed rule-making designed to implement provisions of the Dodd-Frank Act prohibiting incentive compensation arrangements that would encourage inappropriate risk taking at a covered institution, which includes a bank or bank holding company with \$1 billion or more of assets, such as us. The proposed rule (i) prohibits incentive-based compensation arrangements that encourage executive officers, employees, directors, or principal shareholders to expose the institution to inappropriate risks by providing excessive compensation (based on the standards for excessive compensation adopted pursuant to the FDIA) and (ii) prohibits incentive-based compensation arrangements for executive officers, employees, directors or principal shareholders that could lead to a material financial loss for the institution. The proposed rule requires covered institutions to establish policies and procedures for monitoring and evaluating their compensation practices. The comment period ended in July 2016. Although final rules had not been adopted as of as of December 31, 2021, if these or other regulations are adopted in a form similar to the proposed rule-making, they could impose limitations on the manner in which we may structure compensation for our executives.

### *Cyber-security*

Federal regulators have issued two related statements regarding cyber-security. One statement indicates that financial institutions should design multiple layers of security controls to establish lines of defense and ensure their risk management processes also address the risk posed by compromised client credentials, including security measures to reliably authenticate clients accessing internet-based services of the financial institution. The other statement indicates that a financial institution's management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption, and maintenance of the institution's operations after a cyber-attack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to this type of cyber-attack. If we fail to observe the regulatory guidance, we could be subject to various regulatory sanctions, including financial penalties.

In the ordinary course of business, we rely on electronic communications and information systems to conduct our operations and to store sensitive data. We employ a variety of preventative and detective controls and tools to monitor, block, and provide alerts regarding suspicious activity and to report on any suspected advanced persistent threats. We also offset cyber risk through internal training, testing of our employees, and we procure insurance to provide assistance on significant incidents and to offset potential liability.

To date, we have not experienced a significant compromise, significant data loss, or any material financial losses related to cyber-security attacks. Risks and exposures related to cyber-security attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of third-party service providers, internet banking, mobile banking, and other technology-based products and services by us and our clients.

### **Human Capital**

Culture is critically important to the Company's success. During this past year, we re-energized and defined our culture in order to attract, develop, and retain the top talent needed to deliver community-centered banking products as well as national-level expertise to our markets. We approach our culture with an aspirational lens. It is not a stand-alone initiative or program—it's integrated in our systems, our processes, and our DNA. Our values guide how we make decisions, treat each other, and serve our clients. We are only as successful as we equip our company to be, and the demand for qualified candidates continues to increase. In the midst of a tight labor market, we continue to develop company-wide role-based training programs, tools around performance coaching, career development, and the retention of top talent through succession planning.

### *Employee Base*

As of December 31, 2021, we employed 2,358 full-time equivalent employees, with none represented by a collective bargaining agreement. This represents a decrease of 104 full-time equivalent employees from December 31, 2020. As of December 31, 2021, approximately 70.7% of our full-time equivalent workforce was female, 29.3% was male, the executive team is comprised equally of men and women, and the Company's senior leadership team was 63.8% female and 36.2% male. The average tenure was 8.0 years, a decrease of 3.6% from an average tenure of 8.3 years as of December 31, 2020.

### *COVID-19 Response/ Workplace Safety*

The health and safety of our employees, clients, and communities is of utmost importance to us. In 2021, we closely monitored the developments of COVID-19. Our pandemic task force regularly reviewed and adapted policies based on evolving pandemic research and guidance related to the virus. We provided numerous resources to our employees through playbooks, work from home resources, and health information. In November 2021, we coordinated efforts to welcome employees who had been working from home back to the office, while still providing numerous roles (partially work from home/partially in the office).

### *Commitment to Community/ Volunteerism*

We are “all-in” when it comes to giving back—with time, money, and heart. We have a vested interest in the strength of our communities and strive to make them better places to live, work, and raise families. Each year, the Company creates commitment to community plans for all our markets, which includes donating 2% of our net income before tax for charitable purposes. These plans help align strategies for philanthropy, volunteering and leadership, financial education outreach, community development, sustainability, public relations, and sponsorships.

We encourage employees to take active leadership roles within their communities to further demonstrate our values and help us respond to the needs of the markets we serve. The Company provides employees a chance to participate in a Bank-sponsored service project annually, marking the second Wednesday in September as our Commitment to Community Volunteer Day. We close all offices on our Volunteer Day so employees can lend a hand in their community, either as teams or as individuals.

### *Employee Engagement*

Our employee engagement strategy is focused on creating and maintaining a work environment where all employees’ voices are heard. The organization’s success is measured by assessing the consistency in which we meet workplace needs and the activation of progress by local-level leaders. An annual census survey is conducted each fall and strategic pulse surveys help us dig deeper into organizational nuances. We “pulsed” the organization to identify frequent pain points and investigated further into the root cause of frustration. This allowed us to gain additional insight into the needs of our organization and task appropriate departments with creating solutions.

Leaders in our organization are held accountable for encouraging participation, reviewing and sharing team results, holding action-oriented engagement discussions, and submitting an annual action plan to move the dial on engagement throughout the year. Aggregated employee engagement data is provided to the Board of Directors as a key indicator of the health of our workforce.

### *Compensation and Benefits*

We believe we have a responsibility to understand the needs of our employees. We strive to provide competitive wages, benefits, and programs that meet the varying needs of our work force. To help drive business outcomes, we continually review employee preferences to manage the delivery of our total rewards.

- Plan Design - We leverage data and insights to maximize impact on talent incomes. Our total rewards package includes market competitive pay, Short Term Incentives (STI), Long Term Incentives (LTI), paid time off and family leave, healthcare and retirement benefits, and flexible work schedules.
- Pay for Performance - We differentiate rewards for high-performing employees through our annual advanced compensation process.
- Well-Being - Our holistic programs support physical, financial, and emotional well-being. These include:
  - Healthcare plans where First Interstate pays a portion of the monthly premiums
  - Health Savings Account (HSA), to which First Interstate contributes \$1,000; Flexible Spending Accounts (FSA); Childcare
  - Health Insurance, including dental and vision
  - Child Care Assistance Program
  - Student Debt Employer Repayment Program
  - Additional Benefits: Short Term Disability; Long Term Disability; Employee Assistance Program (EAP); free or discounted banking products and services; Wellness Program; and weekly guided meditations

### *Growth and Development*

We invest time and resources to develop the talent needed to remain relevant as a community bank and lead the way as an employer of choice. In 2021, we offered our employees a leadership development program centered around neuroscience and self-awareness; foundational role-based training programs; and on-demand learning opportunities and resources.

### *Diversity, Equity, and Inclusion*

We work to foster a culture of diversity, equity, and inclusion (DEI) not only within our Company, but within the communities where we live and work. We take pride in creating a workplace environment that values our employees for their differences while ensuring equity in all we do. We are committed to advocating for the rights and respect of all and actively participate in achieving this by setting an example.

To further promote the importance of DEI, the Company formed a DEI Committee to help formulate and implement strategic ways we can ensure that diversity, equity, and inclusion are a part of everything we do. In 2021, efforts focused on educating employees about DEI and celebrating the differences within our workforce. We championed DEI initiatives in the communities we serve and engaged with new partners to ensure we are recruiting and retaining diverse talent across our footprint. As we look to 2022, we are committed to looking at our business practices with a DEI lens and will continue to make our workplaces trusting places to have meaningful conversations about diversity, equity, and inclusion.

### **Website Access to SEC Filings**

The Company's electronic filings with the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and Proxy Statements, as well as amendments to these reports and statements filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are made available at no cost through our website at [www.FIBK.com](http://www.FIBK.com), by clicking through the "Financials" tab found there and selecting "SEC Filings", as soon as reasonably practicable after the Company files such material with, or furnishes it to, the SEC. The Company's SEC filings are also available through the SEC's website at [www.sec.gov](http://www.sec.gov). Our website and the information contained therein or connected thereto is not intended to be incorporated into this report and should not be considered a part of this report, and the referenced websites are not intended to act as active hyperlinks.

### **Item 1A. Risk Factors**

*Like other financial institutions and bank holding companies, the success of our business is subject to a number of risks and uncertainties, many of which are outside our control. The material risks and uncertainties of which we are currently aware are set forth below under headings that are provided for convenience and intended to organize the risks and uncertainties into related categories to improve readability for investors; no inference should be drawn, however, that the placement of a risk factor under a particular category means it is not applicable to another category of risks or that it may be more or less material than another risk factor. Regardless, if any of the events or circumstances described below actually occur, our business, financial condition, results of operations, and prospects could be harmed. These risks are not the only ones we may face. Other risks of which we are not aware, including those which relate to the banking and financial services industry in general and us in particular, or those which we do not currently believe are material, may harm our future business, financial condition, results of operations, and prospects. You should consider carefully the following important factors in evaluating us and our business before you make an investment decision about our securities.*

#### **Regulatory and Compliance Risks**

***New governmental regulations and/or changes in existing governmental regulations could have a material, adverse effect on the Company.***

The Company is extensively regulated under federal and state banking laws and regulations that are intended primarily for the protection of depositors, the DIF, and the banking system as a whole. Both the scope of the laws and regulations and the intensity of the supervision to which our business is subject have increased in recent years in response, we believe, to the financial crisis as well as other factors, such as technological and market changes. Regulatory enforcement and fines have also increased across the banking and financial services sector. Many of these changes have occurred as a result of the Dodd-Frank Act and its implementing regulations. The Company expects its business will remain subject to extensive regulation and supervision.

Regulations, along with the currently existing tax, accounting, securities, insurance, employment, monetary, and other laws and regulations, rules, standards, policies, and interpretations control the methods by which we conduct business, implement strategic initiatives and tax compliance, and govern financial reporting and disclosures. In addition, the Company is subject to changes in federal and state laws as well as changes in banking and credit regulations and governmental economic and monetary policies. Congress may enact legislation from time-to-time that affects the regulation of the financial services industry, and state legislatures may enact legislation from time-to-time affecting the regulation of financial institutions chartered by or operating in those states. Federal and state regulatory agencies also periodically propose and adopt changes to their regulations or change the manner in which existing regulations are applied.

***Tax legislative initiatives or assessments could adversely affect our results of operations and financial condition.***

We are subject to income and other taxes in the United States and in the various jurisdictions in which we operate. The laws and regulations related to tax matters are extremely complex and subject to varying interpretations. Although management believes our positions are reasonable, we are subject to audit by the Internal Revenue Service in the United States and by tax authorities in all the jurisdictions in which we conduct business operations. While we believe we comply with all applicable tax laws, rules, and regulations in the relevant jurisdictions, the tax authorities may determine that we owe additional taxes or apply existing laws and regulations more broadly, which could result in a significant increase in liabilities for taxes and interest in excess of accrued liabilities.

New tax legislative initiatives, including increases in the corporate tax rate, may be enacted, impacting our effective tax rate at the federal and state level and potentially adversely affecting our tax positions or tax liabilities. In addition, unilateral or multi-jurisdictional actions by various tax authorities, including an increase in tax audit activity, could have an adverse impact on our tax liabilities.

***We may be subject to more stringent capital requirements in the future, the impact of which could have a material risk on our operations.***

Federal and state banking regulators also possess broad powers to take supervisory actions as they deem appropriate. These supervisory actions may result in higher capital requirements, higher deposit insurance premiums, and limitations on the Company's activities that could have a material adverse effect on its business and profitability. For example, in July 2013, the FDIC and the federal banking agencies approved a new rule that substantially amended the regulatory risk-based capital rules applicable to us by adopting "Basel III" regulatory capital reforms and other changes required by the Dodd-Frank Act.

That rule included minimum risk-based capital and leverage ratios, which became effective for us on January 1, 2015, and refined the definition of what constitutes "capital" for calculating these ratios. The rule required unrealized gains and losses on certain "available-for-sale" securities holdings to be included for calculating regulatory capital requirements unless a one-time opt-out is exercised. In addition, the final rule established a "capital conservation buffer" that, once fully phased in and combined with established minimum common equity, risk-based assets capital, and total capital ratios, will exceed the prompt corrective action "well-capitalized" thresholds. (According to the FDIC Improvement Act of 1991, a depository institution is "well-capitalized" if it has a total risk-based capital ratio of 10% or greater; a Tier 1 risk-based capital ratio of 8.0% or greater; a Tier 1 leverage ratio of 5.0% or greater; a common equity Tier 1 capital ratio of 6.5% or greater; and is not subject to a regulatory order, agreement, or directive to meet and maintain a specific capital level for any capital measure.)

In January 2019, the phase-in of the new capital conservation buffer requirement was completed. An institution will be subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations will establish a maximum percentage of eligible retained income that can be utilized for such actions.

***Changes in accounting standards could materially negatively impact our financial statements.***

From time-to-time, the Financial Accounting Standards Board ("FASB") and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can materially impact how we record and report our financial condition and results of operations. For example, the FASB issued amendments to its guidance on the credit impairment of financial instruments. The amendments were effective for fiscal year 2020, which introduced a new impairment model based on current expected credit losses ("CECL") rather than incurred losses. As a result of the amendments, we increased our allowance for credit losses, which had a significant impact on our results of operations.

***Any failure to comply with laws and regulations, including the Community Reinvestment Act (CRA) and fair lending laws, could lead to material penalties.***

We must comply with the CRA, the Equal Credit Opportunity Act, the Fair Housing Act, and other fair lending laws and regulations that impose non-discriminatory lending and other requirements on financial institutions. A failure to comply with these laws could result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on mergers and acquisitions activity, and restrictions on expansion. In addition to actions by the U.S. Department of Justice and other federal agencies, including the Federal Reserve and CFPB, who are responsible for enforcing these laws, our compliance with fair lending laws could be challenged in private class action litigation. The costs of defending any such challenge and any adverse outcome arising from such a challenge could damage our reputation or could have a material adverse effect on our business, financial condition, or results of operations.

***We are subject to the USA PATRIOT Act, OFAC guidelines and requirements, the BSA, and related FinCEN and FFIEC Guidelines and regulations and any failure to comply with them could result in material implications that could harm our business.***

We are routinely examined by our regulators for compliance with the USA PATRIOT Act, OFAC guidelines and requirements, the BSA, and related FinCEN and FFIEC Guidelines. Failure to maintain and implement adequate programs and fully comply with all of the relevant laws or regulations could have serious legal, financial, and reputational consequences for us, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required, or to prohibit such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and significant civil money penalties against institutions found to be violating these regulations. If any of the foregoing were to come to pass, our business, financial condition, or results of operations could be materially and adversely affected.

## **Credit Risks**

***We are subject to lending risks and risks associated with loan sector concentrations to which other companies may not be exposed, which could adversely affect the Company.***

We take on credit risk by virtue of making loans and extending loan commitments and letters of credit. Our credit standards, procedures, and policies may not prevent us from incurring substantial credit losses, particularly in light of market developments.

Our loans held for investment portfolio are concentrated in commercial real estate and commercial business loans. As of December 31, 2021, we had \$5.5 billion of commercial loans, including \$4.0 billion of commercial real estate loans, representing approximately 59.1% of our loans held for investment portfolio. These loans may involve greater risks than other types of lending. Because payments on such loans are often dependent on the successful operation or development of the property or business involved, repayment of such loans is more sensitive than other types of loans to adverse conditions in the real estate market or the general economy. Commercial loans typically are made based on borrowers' ability to make repayment from the cash flow of the commercial venture. If the cash flow from business operations is reduced, the borrower's ability to repay the loan may be impaired. Due to the larger average size of each commercial loan as compared with other loans, as well as the collateral that is generally less readily-marketable, losses incurred on commercial loans could have a material adverse impact on our business, financial condition, and results of operations.

In addition, as of December 31, 2021, we had \$2.9 billion of agricultural, agricultural real estate, construction real estate, and residential real estate loans, representing approximately 31.2% of our total loans held for investment portfolio. Many of our borrowers operate in industries that are directly or indirectly impacted by changes in commodity prices, such as agriculture, livestock, and energy businesses, as well as businesses indirectly impacted by commodities prices, such as businesses that transport commodities or manufacture equipment used in production of commodities. Changes in commodity products prices depend on local, regional, and global events or conditions that affect supply and demand for the relevant commodity. Deterioration in economic conditions or in the real estate market could result in increased delinquencies and foreclosures and could have an adverse effect on the collateral value for many of these loans and on the repayment ability of many of our borrowers. Deterioration in economic conditions or in the real estate market could also reduce the number of loans we make to businesses in the construction and real estate industry, which could negatively impact our interest income and results of operations. Similarly, the occurrence of a natural or man-made disaster in our market areas could impair the value of the collateral we hold for real estate secured loans. Any one or a combination of the factors identified above could negatively impact our business, financial condition, results of operations, and prospects.

***A decline in economic conditions could reduce demand for our products and services and negatively impact the credit quality of loans, which could have an adverse effect on our results of operations.***

Our clients are located predominantly in Idaho, Montana, Oregon, South Dakota, Washington, and Wyoming. Unlike larger banks that are more geographically diversified, our profitability largely depends on the general economic conditions in these areas. Deterioration in economic conditions could result in the following consequences, any of which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations:

- demand for our products and services may decline;
- loan delinquencies, problem assets, and foreclosures may increase;
- collateral for loans, especially real estate, may decline in value;
- future borrowing power of our clients may be reduced;
- the value of our securities portfolio may decline; and
- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us.

Additionally, a significant decline in general economic conditions caused by inflation, recession, acts of terrorism, an outbreak of hostilities, or other international or domestic calamities, including wars or international conflicts with respect to which the United States may or may not be directly involved in Eastern Europe or elsewhere in the world, unemployment, or other economic and geopolitical factors beyond our control, could further impact these local economic conditions and negatively affect our business and results of operations.

Deflationary pressures, while possibly lowering our operating costs, could also have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing loans, which could negatively affect our business, financial condition, and results of operations.

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

The risk of credit losses on loans varies with, among other things, general economic conditions, the composition of our loan portfolio, the creditworthiness of the borrower over the term of the loan, and, in the case of a collateralized loan, the value and marketability of the collateral for the loan. We maintain an allowance for credit losses based upon, among other things, historical experience, delinquency trends, economic conditions, and regular reviews of loan portfolio quality. Based upon such factors, management makes various assumptions and judgments about the ultimate collectability of our loan portfolio and provides an allowance for credit losses. These assumptions and judgments are complex and difficult to determine given the significant uncertainty surrounding future conditions in the general economy and banking industry. If management's assumptions and judgments prove to be incorrect and the allowance for credit losses is inadequate, or if banking authorities or regulations require us to increase the allowance for credit losses, our net income may be adversely affected. As a result, an increase in credit losses could have a material adverse effect on our earnings, financial condition, results of operations, and prospects.

***The soundness of other financial institutions could adversely affect the Company.***

Financial services companies are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties. For example, we execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more financial services companies or the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to increased credit risk in the event of default of a counterparty or client.

***We may be adversely affected by volatility in oil and gas prices, and declining demand for coal could negatively impact the demand and credit quality of loans.***

Adverse developments in the demand for coal due to tightening environmental regulations, the suspension of new coal leasing on federal lands, and fuel competition from low natural gas prices may impact the economies of the Powder River Basin in Montana and Wyoming. Adverse developments in the energy sector could have spillover effects on the broader economies of our market areas, including commercial and residential real estate values and the general level of economic activity. The State of Wyoming derives a significant portion of its operating budget from energy extraction and related industries. As such, reductions in oil, gas, and coal-related revenues may have additional negative economic implications for the State of Wyoming. There is no assurance that our business, financial condition, results of operations, and cash flows will not be adversely impacted by increases in non-performing oil and gas loans, or by the direct and indirect effects of current and future conditions in the energy industry.



## Liquidity Risks

*We are subject to liquidity risks which could impair our cash flows and adversely affect the Company.*

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

Additionally, our access to funding sources in amounts adequate to finance our activities or on terms that are acceptable to us could be impaired by factors specific to us, the financial services industry, or the economy in general. Factors that could reduce our access to liquidity sources include a downturn in our local or national economies, difficult or illiquid credit markets, or adverse regulatory actions against us. A failure to maintain adequate liquidity could have a material, adverse effect on our regulatory standing, business, financial condition, and results of operations.

*Loss of deposits or a change in deposit mix could increase the Company's funding costs and negatively affect the Company's operations.*

Deposits are a low cost and stable source of funding. We depend on checking and savings, negotiable order of withdrawal, and money market deposit account balances and other forms of client deposits as our primary source of funding. The availability of internet banking products has increased the mobility of client deposits. We compete with banks and other financial institutions for deposits. Funding costs may increase because the Company may lose deposits and replace them with more expensive sources of funding. Clients may shift their deposits into higher-cost products or the Company may need to raise its interest rates to remain competitive in the marketplace. Higher funding costs reduce the Company's net interest income and net income.

## Market Risks

*Changes in interest rates may have an adverse effect on demand for our products and services and on our profitability.*

Our earnings and cash flows are largely dependent on net interest income, which is the difference between interest income earned on interest-earning assets, such as loans and investment securities, and interest expense paid on interest-bearing liabilities, such as deposits and borrowed funds. The level of net interest income is primarily a function of the average balance of interest-earning assets, the average balance of interest-bearing liabilities, and the spread between the yield on such assets and the cost of such liabilities. The narrowing of interest rate spreads could adversely affect our earnings and financial condition. We cannot control or predict with certainty changes in interest rates. Regional and local economic conditions, competitive pressures, and the policies of regulatory authorities, including monetary policies of the Federal Open Market Committee, affect interest income and interest expense.

Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings, but could also adversely affect (1) our ability to originate loans and obtain deposits, (2) the fair value of our financial assets and liabilities, including mortgage servicing rights, (3) our ability to realize gains on the sale of assets, and (4) the average duration of our mortgage-backed securities and collateralized mortgage obligations portfolios. For example, rising interest rates could adversely affect our mortgage banking business because higher interest rates could cause clients to apply for fewer mortgages. Similarly, rising interest rates would increase the required periodic payment for variable rate loans and may result in an increase in non-performing loans. Additionally, rising interest rates may increase the cost of our deposits, which are a primary source of funding. Any substantial, unexpected, or prolonged change in market interest rates could have a material, adverse effect on our cash flows, financial condition, and results of operations.

Changes in interest rates can also affect the slope of the yield curve. A decline in the current yield curve or a flatter or inverted yield curve could cause our net interest income and net interest margin to contract, which could have a material adverse effect on our net income and cash flows, as well as the value of our assets. An inverted yield curve may also adversely affect the yield on investment securities by increasing the prepayment risk on certain securities. A flattening or inversion of the yield curve or a negative interest rate environment in the United States could create downward pressure on our net interest margin.

Changes in interest rates could also have a negative impact on our results of operations by reducing the ability of borrowers to repay their current loan obligations or by reducing our margins and profitability. As of December 31, 2021, 46.4% of our loans were advanced to our clients on a variable or adjustable-rate basis. As a result, an increase in interest rates could result in increased loan defaults, foreclosures, and charge-offs and could necessitate further increases to the allowance for credit losses, any of which could have a material adverse effect on our business, financial condition, or results of operations. In addition, a decrease in interest rates could negatively impact our margins and profitability.

***United States trade policies and other factors beyond the Company's control, including the imposition of tariffs and retaliatory tariffs, may adversely impact our business, financial condition, and results of operations.***

Uncertainties continue regarding the potential for a renegotiation of international trade agreements by the Biden administration after changes in United States trade policies, legislation, treaties, and tariffs were enacted by the Trump administration. These changes, including trade policies and tariffs affecting other countries, including China, countries comprising the European Union or Middle East, Canada, and Mexico, and retaliatory tariffs by such countries, could materially harm our business. Tariffs and retaliatory tariffs have been imposed, and additional tariffs and retaliatory tariffs are periodically discussed. In addition, COVID-19 and concerns regarding the extent to which it may continue to spread, including the currently discovered and potential future variants of COVID-19, have affected, and may increasingly affect, international trade (including supply chains and export levels), travel, employee productivity and other economic activities.

A trade war or other governmental action related to tariffs or international trade agreements or policies, as well as COVID-19 or other potential epidemics or pandemics, have the potential to negatively impact our and/or our clients' costs, demand for our clients' products, and/or the U.S. economy or certain sectors thereof and, thus, adversely affect our business, financial condition, and results of operations.

***The Company may experience significant competition from new or existing competitors, which may reduce its client base or cause it to lower prices for its products and services in order to maintain market share.***

There is intense competition among banks in the Company's market area. In addition, the Company competes with other providers of financial services, such as savings and loan associations, credit unions, consumer finance companies, securities firms, insurance companies, commercial finance and leasing companies, factoring companies, the mutual funds industry, financial technology ("fin-tech") companies, full-service brokerage firms, and discount brokerage firms, some of which are subject to less extensive regulations than us with respect to the products and services they provide. Our success depends, in part, on our ability to adapt our products and services to evolving industry standards and client expectations. There is increasing pressure to provide products and services at lower prices. Lower prices can reduce our net interest margin and revenues from our fee-based products and services.

In addition, the adoption of new technologies by competitors, including internet banking services, mobile applications, advanced ATM functionality, and cryptocurrencies could require us to make substantial expenditures to modify or adapt our existing products and services. Also, these and other capital investments in our business may not produce expected growth in earnings anticipated at the time of the expenditure. The Company may not be successful in introducing new products and services, achieving market acceptance of its products and services, anticipating or reacting to consumers' changing technological preferences, or developing and maintaining loyal clients. In addition, we could lose market share to the shadow banking system or other non-traditional banking organizations. Some of our larger competitors may have greater capital and resources than the Company, higher lending limits, and products and services not offered by us. Any potential adverse reactions to our financial condition or status in the marketplace, as compared to its competitors, could limit our ability to attract and retain clients and to compete for new business opportunities. The inability to attract and retain clients or to effectively compete for new business may have a material and adverse effect on our financial condition and results of operations.

The Company also experiences competition from non-bank companies inside and outside of its market area and, in some cases, from companies other than those traditionally considered financial sector participants. In particular, technology companies have begun to focus on the financial sector and offer software and products primarily over the internet, with an increasing focus on mobile device delivery. These companies generally are not subject to regulatory requirements comparable to those to which financial institutions are subject, and may accordingly realize certain cost savings and offer products and services at more favorable rates and with greater convenience to the client. For example, a number of companies offer bill pay and funds transfer services that allow clients to avoid using a bank. Technology companies are generally positioned and structured to quickly adapt to technological advances and directly focus resources on implementing those advances. This competition could result in the loss of fee income and client deposits and related income. In addition, changes in consumer spending and saving habits could adversely affect our operations, and the Company may be unable to develop competitive and timely new products and services in response. As the pace of technology and change advance, continuous innovation is expected to exert long-term pressure on the financial services industry.

***Many of our loans held for investment and our obligations for borrowed money are priced based on variable interest rates tied to the London Inter-Bank Offered Rate, or LIBOR, which became unavailable as of December 31, 2021, and uncertainties caused by any transition away from LIBOR may have material adverse effect on our business, financial condition, or results of operations.***

LIBOR has been used extensively in the United States as a reference rate for various financial contracts, including adjustable-rate loans, asset-backed securities, and interest rate swaps. On March 5, 2021, the United Kingdom's Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that (i) 24 LIBOR settings would cease to exist immediately after December 31, 2021 (all seven euro LIBOR settings; all seven Swiss franc LIBOR settings; the Spot Next, 1-week, 2-month, and 12-month Japanese yen LIBOR settings; the overnight, 1-week, 2-month, and 12-month sterling LIBOR settings; and the 1-week and 2-month US dollar LIBOR settings); (ii) the 1-month, 3-month, 6-month and 12-month US LIBOR settings would cease to exist after June 30, 2023; and (iii) the FCA would consult on whether the remaining nine LIBOR settings should continue to be published on a synthetic basis for a certain period using the FCA's proposed new powers that the UK government is legislating to grant to them. Central banks and regulators in a number of major jurisdictions (for example, United States, United Kingdom, European Union, Switzerland and Japan) have convened working groups to find, and implement the transition to, suitable replacements for interbank offered rates. The Company relies on USD LIBOR, which ceased to be available for new origination as of December 31, 2021.

The Federal Reserve, FDIC and the Office of the Comptroller of the Currency, because of concerns associated with consumer protection, litigation and reputational risks that could in turn create safety and soundness risks, have encouraged banks to cease entering into new contracts that use U.S. dollar LIBOR as a reference rate as soon as practical. The Company ceased USD LIBOR origination as of December 31, 2021. The cessation of or practical inability to use LIBOR quotes or the future unavailability or unreliability of LIBOR creates substantial risks to the banking industry, including us. Unless alternative rates can be negotiated and become accepted, our variable-rate loans, funding, and derivative obligations that specify the use of a LIBOR index would no longer be able to adjust as anticipated. This could adversely affect our asset and liability management and could lead to more asset and liability mismatches and interest rate risk unless appropriate LIBOR alternatives are developed. It could also disrupt the capital and credit markets as a result of confusion or uncertainty. The Company has programmatically applied LIBOR unavailability within financial contracts, as well as defined alternative indexes for new origination. Legacy LIBOR contracts are being prepared for transition away from LIBOR prior to the June 30, 2023, final cessation date.

The Federal Reserve has sponsored the Alternative Reference Rates Committee, or ARRC, which serves as a forum to coordinate and track planning as market participants currently using LIBOR consider (a) transitioning to alternative reference rates where it is deemed appropriate and (b) addressing risks in legacy contracts language given the possibility that LIBOR might cease publication. On July 29, 2021, the ARCC formally recommended the Secured Overnight Financing Rate ("SOFR") as its preferred alternative replacement rate for LIBOR. The Financial Stability Board has taken an interest in LIBOR and possible replacement indices as a matter of risk management. The International Organization of Securities Commissions, or IOSCO, has been active in this area and is expected to call on market participants to have backup options if a reference rate, such as LIBOR, ceases publication. The International Swap Dealers Association has published guidance on interest rate benchmarks and alternatives in July and August 2018.

The market transition away from LIBOR to an alternative reference rate is complex. If LIBOR rates are no longer available and we are required to implement replacement reference rates for the calculation of interest rates under our loan agreements with borrowers, we may incur significant expense in effecting the transition and may be subject to disputes or litigation with our borrowers over the appropriateness or comparability of the replacement reference rates to LIBOR. The replacement reference rates could also result in a reduction of our interest income. We may also receive inquiries and other actions from regulators in respect to the Company's preparation and readiness for the replacement of LIBOR with alternative reference rates.

## **Operational Risks**

***Our Company faces cyber-security risks, including “denial-of-service attacks,” “hacking,” and “identity theft” that could result in the disclosure of confidential information, adversely affect our business or reputation, and create significant legal and financial exposure.***

Our computer systems and network infrastructure are subject to security risks and could be susceptible to cyber-attacks, such as denial-of-service attacks, hacking, malware, terrorist activities, or identity theft. Financial services institutions and companies engaged in data processing have reported breaches in the security of their websites or other systems, some of which have involved sophisticated and targeted attacks intended to obtain unauthorized access to confidential information, destroy data, disable or degrade service, or sabotage systems, often through the introduction of computer viruses, malware, ransomware, cyber-attacks, and other means. Denial-of-service attacks have been launched against a number of large financial services institutions, primarily resulting in inconvenience. Future ransomware and cyber-attacks could be more disruptive and damaging. Hacking and identity theft risks, in particular, could cause serious reputational harm to the Company and the Bank.

The hardware and software we purchase from suppliers to facilitate financial services and perform company operations are also at risk of having embedded malware, viruses, and other methods intended to develop unauthorized access to confidential information. These types of attacks, known as “supply-chain attacks,” have become more prevalent and are creating additional risks through the solutions and tools upon which we rely. While we have a third-party risk management program to oversee our vendors and procurement, our ability to successfully mitigate these risks that occur in the hardware and software of these vendors is limited. To the extent we experience supply-chain attacks, our business and reputation could be materially adversely affected.

In addition, we provide our clients with the ability to bank remotely, including online, through their mobile device, and over the telephone. The secure transmission of confidential information over the internet and other remote channels is a critical element of remote banking. Our network could be vulnerable to unauthorized access, computer viruses, malware, phishing schemes, and other internal and external security breaches. We may be required to spend significant capital and other resources to protect against threats, or to alleviate problems caused by security breaches or malicious software. To the extent that our activities or the activities of our clients involve the storage and transmission of confidential information, security breaches, and viruses could expose us to claims, regulatory scrutiny, litigation, and other possible liabilities.

Despite efforts to ensure the integrity of our systems, cyber threats are rapidly evolving and we may not be able to anticipate or prevent all such attacks, nor may we be able to implement guaranteed preventive measures against such security breaches. The techniques used by cyber criminals change frequently, may not be recognized until launched or later, and can originate from a wide variety of sources, including outside groups such as external service providers. These risks may increase in the future as we continue to increase our mobile payment and other internet-based product offerings and expand our internal usage of web-based products and applications. Further, targeted social engineering attacks may be sophisticated and difficult to prevent and our employees, clients, or other users of our systems may be fraudulently induced to disclose sensitive information, allowing cyber criminals to gain access to our systems or data of our clients.

A successful penetration or circumvention of system security could cause us serious negative consequences, including significant disruption of operations, misappropriation of confidential information, or damage to our computers or systems or to those of our clients and counterparties. A successful security breach could result in violations of applicable privacy and other laws, financial loss to us or to our clients, loss of confidence in our security measures, significant litigation exposure, and harm to our reputation, all of which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

***Privacy, information security, and data protection laws, rules, and regulations could affect or limit how we collect and use personal information, increase our costs, and adversely affect our business opportunities.***

We are subject to various privacy, information security, and data protection laws, including: (i) certain limitations on our ability to share non-public personal information about our clients with non-affiliated third parties; (ii) requirements for certain disclosures to clients about our information collection, sharing, and security practices and that afford clients the right to “opt out” of any information sharing by us with non-affiliated third parties (with certain exceptions); and (iii) requirements that we develop, implement, and maintain a written information security program containing appropriate safeguards based on our size and complexity, the nature and scope of our activities, and the sensitivity of client information we process, as well as plans for responding to data security breaches. Compliance with current or future privacy, data protection, and information security laws (including those regarding security breach notification) affecting client or employee data could result in higher compliance and technology costs and could restrict our ability to provide certain products and services, which could have a material adverse effect on our business, financial conditions, or results of operations. Our failure to comply with privacy, data protection, and information security laws could result in potentially significant regulatory or governmental investigations or actions, litigation, fines, sanctions, and damage to our reputation, which could have a material adverse effect on our business, financial condition, or results of operations.

***Our goodwill may become impaired, which may adversely impact our results of operations and financial condition.***

The excess purchase price over the fair value of net assets from acquisitions, or goodwill, is evaluated for impairment at least annually and on an interim basis if an event or circumstance indicates it is likely an impairment has occurred. In testing for impairment, the Company performs a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is in excess of its carrying value. If it is not more likely than not that the fair value of the reporting unit is in excess of the carrying value, the fair value of net assets is estimated based on analyses of our market value, discounted cash flows, and peer values. Consequently, the determination of the fair value of goodwill is sensitive to market-based economics and other key assumptions. Variability in market conditions or in key assumptions could result in impairment of goodwill, which is recorded as a non-cash adjustment to income. An impairment of goodwill could have a material adverse effect on our business, financial condition, and results of operations. As of December 31, 2021, we had goodwill of \$621.6 million, or 31.3% of our total stockholders’ equity.

***We invest in Collateralized Loan Obligations (CLO) securities, which may expose us to losses in connection with such investments.***

We invest in certain AAA senior tranches of the capital structure in CLO securities. The senior tranche takes priority with respect to the interest and principal cash flows of the CLO security, while retaining the last priority in a loss scenarios. The senior tranches are relatively more liquid than the subordinated notes due to the accompanying credit enhancement. The value of any investment in this asset class could decrease depending on the performance of the underlying collateral in the CLO. As of December 31, 2021, we had available-for-sale CLO securities with an estimated fair value of \$899.4 million, or 18.7% of our available-for-sale investment portfolio.

***The Company relies on other companies to provide certain key components of its business infrastructure.***

We are reliant upon certain external vendors to provide products and services necessary to maintain our day-to-day operations and we outsource many of our major systems, such as certain data processing, loan servicing, and deposit processing systems. While the Company has selected these external vendors and systems carefully and continues to manage and oversee these vendors, it does not control their operations. Failure of certain external vendors or systems to perform or provide services in accordance with contractual arrangements could be disruptive to our operations and limit our ability to provide certain products and services demanded by our clients. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience disruptions if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If significant, sustained, or repeated, a system failure or disruption could compromise our ability to operate effectively, damage our reputation, result in a loss of client business, and/or subject us to additional regulatory scrutiny and possible financial liability. Any of the failures or disruptions mentioned above could negatively impact our financial condition, results of operations, cash flows, and prospects. Replacing these third-party vendors could also entail significant delay and expense.

***Our reputation is very important to our ability to maintain, attract and retain client relationships and if our reputation were impaired it, could have an adverse effect on the Company.***

Our clients expect us to deliver personalized financial services with the highest standards of performance, professionalism, compliance, and ethics. Damage to our reputation could undermine retention of our current clients and our ability to attract potential clients while also impairing the confidence of our counterparties and vendors, the result of which affects our ability to effect transactions. Maintaining our reputation depends, in part, on our ability to identify and address issues that may arise such as potential conflicts of interest, anti-money laundering, fair lending issues, client personal information and privacy issues, cyber-security, employee, client and other third-party fraud, record-keeping, regulatory investigations, and any litigation that may arise from the failure or perceived failure of us to comply with legal and regulatory requirements. To maintain our reputation, we also must prevent third parties from infringing on the “First Interstate Bank” brand and associated trademarks and our other intellectual property. Our reputation or prospects could be significantly damaged by adverse publicity or negative information regarding our Company, whether or not true, that may be posted on social media, reported in the news, or posted in other parts of the internet. Defending of our reputation, trademarks, and other intellectual property, including through litigation, could result in costs that could have a material adverse effect on our business, financial condition, or results of operations.

***We are dependent upon the services of our management team and directors and if the services of any of them were to become unavailable, it could have an adverse effect on the Company.***

Our future success and profitability is substantially dependent upon the management skills of senior management and directors. The unanticipated loss or unavailability of key employees could harm our ability to operate our business or execute our business strategy. We may not be successful in retaining key employees or finding and integrating suitable successors in the event of key employee loss or unavailability.

***We may not be able to attract and retain qualified employees to operate our business effectively, which could have an adverse effect on our business.***

As a result of low unemployment rates in our historical geographic footprint and the Northwest region of the United States, there is substantial competition to attract and retain talented and diverse employees in our markets. It may be difficult for us to attract and retain qualified employees at all management and staffing levels. Failure to attract and retain employees and maintain adequate staffing of qualified personnel could adversely impact our operations and our ability to execute our business strategy. Furthermore, relatively low unemployment rates may lead to significant increases in labor costs such as salaries, wages, and employee benefits expenses as we compete for qualified and skilled employees, which could negatively impact our results of operations and prospects.

On February 1, 2022, we completed our merger with Great Western. The success of the merger will depend in part on our ability to retain the talents and dedication of key employees currently employed by us and those who were employed with Great Western prior to the merger. It is possible that these employees may decide not to remain in our employ now that the merger has been consummated. If we are unable to retain key employees, including members of management, who are critical to the successful integration and future operations of the combined companies, we could face disruptions in our operations, loss of existing clients, loss of institutional knowledge and other key information, expertise or know-how, and unanticipated additional recruitment costs. In addition, if key employees terminate their employment, our business activities may be adversely affected and management’s attention may be diverted from successfully integrating the combined companies and hiring suitable replacements, all of which may cause our business to suffer.

***Costs associated with repossessed properties, including environmental remediation, may adversely impact our results of operations, cash flows, and financial condition.***

A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties serving as collateral for certain loans. There are significant costs associated with our ownership of these properties including, but not limited to, personnel costs, taxes and insurance, completion and repair costs, and valuation adjustments. Additionally, we may experience unfavorable pricing in connection with our disposition of foreclosed properties. These costs, along with unfavorable pricing upon disposition, may adversely affect our cash flows, financial condition, and results of operations.

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

***If our systems of internal operating controls were to become ineffective, our financial information could be negatively impacted.***

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

***We may not effectively implement new technology-driven products and services or be successful in marketing these products and services to our clients, which could negatively impact our business.***

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

## **Strategic Risks**

***If we are not able to execute on our intended expansion plans, our business, reputation, and results of operations could be materially, adversely affected.***

Our current plans for organic growth and growth through merger and acquisition opportunities in our core and other markets may be adversely affected by a number of factors, including competition from other banking and financial institutions, many of which have resources significantly greater than ours, and a decline in the number of attractive financial institution acquisition targets headquartered in our geographic markets. This competition, especially as the number of acquisition targets decreases, could, for example, increase acquisition purchase prices in our targeted areas for growth, which could reduce our potential returns on successfully completed acquisitions or otherwise make such acquisitions too expensive to be attractive to consummate.

Furthermore, as a regulated financial institution, our ability to pursue or complete attractive acquisitions or de novo or other expansion opportunities could be negatively impacted by regulatory approval issues, including delays in obtaining required approvals or an inability to obtain required regulatory approvals on terms deemed reasonable to us or at all. In considering whether to approve or deny our expansion proposals, government regulators consider our capital, liquidity, profitability, regulatory compliance, including with respect to consumer protection laws and CRA obligations, and levels of goodwill and intangibles. They also must consider, from time-to-time, regulatory initiatives designed to limit systemic risk that may have the effect of limiting our desired expansion. If our regulators are not satisfied with one or more of the foregoing financial metrics, or regulatory initiatives turn out to be unexpected impediments to growth, our expansion opportunities could be delayed or diminished, all to the detriment of our financial results.

***Difficulties in combining the operations of acquired entities or assets with our own operations or assessing the effectiveness of businesses in which we make strategic investments or with which we enter into strategic contractual relationships may prevent us from achieving the expected benefits from these acquisitions, investments, or relationships.***

Acquisitions of other companies or of financial assets and related deposits and other liabilities present risks and uncertainties to us based in part on the nature of the business or assets and liabilities acquired. For example, if an acquisition includes loan portfolios, the extent of credit losses following completion of the acquisition could adversely affect our combined results of operations. Similarly, if an acquisition includes deposits, the extent of deposit attrition after closing could adversely affect our combined results of operations. Acquisitions of banking companies typically include both loans and deposits, and the extent of any post-closing credit losses and deposit attrition could be affected by a number of factors, including the state of the economy following the acquisition and the geographic area or markets in which the target operates. If the markets were to react negatively to the announcement of the acquisition, or if the economy were to suffer or enter into a recession following an acquisition, we may not timely, or at all, achieve the expected benefits of an acquisition and our business and the value of our Class A common stock could be harmed.

Acquisitions of other companies or of financial assets and related deposits and other liabilities also present risks and uncertainties to us in addition to those presented by the nature of the business acquired. These risks include unanticipated costs incurred in connection with the integration of the acquired business. For example, the total cost and time required to complete the integration successfully could be greater than estimated and result in higher acquisition costs than expected or a loss of market opportunity due to any such delay. Furthermore, the results of litigation or governmental investigations that may have been pending at the time of an acquisition, or may be filed or commenced thereafter, as a result of an acquisition or otherwise, may be materially underestimated and harm our operating results more than originally anticipated. On the other hand, some or all of the anticipated benefits of a particular acquisition, such as cost savings from synergies or strategic gains from being able to offer product sets to a broader potential client base, may not be realized. It can take longer or require greater resources than originally expected to achieve any of such benefits. It also may prove impossible to achieve them at all or in their entirety as a result of unexpected factors or events. As a result, any acquisition could ultimately prove dilutive to our equity and shareholders' earnings per share, thereby adversely affecting our financial condition and results of operations.

Acquisitions may also result in business disruptions that could cause clients to remove their accounts from us and move their business to competing financial institutions. It is possible that the integration process related to acquisitions could also result in the disruption of our ongoing businesses or inconsistencies in standards, controls, procedures, and policies that could adversely affect our ability to maintain relationships with clients and employees. The loss of key employees in connection with an acquisition could also adversely affect our ability to successfully conduct our business. Acquisition and integration efforts could divert management attention and resources, which could have an adverse effect on our financial condition and results of operations. Additionally, the operation of the acquired branches may adversely affect our existing profitability, and we may not be able to achieve results in the future similar to those achieved by the existing banking business or manage growth resulting from the acquisition effectively, any of which could harm our business and reputation.

In addition to post-acquisition integration related risks, inherent uncertainties exist when assessing or integrating the operations of another business into which we may make an investment or with which we may enter into a commercial relationship. We may not be able to fully achieve the strategic objectives and planned operating efficiencies relevant to an investment or strategic relationship. In addition, the markets and industries in which we and the potential investment targets operate are highly competitive. Investment targets and commercial contract counterparties may lose clients or otherwise perform poorly or unprofitably, or in the case of a strategic relationship, cause us to lose clients or perform poorly or unprofitably. Future investment activities and efforts to monitor or reap the benefits of a new strategic relationship may require us to devote substantial time and resources and may cause these investments and relationships to be unprofitable or cause us to be unable to pursue other business opportunities, any of which could harm our business.

***Combining Great Western with Us may be more difficult, costly, or time consuming than expected and we may fail to realize the anticipated benefits of the acquisition.***

The success of our recently-completed merger with Great Western will depend, in part, on the ability to realize the anticipated benefits and cost savings from combining our businesses. To do so, we must successfully integrate and combine Great Western's businesses in a manner that permits those cost savings to be realized. If we and Great Western are not able to achieve these objectives successfully, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected. In addition, the actual cost savings and anticipated benefits of the merger could be less than anticipated, and integration may result in additional unforeseen expenses.



Prior to the merger, we and Great Western operated independently. The success of the merger will depend, in part, on our ability to combine and integrate successfully the businesses of both companies in a manner that does not materially disrupt existing client relations or result in decreased revenue or reputational harm. It is possible that the integration process could result in the loss of key employees, the disruption of our business, difficulties in integrating operations and systems, including communications systems, administrative and information technology infrastructure and financial reporting and internal control systems, or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with clients, depositors, and employees or to achieve the anticipated benefits and cost savings of the merger. Any disruption to our business could cause our clients to move their business to a competing financial institution. Integration efforts may also divert management attention and resources. These integration matters could have an adverse effect on us for an undetermined period.

***We are expected to incur significant costs related to the merger and integration.***

We have incurred and expect to incur certain non-recurring costs associated with the merger. These costs include legal, financial advisory, accounting, consulting and other advisory fees, severance/employee benefit-related costs, public company filing fees and other regulatory fees, printing costs, and other related costs.

We are also expected to incur substantial costs in connection with the integration of Great Western. There are a large number of processes, policies, procedures, operations, technologies, and systems that may need to be integrated, including purchasing, accounting and finance, payroll, compliance, treasury management, branch operations, vendor management, risk management, lines of business, pricing, and benefits. While we have assumed that a certain level of costs will be incurred, there are many factors beyond our control that could affect the total amount or the timing of the integration costs. Moreover, many of the costs that will be incurred are, by their nature, difficult to estimate accurately. These integration costs may result in us taking charges against earnings, the amount and timing of which are uncertain at present.

## **Common Stock Risks**

***Volatility in the price and volume of our common stock may be unfavorable.***

The market price of our common stock is volatile and could be subject to wide fluctuations in price in response to various factors, some of which are beyond our control. These factors include:

- prevailing market conditions;
- our historical performance and capital structure;
- estimates of our business potential and earnings prospects;
- an overall assessment of our management;
- conversion by our Class B shareholders of their shares into Class A common stock to liquidate their holdings;
- our performance relative to our peers;
- market demand for our shares;
- perceptions of the banking industry in general;
- political influences on investor sentiment; and
- consumer confidence.

At times, the stock markets, including the NASDAQ Stock Market on which our common stock is listed, may experience significant price and volume fluctuations. As a result, the market price of our common stock is likely to be similarly volatile and investors in our common stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects.

In addition, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

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

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

Our articles of incorporation provide that our Board may issue up to 100,000 shares of preferred stock, in one or more series, without stockholder approval and with such terms, conditions, rights, privileges, and preferences as the Board may deem appropriate. In addition, our articles of incorporation provide for staggered terms for our Board and limitations on persons authorized to call a special meeting of stockholders. In addition, certain provisions of Montana law may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then-prevailing market price of such common stock.

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

***Our dividend policy, or our ability to pay dividends, may change.***

We are a legal entity separate and distinct from our subsidiary Bank. Since we are a holding company with no significant assets other than the capital stock of our subsidiaries, we depend upon dividends from our Bank for a substantial part of our revenue. Accordingly, our ability to pay dividends, cover operating expenses, and acquire other institutions depends primarily upon the receipt of dividends or other capital distributions from the Bank. The ability of our Bank to pay dividends to us is subject to, among other things, its earnings, financial condition, and need for funds, as well as federal and state governmental policies and regulations applicable to us and the Bank, which limit the amount that may be paid as dividends without prior approval.

Although we have historically paid dividends to our stockholders, we have no obligation to continue doing so and may change our dividend policy at any time without notice to our stockholders. Holders of our common stock are only entitled to receive such cash dividends as our board of directors may declare out of funds legally available for such payments. The amount of any dividend declaration is subject to our evaluation of our strategic plans, growth initiatives, capital availability, projected liquidity needs, and other factors.

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

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

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

We may issue additional shares of common stock in the future pursuant to current or future employee equity compensation plans or in connection with future acquisitions or financings. Should we choose to raise capital by selling shares of common stock for any reason, the issuance would have a dilutive effect on the holders of our common stock and could have a material negative effect on the market price of our common stock. In addition, our Class B common stock is convertible into Class A common stock at any time at the sole discretion of the holders of shares of Class B common stock and, by virtue of the number of shares of our common stock issued in the merger with Great Western, all of such shares of Class B common stock will automatically convert on a one-for-one basis into shares of Class A common stock on the record date for our next meeting of stockholders. The increase in the number of shares of our common stock listed on Nasdaq as a result of the conversion could have a material negative effect on the market price of our common stock.

***The common stock is equity and is subordinate to our existing and future indebtedness.***

Shares of our Class A and Class B common stock are equity interests and do not constitute indebtedness. As such, shares of our Class A and Class B common stock rank junior to all our indebtedness, including any subordinated term loans, subordinated debentures held by trusts that have issued trust-preferred securities, and other non-equity claims on us with respect to assets available to satisfy claims on us. In the future, we may make additional offerings of debt or equity securities or we may issue additional debt or equity securities as consideration for future mergers and acquisitions.

## General Risk Factors

***The continuation of the COVID-19 pandemic and government response to the pandemic has caused a significant global disruption which has adversely affected, and may continue to adversely affect, our business, results of operations, liquidity, and financial condition.***

Since the onset of the pandemic in the spring of 2020, Federal, state, and local governments have responded to the disease caused by the novel coronavirus (also known as, and referred to herein, as “COVID-19”) pandemic in a variety of ways including, without limitation, by declaring states of emergency and implementing various measures to slow the spread of COVID-19. The economic impact of the COVID-19 pandemic has affected a broad range of industries, including banking, travel, hospitality, and entertainment. With the wide-spread distribution of the COVID-19 vaccines, and the United States moving beyond the most acute phases of the pandemic into recovery, our branches and drive-ups are functioning at normal operating hours and are fully staffed. Although the impact of the COVID-19 vaccines has significantly reduced the severity of COVID-19 within the United States, the resurgence or waves of new mutations, strains, and variants in the virus have emerged that have increased the spread but not necessarily the severity of COVID-19. This has resulted in a return of restrictions in certain regions of the United States, including vaccine mandates, mask mandates and other emergency measures. The recent wave of certain strains of COVID-19 and the possibility of future waves of new mutations, strains, and variants have created greater uncertainty as to the overall duration and severity of the pandemic. As a result, even with a burgeoning recovery, there continues to be uncertainty as to the long-term effect COVID-19 will have on the economy and the Company.

The Federal Reserve returned to a zero-interest rate policy in March 2020 and the U.S. government enacted several fiscal stimulus measures to counteract the economic disruption caused by the COVID-19 pandemic and provide economic assistance to businesses and households. The dramatic lowering of market interest rates in a short period of time had an adverse effect on the Company’s asset yields. The extent of these impacts will depend on future developments, including, among others, governmental, regulatory and private sector actions and responses, new information that may emerge concerning the COVID-19 pandemic, new strains of the virus that causes COVID-19, and actions taken to contain or prevent further spread, each of which are highly uncertain and cannot be predicted. The U.S. government has not enacted further fiscal stimulus measures since enacting the American Rescue Plan of 2021 in March 2021.

Our business is dependent upon the ability and willingness of our clients to conduct banking and other financial transactions, including the payment of loan obligations. COVID-19 has and continues to disrupt the business, activities, and operations of our clients, which may cause a decline in demand for our products and services and which may, in turn, result in a significant decrease in our business, negatively impacting our liquidity position and financial results. Our financial results could also be impacted by an inability of our clients to meet their loan commitments because of their losses associated with the effects of COVID-19 on their businesses, resulting in increased risk of delinquencies, defaults, foreclosures, declining collateral values, and other losses to our Bank. In addition, as a result of the pandemic, the Bank has incurred increased operational expenses, including the costs of health and safety measures at our corporate headquarters and our branch locations, compliance costs after becoming subject to new regulatory and other requirements, and increased cyber security and other costs associated with online and remote activity. Moreover, current and future governmental action may temporarily require the Company to conduct business differently with respect to foreclosures, repossessions, payments, deferrals, and other client-related transactions.

Failures in our risk management policies, procedures, and controls could adversely affect our ability to manage this portfolio going forward and could result in an increased rate of delinquencies in, and increased losses from, this portfolio, which, accordingly, could have a material adverse effect on our business, financial condition, and results of operations.

As a result of COVID-19 and certain measures taken by the U.S. government, our clients have experienced labor disruptions resulting from reduced employee availability and productivity. This may impact our clients’ operations and their ability to deliver products and services.

In addition, our workforce has been and may continue to be impacted by COVID-19. The precautions we are taking to protect the safety and well-being of our employees and clients, may be inadequate, and we cannot predict the level of disruption that will occur to our employees’ ability to provide support and service to our clients. The spread could also negatively impact availability of key personnel and employee productivity, as well as the business and operations of third-party service providers who perform critical services for us, which could adversely impact our ability to deliver products and services to our clients.

There is pervasive uncertainty surrounding the future economic conditions that will emerge in the months and years following the start of the COVID-19 pandemic. In recent releases, the U.S. Bureau of Labor Statistics has reported a significant increase in inflation on the United States economy. It is not yet clear whether such increases will be transitory, related solely to the burgeoning recovery from the COVID-19 pandemic or whether recent reports represent the beginning of a longer-term trend. As a result, management is confronted with a significant and unfamiliar degree of uncertainty in estimating the impact of the pandemic on credit quality, revenues, and asset values. Asset quality may deteriorate and the amount of our allowance for credit losses may not be sufficient for future credit losses we may experience. This could require us to increase our reserves and recognize more expense in future periods. The changes in market rates of interest and the impact on our ability to price our products may reduce our net interest income in the future or negatively impact the demand for our products. There is also risk that operational costs could continue to increase as we maintain existing facilities in accordance with health guidelines, which could impact negatively the results of our operations and financial condition.

The extent to which the continuation of the COVID-19 pandemic and the Federal, state, and local government responses to it, fiscal stimulus, interest rate policies, and other government intervention, and the burgeoning recovery in the United States economy impacts our business, results of operations, and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments that remain uncertain and cannot be predicted, including the scope and continued duration of the COVID-19 pandemic, the impact of new strains of the virus, and additional actions taken by governmental authorities, and other third parties in response to the pandemic.

***Our business is subject to the risks of certain global conditions, earthquakes, tsunamis, floods, fires, and other natural catastrophic events.***

A major catastrophe, such as a pandemic, disease outbreak, or other natural disaster including extreme weather or other events, such as an earthquake, tsunami, flood, fire, winter storms, or other type of natural disaster, could adversely affect our financial condition or results in a prolonged interruption of our business. We have operations and clients in the Northwest, a geographical region that has been or may be affected by disease, earthquake, volcano, tsunami, and flooding activity, which could be adversely impacted by these natural disasters or other severe weather in the region. Unpredictable natural and other disasters could have an adverse effect on the Company in that such events could materially disrupt our operations or the ability or willingness of our clients to access the financial services offered by the Company. These events could reduce our earnings and cause volatility in its financial results for any fiscal quarter or year and have a material, adverse effect on our financial condition and/or results of operations and prospects.

***Climate change manifesting as physical or transition risks could adversely affect our operations, businesses and customers.***

There is an increasing concern over the risks of climate change and related environmental sustainability matters. The physical risks of climate change include discrete events, such as flooding and wildfires, and longer term shifts in climate patterns, such as extreme heat, sea level rise, and more frequent and prolonged drought. Such events could disrupt our operations or those of our clients or third parties on which we rely, including through direct damage to assets and indirect impacts from supply chain disruption and market volatility. Additionally, transitioning to a low carbon economy may entail extensive policy, legal, technology, and market initiatives. Transition risks, including changes in consumer preferences and additional regulatory requirements or taxes, could increase our expenses and undermine our strategies. In addition, our reputation and client relationships may be damaged as a result of our practices related to climate change, including our involvement, or our clients' involvement, in certain industries or projects associated with causing or exacerbating climate change, as well as any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change. As climate risk is interconnected with all key risk types, we have developed and continue to enhance processes to embed climate risk considerations into our risk management strategies such as market, credit and operational risks; however, because the timing and severity of climate change may not be predictable, our risk management strategies may not be effective in mitigating climate risk exposure.

## **Item 1B. Unresolved Staff Comments**

None.

## **Item 2. Properties**

Our principal executive offices and one of our banking offices are anchor tenants in an 18-story commercial building located in Billings, Montana. The building is owned by a joint venture limited liability company in which FIB owns a 50.0% interest. We lease approximately 100,060 square feet of office space in the building. We also own a 66,112 square foot building that houses our operations center in Billings, Montana. As of December 31, 2021, we provided banking services at 147 locations in Idaho, Montana, Oregon, South Dakota, Washington, and Wyoming, of which 36 properties are leased from independent third parties and 111 properties are owned by us. We believe each of our facilities is suitable and adequate to meet our current operational needs.

## **Item 3. Legal Proceedings**

In the normal course of business, we may be named or threatened to be named as a defendant in various lawsuits. We record accruals for outstanding legal matters when it is believed to be probable that a loss will be incurred and the amount can be reasonably estimated. Management, following consultation with legal counsel, does not expect the ultimate disposition of any or a combination of any such ongoing or anticipated matters to have a material, adverse effect on our business, financial condition, or operating results.

## **Item 4. Mine Safety Disclosures**

Not applicable.

## **PART II**

### **Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The Class A common stock is listed on the NASDAQ Stock Market under the symbol “FIBK.” As of December 31, 2021, we had 1,421 record shareholders, including the Wealth Management division of FIB as trustee for 456,933 shares of Class A common stock held on behalf of 580 individual participants in the Savings and Profit Sharing Plan for Employees of First Interstate BancSystem, Inc., or the Savings Plan. The Class B common stock is not and will not be listed on the NASDAQ Stock Market or any other exchange. Therefore, no trading market is expected to develop in the Class B common stock.

#### *Dividends*

It is our policy to pay a quarterly dividend to all common shareholders. The Board recently approved a quarterly cash dividend amount of \$0.41 per share of common stock. While we currently intend to continue paying quarterly dividends, the Board may change or eliminate the payment of future dividends.

#### *Dividend Restrictions*

For a description of restrictions on the payment of dividends, see Part I, Item 1, “Business — Government Regulation and Supervision — Dividends and Restrictions on Transfers of Funds,” and Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Capital Resources and Liquidity Management” included herein.

#### **Sales of Unregistered Securities**

There were no sales of equity securities by us during the years ended December 31, 2021, 2020, or 2019 that were not registered under the Securities Act of 1933.

### Purchases of Equity Securities by the Issuer and Affiliated Purchasers

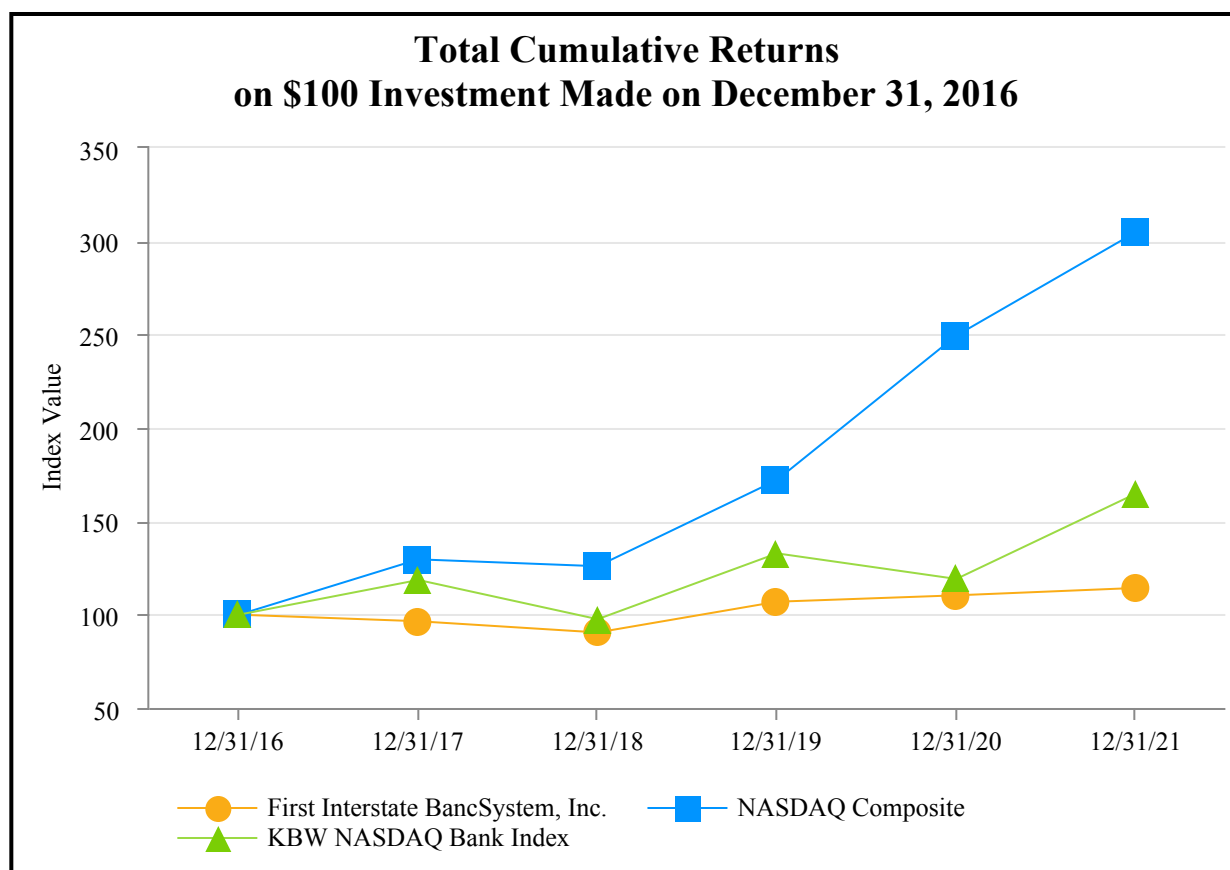
The following table provides information with respect to purchases made by or on behalf of us or any “affiliated purchasers” (as defined in Rule 10b-18(a)(3) under the Exchange Act), of our common stock during the three months ended December 31, 2021.

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
October 2021	—	\$ —	—	1,889,158
November 2021	133	42.71	—	1,889,158
December 2021	—	—	—	1,889,158
Total	133	\$ 42.71	—	1,889,158

- (1) Stock repurchases were redemptions of vested restricted shares tendered in lieu of cash for payment of income tax withholding amounts by participants of the Company’s 2015 Equity Compensation Plan.

## Performance Graph

The performance graph below compares the cumulative total shareholder return on our Class A common stock with the cumulative total return on equity securities of companies included in the NASDAQ Composite Index and the KBW NASDAQ Bank index, measured on the last trading day of each year shown. The KBW NASDAQ Bank index is designed to track the performance of the leading banks and thrifts that are publicly-traded in the U.S and includes 24 banking stocks representing the large U.S. national money centers, regional banks and thrift institutions. The NASDAQ Composite Index is a comparative broad market index comprised of all domestic and international common stocks listed on the NASDAQ Stock Market. This graph assumes a \$100 investment in our Class A common stock on December 31, 2016, and reinvestment of dividends on the date of payment without commissions. The plot points on the graph were provided by SNL Financial LC, Charlottesville, VA. The performance graph represents past performance, which may not be indicative of the future performance of our Class A common stock.



<i>Index</i>	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21
First Interstate BancSystem, Inc.	\$ 100.00	\$ 96.48	\$ 90.48	\$ 106.94	\$ 110.36	\$ 114.31
NASDAQ Composite	100.00	129.64	125.96	172.18	249.51	304.85
KBW NASDAQ Bank Index	100.00	118.59	97.58	132.84	119.14	164.80

## Item 6. Reserved

### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K for the year ended December 31, 2021. We make statements in this section that are forward-looking statements within the meaning of the federal securities laws. All of such forward-looking statements are expressly qualified by reference to the cautionary statements provided under the caption "Cautionary Note Regarding Forward-Looking Statements" included on page 1 in Part I of this report. Furthermore, a number of known and unknown factors may cause our actual results, performance or achievements to differ materially from those expressed or implied by the following discussion. Therefore, you are encouraged to read in its entirety the information provided under the caption "Risk Factors" included under Item 1A in Part I of this report for a discussion of risk factors that may negatively impact our expected results, performance, or achievements discussed below.

#### Executive Overview

We are a financial and bank holding company headquartered in Billings, Montana. As of December 31, 2021, we had consolidated assets of \$19.7 billion, deposits of \$16.3 billion, loans held for investment of \$9.3 billion, and total stockholders' equity of \$2.0 billion.

As of December 31, 2021, we had 147 banking offices in operation, including detached drive-up facilities, in communities across Idaho, Montana, Oregon, South Dakota, Washington, and Wyoming. We added an additional 174 banking offices on February 1, 2022 in Arizona, Colorado, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota upon completion of our merger with Great Western, the results of which will be discussed in our future periodic reports that we file with the Securities and Exchange Commission from and after the date of acquisition. Through our bank subsidiary, FIB, we deliver a comprehensive range of banking products and services—including online and mobile banking—to individuals, businesses, municipalities, and others throughout our market areas. Our clients participate in a wide variety of industries, including agriculture, construction, education, energy, governmental services, healthcare, mining, professional services, retail, tourism, and wholesale trade.

#### *Our Business*

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

Our loan portfolio consists of a mix of real estate, consumer, commercial, agricultural, and other loans, including fixed and variable rate loans. Our real estate loans comprise commercial real estate, construction (including residential, commercial, and land development loans), residential, agricultural, and other real estate loans. Fluctuations in the loan portfolio are directly related to the economies of the communities we serve. While each loan originated must meet minimum underwriting standards established in our credit policies, bankers are granted discretion within pre-approved limits in approving and pricing loans to assure that the banking offices are responsive to competitive issues and community needs in each market area. We fund our loan portfolio primarily with the core deposits from our clients, generally without utilizing brokered deposits and with minimal reliance on wholesale funding sources. For additional information about our underwriting standards and loan approval process, see "Business—Lending Activities," included in Part I, Item 1 of this report.

#### Recent Trends and Developments

##### *Acquisitions*

During the past few years, we have increased our community banking footprint across the Rocky Mountain and Pacific Northwest regions, in large part due to our acquisition activity. We continue to evaluate bank acquisitions and other strategic opportunities on an on-going basis.



On February 1, 2022, the Company completed its merger with Great Western. In accordance with the definitive agreement, Great Western merged with and into the Company, with the Company continuing as the surviving corporation. Great Western stockholders received approximately 0.8425 shares of FIBK Class A common stock for each Great Western share of common stock they owned. The total aggregate consideration paid in the merger to the Great Western stockholders was approximately 46.9 million shares of the Company's Class A Common Stock, representing approximately \$1.7 billion in value, in the aggregate, based on the opening price per share of the Company's Class A common stock on the February 1, 2022 closing date of the merger.

Immediately following the closing, GWB was merged with and into FIB, and will continue to operate under the GWB name as a division of FIB. The conversion of bank systems and branches is expected to occur in May 2022. After the conversion, GWB branches are expected to be branded as FIB branches. For additional information on the merger with GWB, see "Risk Factors" included in Part I, Item 1A and "Notes to Consolidated Financial Statements – Subsequent Events" included in Part IV, Item 15 of this report, and our Current Report on Form 8-K dated February 1, 2022.

### *COVID-19*

Management continues to monitor the impact of COVID-19 on the Company's financial results. Over the past year, the COVID-19 pandemic has affected our operations to a limited degree, although it has had varying degrees of disruptions and restrictions on our borrowers and to our borrowers' operations, staffing, and demand for certain products and services. While the economy has shown signs of recovery from the COVID-19 pandemic, the U.S. Bureau of Labor Statistics has reported a significant increase in inflation on the United States economy and it is not yet clear whether such increases will be transitory, or whether recent reports represent the beginning of a longer-term trend. COVID-19 has also severely disrupted supply chains and adversely affected production, demand, sales, and employee productivity across a range of industries, including those of our borrowers. With the wide-spread distribution of the COVID-19 vaccines, and the United States moving beyond the most acute phases of the pandemic into recovery, other than isolated temporary branch closures related to COVID-19, our branches and drive-ups are functioning at normal operating hours and are adequately staffed. Although the impact of the COVID-19 vaccines initially resulted in success in reducing the spread of COVID-19 within the United States, the Delta and Omicron variants have increased the spread of COVID-19 in multiple regions across the United States at varying times to peak pandemic levels. This has resulted in a return of mask mandates and other emergency measures in certain regions of the United States. The Company is monitoring this resurgence as well as the broader economic conditions impacted by the COVID-19 pandemic and their potential impact on the Company's operations and financial results and remains poised to change course should conditions require. As such, the scope, duration, and severity of the pandemic is not yet fully known. As a result, even with a burgeoning recovery, there continues to be some uncertainty as to the long-term effect on the economy and the Company.

### **Primary Factors Used in Evaluating Our Business**

As a banking institution, we manage and evaluate various aspects of both our financial condition and our results of operations. We monitor our financial condition and performance and evaluate the levels and trends of the line items included in our balance sheet and statements of income, as well as various financial ratios that are commonly used in our industry. We analyze these ratios and financial trends against both our own historical levels and the financial condition and performance of comparable banking institutions in our region and nationally.

### *Results of Operations*

Principal tools we use in managing and evaluating our results of operations include tracking performance as measured by certain metrics including return on average equity, return on average assets, efficiency ratio, non-interest expense as a percent of total average assets, earnings per share, total shareholder return, net interest income, non-interest income, non-interest expense, and net income. Net interest income is affected by a number of factors such as the level of interest rates, changes in interest rates, and changes in the volume and composition of interest earning assets and interest-bearing liabilities. Changes in interest rate spread, which is the difference between interest earned on assets and interest paid on liabilities, has the most significant impact on net interest income. Other factors like volume of loans, investment securities, and other interest earning assets, compared to the volume of interest-bearing deposits and indebtedness, also cause changes in our net interest income between periods. Non-interest bearing sources of funds, such as demand deposits and stockholders' equity, help support earning assets.

The impact of funding, including non-interest-bearing deposit sources, is captured in the net interest margin, which is calculated as net interest income divided by average earning assets. We evaluate our net interest income by assessing the yields on our loans and other earning assets, the costs of our deposits and other funding sources, and the levels of our net interest spread and net interest margin.

We seek to increase our non-interest income over time, and we evaluate our non-interest income relative to the trends of the individual types of non-interest income in view of prevailing market conditions.

We manage our non-interest expenses in consideration of growth opportunities and our community banking model that emphasizes client service and responsiveness. We evaluate our non-interest expense on factors that include our non-interest expense relative to our average assets, our efficiency ratio, and the trends of the individual categories of non-interest expense.

Finally, we seek to increase our net income and provide favorable shareholder returns over time, and we evaluate our net income relative to the performance of similar bank holding companies on factors that include return on average assets, return on average equity, total shareholder return, and growth in earnings.

#### *Financial Condition*

We manage and evaluate our financial condition by focusing on liquidity, the diversification and quality of our loans, the adequacy of our allowance for credit losses, the diversification and terms of our deposits and other funding sources, the re-pricing characteristics and maturities of our assets and liabilities, including potential interest rate exposure, and the adequacy of our capital levels. We seek to maintain sufficient levels of cash and investment securities to meet potential payment and funding obligations, and we evaluate our liquidity on factors that include the levels of cash and highly liquid assets relative to our liabilities, the quality and maturities of our investment securities, the ratio of loans held for investment to deposits, and any reliance on brokered certificates of deposit or other wholesale funding sources.

We seek to maintain a diverse and high-quality loan portfolio and evaluate our asset quality on factors that include the allocation of our loans among loan types, credit exposure to any single borrower or industry type, non-performing assets as a percentage of loans held for investment and OREO, and loan charge-offs as a percentage of average loans. We maintain our allowance for credit losses based on an estimate of expected credit losses in the loans held for investment portfolio over the life of the loan, including the incorporation of a one-year forecast period at each balance sheet date, and we evaluate the level of our allowance for credit losses relative to our overall loan portfolio and the level of non-performing loans and potential charge-offs.

We seek to fund our assets primarily using core client deposits spread among various deposit categories, and we evaluate our deposit and funding mix on factors that include the allocation of our deposits among deposit types, the level of our non-interest-bearing deposits, the ratio of our core deposits (i.e. excluding time deposits above \$250,000) to our total deposits, and our reliance on brokered deposits or other wholesale funding sources, such as borrowings from other banks or agencies. We seek to manage the mix, maturities, and re-pricing characteristics of our assets and liabilities to maintain relative stability of our net interest rate margin in a changing interest rate environment, and we evaluate our asset-liability management using models to evaluate the changes to our net interest income under different interest rate scenarios.

Finally, we seek to maintain adequate capital levels to absorb unforeseen operating losses and to help support the growth of our balance sheet. We evaluate our capital adequacy using the regulatory and financial capital ratios including leverage capital ratio, tier 1 risk-based capital ratio, total risk-based capital ratio, tangible common equity to tangible assets, and tier 1 common capital to total risk-weighted assets.

#### **Critical Accounting Estimates and Significant Accounting Policies**

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States and follow general practices within the banking industry. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. The most significant accounting policies we follow are summarized in “Notes to Consolidated Financial Statements—Summary of Significant Accounting Policies” included in Part IV, Item 15 of this report.

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

### *Allowance for Credit Losses*

The allowance for credit losses is a valuation account that creates an allowance for credit losses expected over the life of loans at each balance sheet date which is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Increases in the allowance are recorded through net income as a provision for credit loss expense. Decreases in the allowance are recorded through net income as a reversal of provision for credit loss expense. Loans are charged-off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries recorded in the valuation account do not exceed the aggregate of loan amounts previously charged-off and loans expected to be charged-off. The allowance for credit losses represents management's estimate of expected credit losses in the loans held for investment portfolio over the life of the loan, including the incorporation of a one-year forecast period for economic conditions.

We perform a quarterly assessment of the risks inherent in our loan portfolio, as well as a detailed review of each significant loan we have assessed to have weaknesses that does not share common risk characteristics with other loans. Based on this analysis, we record a provision for credit losses in order to maintain the allowance for credit losses at appropriate levels. In determining the allowance for credit losses, management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental and economic conditions, such as changes in unemployment rates, property values, or other relevant factors. The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist.

For loans acquired in a business combination with no significant evidence of credit deterioration since origination, the Company estimates an allowance for credit losses of the loans determined using the same methodology as other loans held for investment.

The allowance for credit losses is maintained at an amount we believe to be sufficient to provide for estimated losses expected over the life of the loans at each balance sheet date resulting from management's assessment of the quantitative and qualitative factors utilized to determine the allowance for credit losses. Management monitors qualitative and quantitative trends in the loan portfolio, including changes in the levels of past due, internally classified, and non-performing loans. Changes in the estimates and assumptions are possible and may have a material impact on our allowance, and as a result, on our consolidated financial statements or results of operations.

See "Notes to Consolidated Financial Statements—Summary of Significant Accounting Policies" for a description of the methodology used to determine the allowance for credit losses and our policy pertaining to acquired loans. See "Notes to Consolidated Financial Statements—Loans" for a discussion on the factors driving changes in the amount of the allowance for credit losses. See also Part I, Item 1A, "Risk Factors—Credit Risks."

### *Goodwill*

The excess purchase price over the fair value of net assets from acquisitions, or goodwill, is evaluated for impairment at least annually and on an interim basis if an event or circumstance indicates it is likely impairment has occurred. Goodwill impairment is determined by comparing the fair value of a reporting unit to its carrying amount. In any given year the Company may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is in excess of its carrying value. If it is not more likely than not that the fair value of the reporting unit is in excess of the carrying value, or if the Company elects to bypass the qualitative assessment, a quantitative impairment test is performed. In performing a quantitative test for impairment, the fair value of net assets is estimated based on analyses of the Company's market value, discounted cash flows, and peer values. The determination of goodwill impairment is sensitive to market-based economics and other key assumptions used in determining or allocating fair value. Variability in the market and changes in assumptions or subjective measurements used to estimate fair value are reasonably possible and may have a material impact on our consolidated financial statements or results of operations.

Our annual goodwill impairment test is performed each year as of July 1. The Company performed its 2021 annual goodwill impairment qualitative assessment and determined the Company's goodwill was not considered impaired. We monitor our performance and evaluate our goodwill for impairment annually or more frequently as needed.

For additional information regarding goodwill, see "Notes to Consolidated Financial Statements—Summary of Significant Accounting Policies," included in Part IV, Item 15 of this report and "Risk Factors—Operational Risks," included in Part I, Item 1A of this report.

## *Fair Values of Loans Acquired in Business Combinations*

Loans acquired in business combinations are initially recorded at fair value as adjusted for credit risk and an allowance for credit losses at the date of acquisition. For loans with no significant evidence of credit deterioration since origination, the difference between the fair value and the unpaid principal balance of the loan at the acquisition date is amortized into interest income using the effective interest method over the remaining period to contractual maturity.

Loans acquired with evidence of deterioration in credit quality since origination, or PCD loans, are accounted for in accordance with ASC Topic 326-20 “Financial instruments - credit losses.” Determining the fair value of the loans involves estimating the amount and timing of principal and interest cash flows initially expected to be collected on the loans and discounting those cash flows at an appropriate market rate of interest. An allowance for credit losses is recognized by estimating the expected credit losses of the purchased asset and recording an adjustment to the acquisition date fair value to establish the initial amortized cost basis of the asset. Differences between the established fair value, or amortized cost basis, and the unpaid principal balance of the asset is considered to be a non-credit discount/premium and is accreted/amortized into interest income using the interest method in accordance with ASC 310-10. Subsequent changes to the allowance for credit losses are recorded through provision for credit loss expense using the same methodology as other loans held for investment.

For additional information regarding acquired loans, see “Notes to Consolidated Financial Statements—Summary of Significant Accounting Policies,” “Notes to Consolidated Financial Statements—Acquisitions,” and “Notes to Consolidated Financial Statements—Loans Held for Investment,” included in Part IV, Item 15 of this report.

## **Results of Operations**

The following discussion and analysis is intended to provide detail about the results of operations by comparing the years ended December 31, 2021 to December 31, 2020. A similar discussion and analysis that compares the fiscal year 2020 to the fiscal year ended December 31, 2019, may be found in Part II, Item 7, “Results of Operations” of our Form 10-K for the fiscal year ended December 31, 2020, which is incorporated herein by reference.

### *Net Income*

Net income increased \$30.9 million, or 19.2%, to \$192.1 million, or \$3.11 per diluted share, in 2021, compared to \$161.2 million, or \$2.53 per diluted share, in 2020. There were \$11.6 million of acquisition related expenses in 2021 related to the 2022 acquisition of GWB compared to no acquisition related expenses incurred in 2020. The after-tax impact of acquisition related expenses on earnings per share was \$0.15 in 2021.

### **Performance Ratios**

As of or for the year ended December 31,	2021	2020	2019
Return on average assets	1.02 %	1.00 %	1.28 %
Return on average common stockholders' equity	9.73	8.12	9.53
Efficiency ratio (1)	61.94	57.61	59.19
Common stock dividend payout ratio (2)	52.56	79.05	43.66

- (1) Our efficiency ratio definition conforms with the FDIC definition for all periods presented as non-interest expense less amortization of intangible assets divided by net interest income plus non-interest income.
- (2) Common stock dividend payout ratio represents dividends per common share divided by basic earnings per common share.

### *Net Interest Income*

Net interest income, the largest source of our operating income, is derived from interest, dividends, and fees received on interest earning assets, less interest expense incurred on interest bearing liabilities. Interest earning assets primarily include loans and investment securities. Interest bearing liabilities include deposits and various forms of indebtedness. Net interest income is affected by the level of interest rates, changes in interest rates, and changes in the composition of interest earning assets and interest-bearing liabilities.

Changes in interest rate spread, which is the difference between interest earned on assets and interest paid on liabilities, has the most significant impact on net interest income. Other factors like volume of loans, investment securities, and other interest earning assets compared to the volume of interest-bearing deposits and indebtedness also cause changes in our net interest income between periods. Non-interest-bearing sources of funds, such as demand deposits and stockholders' equity, help to support earning assets.

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

**Average Balance Sheets, Yields, and Rates**

<i>(Dollars in millions)</i>	Year Ended December 31,								
	2021			2020			2019		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<i>Interest earning assets:</i>									
Loans (1) (2)	\$ 9,788.9	\$ 431.2	4.40 %	\$ 9,825.0	\$ 454.7	4.63 %	\$ 8,879.1	\$ 472.2	5.32 %
Investment securities (2)	5,422.8	73.9	1.36	3,303.0	66.8	2.02	2,723.8	65.0	2.39
Interest bearing deposits in banks	1,946.7	2.6	0.13	1,255.2	4.1	0.33	843.6	18.8	2.23
Federal funds sold	0.1	—	—	0.1	—	—	0.8	—	—
Total interest earnings assets	17,158.5	507.7	2.96	14,383.3	525.6	3.65	12,447.3	556.0	4.47
Non-earning assets	1,685.7			1,726.0			1,720.3		
Total assets	\$18,844.2			\$16,109.3			\$14,167.6		
<i>Interest-bearing liabilities:</i>									
Demand deposits	\$ 4,459.6	\$ 1.8	0.04 %	\$ 3,631.1	\$ 2.2	0.06 %	\$ 3,033.5	\$ 8.6	0.28 %
Savings deposits	4,770.8	1.5	0.03	3,968.7	2.4	0.06	3,463.4	18.4	0.53
Time deposits	1,009.3	4.8	0.48	1,225.2	13.5	1.10	1,478.9	22.3	1.51
Repurchase agreements	1,025.2	0.4	0.04	765.8	0.9	0.12	677.3	3.9	0.58
Long-term debt	112.4	6.0	5.34	76.1	4.6	6.04	15.2	1.3	8.55
Subordinated debentures held by subsidiary trusts	87.0	2.8	3.22	86.9	3.0	3.45	86.9	4.5	5.18
Total interest-bearing liabilities	11,464.3	17.3	0.15	9,753.8	26.6	0.27	8,755.2	59.0	0.67
Non-interest-bearing deposits	5,227.9			4,158.8			3,327.5		
Other non-interest-bearing liabilities	177.9			211.5			185.9		
Stockholders' equity	1,974.1			1,985.2			1,899.0		
Total liabilities and stockholders' equity	\$18,844.2			\$16,109.3			\$14,167.6		
Net FTE interest income		\$ 490.4		\$ 499.0			\$ 497.0		
Less FTE adjustments (2)		(2.2)		(2.0)			(2.0)		
Net interest income from consolidated statements of income		\$ 488.2		\$ 497.0			\$ 495.0		
Interest rate spread			2.81 %			3.38 %			3.80 %
Net FTE interest margin (3)			2.86			3.47			3.99
Cost of funds, including non-interest-bearing demand deposits (4)			0.10			0.19			0.49

(1) Average loan balances include mortgage loans held for sale and non-accrual loans. Interest income on loans includes amortization of deferred loan fees net of deferred loan costs of \$40.6 million, \$32.5 million, and \$3.9 million during 2021, 2020, and 2019, respectively.

(2) Interest income and average rates for tax exempt loans and securities are presented on a fully taxable equivalent, or FTE, basis utilizing the 21% federal income tax rate.

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

(4) Calculated by dividing total interest on interest-bearing liabilities by the sum of total interest-bearing liabilities plus non-interest-bearing deposits.

Net FTE interest income decreased \$8.6 million to \$490.4 million during 2021, as compared to \$499.0 million in 2020. The decrease is primarily attributable to lower levels of interest earned on earning assets because of lower market yields following the steep decline in the Federal Funds rate in March of 2020, and a full year of interest on higher long-term debt balances resulting from the May 2020 subordinated debt offering. Partially offsetting these net interest income declines were increased levels of income earned through forgiveness of PPP loans, higher levels of investment securities and interest-bearing deposits, and lower cost of funds on interest-bearing deposit balances. Also contributing to the decline in net FTE interest income during 2021, as compared to 2020, was interest accretion related to the fair value of acquired loans of \$9.1 million during 2021 as compared to \$13.1 million in 2020, of which \$5.0 million was the result of early loan payoffs during 2021, as compared to \$5.2 million in 2020. There were no recoveries of previously charged-off interest in 2021, as compared to \$0.4 million in 2020. The Company's net interest margin ratio decreased 61 basis points to 2.86% during 2021, as compared to 3.47% in 2020. Exclusive of interest accretion related to acquired loans and the impact of recoveries of charged-off interest, our 2021 net interest margin ratio decreased 57 basis points over our similarly calculated net interest margin ratio in 2020, which was attributable to the aforementioned interest rate declines and a shift in the mix of earning assets toward lower yielding investment securities and interest-bearing deposits.

The table below sets forth, for the periods indicated, a summary of the changes in interest income and interest expense resulting from estimated changes in average asset and liability balances (volume) and estimated changes in average interest rates (rate). Changes which are not due solely to volume or rate have been allocated to these categories based on the respective percent changes in average volume and average rate as they compare to each other.

#### Analysis of Interest Changes Due To Volume and Rates

<i>(Dollars in millions)</i>	Year Ended December 31, 2021 compared with December 31, 2020			Year Ended December 31, 2020 compared with December 31, 2019			Year Ended December 31, 2019 compared with December 31, 2018		
	Volume	Rate	Net	Volume	Rate	Net	Volume	Rate	Net
<i>Interest earning assets:</i>									
Loans (1)	\$ (1.7)	\$ (21.8)	\$ (23.5)	\$ 50.3	\$ (67.8)	\$ (17.5)	\$ 45.4	\$ 20.9	\$ 66.3
Investment Securities (1)	42.8	(35.7)	7.1	13.8	(12.0)	1.8	1.9	4.7	6.6
Interest bearing deposits in banks	2.3	(3.8)	(1.5)	9.2	(23.9)	(14.7)	5.3	2.2	7.5
<b>Total change</b>	<b>43.4</b>	<b>(61.3)</b>	<b>(17.9)</b>	<b>73.3</b>	<b>(103.7)</b>	<b>(30.4)</b>	<b>52.6</b>	<b>27.8</b>	<b>80.4</b>
<i>Interest bearing liabilities:</i>									
Demand deposits	0.5	(0.9)	(0.4)	1.7	(8.1)	(6.4)	0.4	0.1	0.5
Savings deposits	0.5	(1.4)	(0.9)	2.7	(18.7)	(16.0)	1.2	4.7	5.9
Time deposits	(2.4)	(6.3)	(8.7)	(3.8)	(5.0)	(8.8)	2.8	7.5	10.3
Repurchase agreements	0.3	(0.8)	(0.5)	0.5	(3.5)	(3.0)	0.1	1.1	1.2
Other borrowed funds	—	—	—	—	—	—	(0.2)	—	(0.2)
Long-term debt	2.2	(0.8)	1.4	5.2	(1.9)	3.3	(0.2)	0.2	—
Subordinated debentures held by subsidiary trusts	—	(0.2)	(0.2)	—	(1.5)	(1.5)	0.1	0.3	0.4
<b>Total change</b>	<b>1.1</b>	<b>(10.4)</b>	<b>(9.3)</b>	<b>6.3</b>	<b>(38.7)</b>	<b>(32.4)</b>	<b>4.2</b>	<b>13.9</b>	<b>18.1</b>
<b>Increase in FTE net interest income (1)</b>	<b>\$ 42.3</b>	<b>\$ (50.9)</b>	<b>\$ (8.6)</b>	<b>\$ 67.0</b>	<b>\$ (65.0)</b>	<b>\$ 2.0</b>	<b>\$ 48.4</b>	<b>\$ 13.9</b>	<b>\$ 62.3</b>

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

#### Provision for Credit Losses

Fluctuations in the provision for credit losses reflect management's estimate of possible credit losses based upon the composition of our loan portfolio, evaluation of the borrowers' ability to repay, collateral value underlying loans, loan loss trends, and estimated effects of current and forecasted economic conditions on our loans held for investment portfolio. During 2021, the Company reversed \$14.6 million of provision for credit losses, as compared to a provision for credit losses of \$56.9 million in 2020, with the difference largely attributable to the increase in allowance related to the adoption of CECL in 2020 and the subsequent economic challenges presented by the COVID-19 pandemic. The allowance for credit losses is updated quarterly based on the current loan portfolio, asset quality metrics, and a review of the current economic outlook. The provision for credit losses is reflective of net charge-offs of \$7.3 million, or 0.07% of average loans outstanding, for 2021, compared to \$14.2 million, or 0.14% of average loans outstanding in 2020.

For information regarding our non-performing loans, see "Non-Performing Assets" included herein. For information regarding our allowance for credit losses, see "Financial Condition—Allowance for Credit Losses" included herein.

## Non-interest Income

Our principal sources of non-interest income primarily include fee-based revenues such as payment services, mortgage banking and wealth management revenues, service charges on deposit accounts, and other service charges, commissions, and fees. The following table presents the composition of our non-interest income as of the dates indicated:

Non-interest Income	Year Ended December 31,			\$ Change		% Change	
	2021	2020	2019	2021 vs 2020	2020 vs 2019	2021 vs 2020	2020 vs 2019
<i>(Dollars in millions)</i>							
Payment services revenues	\$ 45.1	\$ 41.1	\$ 41.5	\$ 4.0	\$ (0.4)	9.7 %	(1.0)%
Mortgage banking revenues	40.8	47.3	33.2	(6.5)	14.1	(13.7)	42.5
Wealth management revenues	26.3	23.8	23.8	2.5	—	10.5	—
Service charges on deposit accounts	16.5	17.6	21.1	(1.1)	(3.5)	(6.3)	(16.6)
Other service charges, commissions, and fees	7.9	12.1	7.0	(4.2)	5.1	(34.7)	72.9
Investment securities gains (losses), net	1.1	0.3	0.1	0.8	0.2	266.7	200.0
Other income	12.8	14.5	15.9	(1.7)	(1.4)	(11.7)	(8.8)
Total non-interest income	\$ 150.5	\$ 156.7	\$ 142.6	\$ (6.2)	\$ 14.1	(4.0)	9.9

Non-interest income decreased \$6.2 million, or 4.0%, to \$150.5 million in 2021, as compared to \$156.7 million in 2020. Significant components of these fluctuations are discussed below.

Payment services revenues consist of interchange revenue that merchants pay for processing electronic payment transactions, associated fees earned from the issuance of business credit cards, consumer credit cards, and debit cards, and ATM service fees. Payment services revenues increased \$4.0 million, or 9.7%, to \$45.1 million in 2021, as compared to \$41.1 million for the same period in 2020, primarily due to increased business credit card and debit card volume.

Mortgage banking revenues include origination and processing fees on residential real estate loans held for sale, gains on residential real estate loans sold to third parties, income earned from the servicing of mortgages originated by the Company which are held by third parties, and any impairments to the Company's mortgage servicing rights valuation or subsequent recovery of those impairments. Fluctuations in market interest rates have a significant impact on mortgage banking revenues. Higher interest rates can reduce the demand for home loans and loans to refinance existing mortgages. Conversely, lower interest rates generally stimulate refinancing and home loan origination. Mortgage banking revenues decreased \$6.5 million, or 13.7%, to \$40.8 million in 2021, as compared to \$47.3 million in 2020. The decrease was primarily driven by a decline in origination volume compared to 2020. The impact of volume declines on mortgage banking revenue was compounded by an intentional decrease in the percentage of originations sold on the secondary market through the first half of 2021. The decrease in realized gain on sale was partially offset by a \$6.9 million recovery in our mortgage servicing rights impairment during 2021 as compared with \$9.9 million in valuation impairment charges taken in 2020. Loans originated for home purchases accounted for approximately 56.8% of 2021 loan production, as compared to approximately 42.7% in 2020.

Wealth management revenues are principally comprised of fees earned for management of trust assets and investment services. Wealth management revenues increased \$2.5 million in 2021, or 10.5%, to \$26.3 million, as compared to \$23.8 million in 2020, primarily due to an increase in trust service fees and investment services related to an increase in assets under management. The Company had \$5.9 billion of assets under management at December 31, 2021 compared to \$5.2 billion at December 31, 2020.

Service charge fees are primarily driven by service and overdraft charges on deposit accounts. These service charges decreased \$1.1 million, or 6.3%, to \$16.5 million in 2021, as compared to \$17.6 million in 2020. The decrease in 2021 is primarily due to higher levels of client account balances and changes in client behavior resulting in lower service and overdraft charges. In January 2022, the Company announced, beginning in the second quarter of 2022, it will be eliminating non-sufficient funds fees and reducing overdraft related charges.

Other service charges, commissions, and fees primarily include fees earned on certain derivative interest rate contracts, insurance commissions, and safe deposit boxes. Other service charges, commissions, and fees decreased \$4.2 million, or 34.7%, to \$7.9 million in 2021, as compared \$12.1 million in 2020, primarily due to lower levels of fees earned on derivative interest rate swap contracts offered to clients in 2021.

Other income primarily includes company-owned life insurance revenues, check printing income, agency stock dividends and gains on sales of miscellaneous assets. Other income decreased \$1.7 million, or 11.7%, to \$12.8 million in 2021, as compared to \$14.5 million for the same period in 2020, principally due to higher life insurance benefits earned in 2020, partially offset by higher gains on sales of assets in 2021.

#### Non-interest Expense

The following table presents the composition of our non-interest expense as of the dates indicated:

Non-interest Expense <i>(Dollars in millions)</i>	Year Ended December 31,			\$ Change		% Change	
	2021	2020	2019	2021 vs 2020	2020 vs 2019	2021 vs 2020	2020 vs 2019
Salaries and wages	\$ 164.9	\$ 173.7	\$ 155.3	\$ (8.8)	\$ 18.4	(5.1)%	11.8 %
Employee benefits	55.8	49.4	51.5	6.4	(2.1)	13.0	(4.1)
Outsourced technology services	32.8	32.8	32.3	—	0.5	—	1.5
Occupancy, net	28.7	28.5	28.3	0.2	0.2	0.7	0.7
Furniture and equipment	17.6	15.5	13.2	2.1	2.3	13.5	17.4
OREO expense, net of income	(0.2)	(0.5)	(2.2)	0.3	1.7	(60.0)	NM
Professional fees	12.1	10.9	11.6	1.2	(0.7)	11.0	(6.0)
FDIC insurance premiums	6.6	5.9	3.5	0.7	2.4	11.9	68.6
Core deposit intangibles amortization	9.9	10.9	11.2	(1.0)	(0.3)	(9.2)	(2.7)
Other expenses	65.7	60.4	63.6	5.3	(3.2)	8.8	(5.0)
Acquisition related expenses	11.6	—	20.3	11.6	(20.3)	100.0	(100.0)
Total non-interest expense	\$ 405.5	\$ 387.5	\$ 388.6	\$ 18.0	\$ (1.1)	4.6	(0.3)

Non-interest expense increased \$18.0 million, or 4.6%, to \$405.5 million in 2021, as compared to \$387.5 million in 2020. Included in the year over year increase were acquisition related expenses of \$11.6 million and a legal settlement of \$1.0 million. Excluding these expenses, non-interest expense increased \$5.4 million, or 1.4%, as compared to 2020. Significant components of these changes are discussed in more detail below.

Salaries and wages expense decreased \$8.8 million, or 5.1%, to \$164.9 million in 2021, as compared to \$173.7 million in 2020. The decrease was a result of lower levels of mortgage loan originator commissions and lower levels of short-term incentive accruals during 2021 as compared to 2020, partially offset by normal merit increases.

Employee benefits expense increased \$6.4 million, or 13.0%, to \$55.8 million in 2021, as compared to \$49.4 million in 2020, primarily due to higher health insurance costs and higher long-term incentive accruals as compared to 2020.

Furniture and equipment expense increased \$2.1 million, or 13.5%, to \$17.6 million in 2021, as compared to \$15.5 million in 2020, primarily due to an increase in depreciation expense.

Professional fee expense increased \$1.2 million, or 11.0%, to \$12.1 million in 2021, as compared to \$10.9 million in 2020, primarily related to investment advisory services.

Core deposit intangibles represent the intangible value of depositor relationships resulting from deposit liabilities assumed, as a result of acquisitions, and are amortized using the accelerated method over the estimated useful lives of the related deposits. Core deposit intangibles amortization expense decreased \$1.0 million, or 9.2%, to \$9.9 million in 2021, as compared to \$10.9 million in 2020.

Other expenses primarily include advertising and public relations costs; office supply, postage, freight, telephone, and travel expenses; donations expense; debit and credit card expenses; board of director fees; legal expenses; and other losses. Other expenses increased \$5.3 million, or 8.8%, to \$65.7 million in 2021, as compared to \$60.4 million in 2020. The increase in other expenses were primarily the result of higher donation expense, legal settlement, and higher debit and credit card processing fees and related rewards expense.



Acquisition related expenses primarily include legal and professional fees; technology, conversion, and contract termination costs; employee severance and retention payments; and travel expenses. Acquisition related expenses of \$11.6 million were incurred during 2021 related to the 2022 acquisition of GWB, compared to no acquisition related expenses incurred during 2020. For additional information regarding our GWB acquisition, see “Recent Trends and Developments” included herein. For additional information regarding our 2019 acquisitions refer to “Notes to Consolidated Financial Statements—Acquisitions,” included in Part IV, Item 15 of the Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

#### *Income Tax Expense*

Our effective federal tax rate was 17.4% for the year ended December 31, 2021 compared to 17.5% for the year ended December 31, 2020. Fluctuations in effective federal income tax rates are primarily due to the timing of federal tax credits resulting from our participation in the New Markets Tax Credits Program, a program through the U.S. Department of Treasury aimed at attracting private capital into low-income communities. For additional information about our participation in the New Markets Tax Credits Program, see “Notes to Consolidated Financial Statements—Summary of Significant Accounting Policies,” included in Part IV, Item 15 of this report.

State income tax applies primarily to pretax earnings generated within Idaho, Montana, Oregon, and South Dakota. Our effective state tax rate was 5.1% for the year ended December 31, 2021 compared to 5.4% for the year ended December 31, 2020.

#### **Financial Condition**

The financial condition discussion below is based upon our Consolidated Balance Sheet in Part IV, Item 15 of this Report. A similar discussion and analysis comparing fiscal year 2020 to fiscal year ended December 31, 2019 may be found in Part II, Item 7, “Financial Condition” in our Annual Report on Form 10-K for the year ended December 31, 2020, which is incorporated herein by reference.

Total assets increased \$2,023.2 million, or 11.5%, to \$19,671.9 million as of December 31, 2021, from \$17,648.7 million as of December 31, 2020, primarily as a result of higher deposits, which resulted in an increase in cash and cash equivalents of \$68.0 million, an increase to our investment securities portfolio of \$2,447.8 million, partially offset by a decrease in loans held for investment of \$475.8 million.

#### *Loans Held for Sale*

Loans held for sale consist of residential mortgage loans that are pending sale to investors in the secondary market. Loans held for sale decreased \$43.9 million, or 59.3%, to \$30.1 million as of December 31, 2021, compared to \$74.0 million as of December 31, 2020. The decrease was primarily due to the decline in mortgage loans originated for sale over the second half of 2021.

## Loans Held for Investment, Net of Deferred Fees and Costs

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

### Loans Outstanding

(Dollars in millions)

	As of December 31,									
	2021	Percent	2020	Percent	2019	Percent	2018	Percent	2017	Percent
<b>Real estate:</b>										
Commercial	\$ 3,971.5	42.5 %	\$ 3,743.2	38.1 %	\$ 3,487.8	39.2 %	\$ 3,247.5	38.3 %	\$ 2,809.9	37.1 %
Construction	1,007.8	10.8	1,039.4	10.6	977.7	10.8 %	838.7	9.9	708.3	9.3
Residential	1,538.2	16.5	1,396.3	14.2	1,246.1	14.0 %	1,284.3	15.2	1,261.7	16.7
Agricultural	213.9	2.3	220.6	2.2	226.6	2.5 %	217.4	2.6	158.2	2.1
Consumer	931.7	10.0	1,025.9	10.4	1,045.2	11.7 %	1,070.2	12.6	1,034.4	13.7
Commercial	1,475.5	15.8	2,153.9	22.0	1,673.7	18.7 %	1,560.3	18.4	1,456.6	19.2
Agricultural	203.9	2.1	247.6	2.5	279.1	3.1 %	254.8	3.0	136.2	1.8
Other	1.5	—	1.6	—	—	—	1.6	—	4.9	0.1
Loans held for investment	9,344.0	100.0 %	9,828.5	100.0 %	8,936.2	100.0 %	8,474.8	100.0 %	7,570.2	100.0 %
Deferred loan and fees and costs	(12.3)		(21.0)		(5.5)		(4.4)		(2.5)	
Loans held for investment, net of deferred fees and costs	9,331.7		9,807.5		8,930.7		8,470.4		7,567.7	
Less allowance for credit losses*	122.3		144.3		73.0		73.0		72.1	
Loans held for investment, net of allowance	\$ 9,209.4		\$ 9,663.2		\$ 8,857.7		\$ 8,397.4		\$ 7,495.6	
Allowance to loans held for investment		1.31 %		1.47 %		0.82 %		0.86 %		0.95 %

\*Allowance for credit losses on loans (ACLL) for the 2021 and 2020 periods; Allowance for loan losses (ALLL) for the 2019 and prior periods.

Loans held for investment, net of deferred fees and costs, decreased \$475.8 million, or 4.9%, to \$9,331.7 million as of December 31, 2021, from \$9,807.5 million as of December 31, 2020. Significant contributing portfolios are discussed in greater detail below.

**Real Estate Loans.** We provide interim construction and permanent financing for both single-family and multi-unit properties, medium-term loans for commercial, agricultural and industrial property and/or buildings and equity lines of credit secured by real estate.

**Commercial real estate loans.** Commercial real estate loans include loans for property and improvements used commercially by the borrower or for lease to others for the production of goods or services. Approximately 41.7% and 45.5% of our commercial real estate loans were owner occupied as of December 31, 2021 and 2020, respectively. Commercial real estate loans increased \$228.3 million, or 6.1%, to \$3,971.5 million as of December 31, 2021, from \$3,743.2 million as of December 31, 2020. Growth primarily occurred in Idaho, Oregon, and Washington offset by decreases in Wyoming and South Dakota.

**Construction loans.** Construction loans are primarily to commercial builders for residential lot development and the construction of single-family residences and commercial real estate properties. Construction loans are generally underwritten pursuant to pre-approved permanent financing. As of December 31, 2021, our construction loan portfolio was divided among the following categories: approximately \$262.0 million, or 26.0%, residential construction; approximately \$498.0 million, or 49.4%, commercial construction; and approximately \$247.8 million, or 24.6%, land acquisition and development. This compares to approximately \$250.9 million, or 24.1%, residential construction; approximately \$523.5 million, or 50.4%, commercial construction; and approximately \$265.0 million, or 25.5%, land acquisition and development as of December 31, 2020. Construction loans decreased \$31.6 million, or 3.0%, to \$1,007.8 million as of December 31, 2021, from \$1,039.4 million as of December 31, 2020, primarily due to decreases in both commercial and land acquisition and development loans, which was partially offset by an increase in residential construction loans.

**Residential real estate loans.** Retained residential real estate loans are typically secured by first liens on the financed property and generally mature in less than 15 years. Included in residential real estate loans were home equity loans and lines of credit of \$394.6 million and \$384.0 million as of December 31, 2021 and December 31, 2020, respectively. Residential real estate loans increased \$141.9 million, or 10.2%, to \$1,538.2 million as of December 31, 2021, from \$1,396.3 million as of December 31, 2020 as a result of our decision to hold a portion of our mortgage loans originated on our balance sheet. During 2021 and 2020, we sold most of our residential real estate loan production to secondary investors.

**Consumer Loans.** Our consumer loans include direct personal loans; credit card loans and lines of credit; and indirect loans created when we purchase consumer loan contracts advanced for the purchase of automobiles, boats, and other consumer goods from the consumer product dealer network within the market areas we serve. Personal loans and indirect dealer loans are generally secured by automobiles, recreational vehicles, boats, and other types of personal property and are made on an installment basis. Credit cards are offered to clients in our market areas. Lines of credit are generally floating rate loans that are unsecured or secured by personal property. Approximately 79.2% and 78.5% of our consumer loans as of December 31, 2021 and 2020, respectively, were indirect consumer loans. Consumer loans decreased \$94.2 million, or 9.2%, to \$931.7 million as of December 31, 2021, from \$1,025.9 million as of December 31, 2020. Within the consumer loan portfolio, indirect consumer loans decreased \$67.5 million, or 8.4%, direct consumer loans decreased \$21.4 million, or 14.2%, and credit card loans decreased \$5.3 million, or 7.5%.

**Commercial Loans.** We provide a mix of variable and fixed rate commercial loans. The loans are typically made to small and medium-sized manufacturing, wholesale, retail, and service businesses for working capital needs and business expansions. Commercial loans generally include lines of credit, business credit cards, and loans with maturities of five years or less and outstanding balances tend to be cyclical in nature. The loans are generally made with business operations as the primary source of repayment and are typically collateralized by inventory, accounts receivable, equipment, and/or personal guarantees. Commercial loans decreased \$678.4 million, or 31.5%, to \$1,475.5 million as of December 31, 2021, from \$2,153.9 million as of December 31, 2020, primarily as a result of PPP loan activity. Commercial loans included \$100.0 million of PPP loans as of December 31, 2021 compared to \$739.8 million as of December 31, 2020. During 2021, \$1,120.1 million of PPP loans were forgiven by the Small Business Administration and the Company funded an additional \$480.3 million of PPP loans. Exclusive of PPP loans, commercial loans decreased \$38.7 million, primarily due to pay-downs within the portfolio.

**Agricultural Loans.** Our agricultural loans generally consist of short- and medium-term loans and lines of credit that are primarily used for crops, livestock, equipment, and general operations. Agricultural loans are ordinarily secured by assets such as livestock or equipment and are repaid from the operations of the farm or ranch. Agricultural loans generally have maturities of five years or less, with operating lines for one production season. Agricultural loans decreased \$43.7 million, or 17.6%, to \$203.9 million as of December 31, 2021, from \$247.6 million as of December 31, 2020, primarily due to payoffs and pay-downs within the portfolio.

The following table presents the maturity distribution of our loan portfolio and the sensitivity of the loans to changes in interest rates as of December 31, 2021:

**Maturities and Interest Rate Sensitivities**  
(Dollars in millions)

	Within One Year	One Year to Five Years	Five Years to Fifteen Years	After Fifteen Years	Total
Real estate	\$ 1,685.2	\$ 3,596.4	\$ 1,124.0	\$ 325.8	\$ 6,731.4
Consumer	264.3	565.0	99.9	2.5	931.7
Commercial	639.9	738.1	92.2	5.3	1,475.5
Agricultural	163.5	38.7	0.4	1.3	203.9
Other	—	—	—	1.5	1.5
Loans held for investment	\$ 2,752.9	\$ 4,938.2	\$ 1,316.5	\$ 336.4	\$ 9,344.0
Loans at fixed interest rates	\$ 1,438.4	\$ 2,950.0	\$ 609.0	\$ 7.0	\$ 5,004.4
Loans at variable interest rates	1,314.5	1,988.2	707.5	304.5	4,314.7
Non-accrual loans	—	—	—	24.9	24.9
Loans held for investment	\$ 2,752.9	\$ 4,938.2	\$ 1,316.5	\$ 336.4	\$ 9,344.0

## Non-Performing Assets

Non-performing assets include non-accrual loans, loans contractually past due by 90 days or more and still accruing interest, and OREO. The following table sets forth information regarding non-performing assets as of the dates indicated:

### Non-Performing Assets and Troubled Debt Restructurings

(Dollars in millions)

As of December 31,	2021	2020	2019	2018	2017
<b>Non-performing loans:</b>					
Non-accrual loans	\$ 24.9	\$ 39.5	\$ 42.9	\$ 54.3	\$ 69.4
Accruing loans past due 90 days or more	2.8	8.5	5.7	3.8	3.1
Total non-performing loans	27.7	48.0	48.6	58.1	72.5
OREO	2.0	2.5	8.5	14.4	10.1
Total non-performing assets	\$ 29.7	\$ 50.5	\$ 57.1	\$ 72.5	\$ 82.6
<b>Troubled debt restructurings not included above (1)</b>					
	\$ 2.3	\$ 3.2	\$ 5.5	\$ 5.6	\$ 12.6
Non-accrual loans to loans held for investment	0.27 %	0.40 %	0.48 %	0.64 %	0.92 %
Non-performing assets to loans held for investment and OREO (2)	0.32	0.51	0.64	0.86	1.09
Non-performing assets to total assets (3)	0.15	0.29	0.39	0.55	0.68
Allowance for credit losses to non-performing loans (4)	441.52	300.63	150.21	125.65	99.40

- (1) Accruing loans modified in troubled debt restructurings are not considered non-performing loans. While still considered impaired under applicable accounting guidance for the 2017 to 2019 periods, these loans are performing as agreed under their modified terms and management expects performance to continue.
- (2) Including accruing troubled debt restructurings described in footnote 1, the ratio of non-performing assets to loans held for investment and OREO would be 0.34%, 0.55%, 0.70%, 0.92% and 1.26% as of December 31, 2021, 2020, 2019, 2018, and 2017, respectively.
- (3) Including accruing troubled debt restructurings described in footnote 1, the ratio of non-performing assets to total assets would be 0.16%, 0.30%, 0.43%, 0.59% and 0.78% as of December 31, 2021, 2020, 2019, 2018, and 2017, respectively.
- (4) Including accruing troubled debt restructurings described in footnote 1, the ratio of allowance for credit losses to non-performing loans would be 407.67%, 281.84%, 134.91%, 114.55% and 84.72% as of December 31, 2021, 2020, 2019, 2018, and 2017, respectively.

**Non-performing loans.** Non-performing loans include non-accrual loans and loans contractually past due 90 days or more and still accruing interest. Non-performing loans decreased \$20.3 million, or 42.3%, to \$27.7 million as of December 31, 2021, from \$48.0 million as of December 31, 2020. Non-accrual loans, the largest component of non-performing loans, decreased \$14.6 million, or 37.0%, to \$24.9 million as of December 31, 2021, from \$39.5 million as of December 31, 2020. This decrease was primarily due to movement of non-performing loans out of the portfolio through pay-downs, charge-offs, and the resolution of workout strategies in the commercial loan portfolio.

**Non-accrual loans.** We generally place loans on non-accrual status when they become 90 days past due unless they are well secured and in the process of collection. When a loan is placed on non-accrual status, any interest previously accrued but not collected is reversed from income. Non-accrual loans decreased approximately \$14.6 million, to \$24.9 million, as of December 31, 2021, from \$39.5 million as of December 31, 2020, primarily as a result of charge-offs and the execution and resolution of workout strategies of non-performing loans. Accruing loans past due 90 days or more decreased \$5.7 million, or 67.1%, primarily due to decreases in commercial real estate and agricultural loan portfolios. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and when, in the opinion of management, the loans are estimated to be fully collectible as to both principal and interest.

For additional information regarding non-performing loans, see “Notes to Consolidated Financial Statements—Loans Held For Investment” included in financial statements included Part IV, Item 15 of this report.

**OREO.** OREO consists of real property acquired through foreclosure on the collateral underlying defaulted loans. We initially record OREO at fair value less estimated selling costs. Any excess of loan carrying value over the fair value of the real estate acquired is recorded as a charge against the allowance for credit losses. Estimated losses that result from the ongoing periodic valuation of these properties are charged to earnings in the period in which they are identified. The fair values of OREO properties are estimated using appraisals and management estimates of current market conditions. OREO properties are appraised every 18-24 months unless deterioration in local market conditions indicates the need to obtain new appraisals sooner. OREO properties are evaluated by management quarterly to determine if additional write-downs are appropriate or necessary based on current market conditions. Quarterly evaluations include a review of the most recent appraisal of the property and reviews of recent appraisals and comparable sales data for similar properties in the same or adjacent market areas. Commercial and agricultural OREO properties are listed with unrelated third party professional real estate agents or brokers local to the areas where the marketed properties are located. Residential properties are typically listed with local realtors, after any redemption period has expired. We rely on these local real estate agents and/or brokers to list the properties on the local multiple listing system, to provide marketing materials and advertisements for the properties, and to conduct open houses. OREO decreased to \$2.0 million as of December 31, 2021, from \$2.5 million as of December 31, 2020. As of December 31, 2021, 79.2% of our OREO balance was related to commercial properties, 13.3% was related to an agricultural real estate property, and 7.5% was related to a 1-4 family property.

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

<b>Non-Performing Loans by Loan Type</b> (Dollars in millions)	As of December 31,									
	2021	Percent	2020	Percent	2019	Percent	2018	Percent	2017	Percent
<b>Real estate:</b>										
Commercial	\$ 8.6	31.1 %	\$ 13.6	28.3 %	\$ 13.6	28.0 %	\$ 10.0	17.2 %	\$ 27.1	37.4 %
<b>Construction:</b>										
Land acquisition and development	0.7	2.5	0.8	1.7	1.7	3.5	3.9	6.7	3.3	4.6
Residential	—	—	1.1	2.3	—	—	1.0	1.7	1.7	2.3
Commercial	—	—	0.1	0.2	0.5	1.0	0.2	0.3	3.8	5.2
Total construction	0.7	2.5	2.0	4.2	2.2	4.5	5.1	8.7	8.8	12.1
Residential	3.0	10.8	5.1	10.6	5.7	11.7	6.8	11.8	8.6	11.8
Agricultural	4.9	17.7	6.2	12.9	5.2	10.7	12.6	21.7	3.6	5.0
Total real estate	17.2	62.1	26.9	56.0	26.7	54.9	34.5	59.4	48.1	66.3
<b>Consumer</b>										
Commercial	2.8	10.1	3.6	7.5	3.5	7.3	3.5	6.0	3.3	4.6
Commercial	6.1	22.0	13.0	27.1	16.0	32.9	17.1	29.4	20.3	28.0
Agricultural	1.6	5.8	4.5	9.4	2.4	4.9	3.0	5.2	0.8	1.1
Total non-performing loans	\$ 27.7	100.0 %	\$ 48.0	100.0 %	\$ 48.6	100.0 %	\$ 58.1	100.0 %	\$ 72.5	100.0 %

**Collateral-dependent loans.** Collateral-dependent loans rely solely on the operation or sale of the collateral for repayment. In evaluating the overall risk associated with a loan, the Company considers character, overall financial condition and resources, and payment record of the borrower; the prospects for support from any financially responsible guarantors; and the nature and degree of protection provided by the cash flow and value of any underlying collateral. The loan may become collateral-dependent where the borrower is experiencing financial difficulty and as sources of repayment become inadequate over time and that repayment is expected to be provided substantially through the operation or sale of the collateral. Collateral-dependent loans decreased to \$11.7 million as of December 31, 2021, from \$17.5 million as of December 31, 2020.

**Troubled Debt Restructurings.** Modifications of performing loans are made in the ordinary course of business and are completed on a case-by-case basis as negotiated with the borrower. Loan modifications typically include interest rate concessions, interest-only periods, short-term payment deferrals, and extension of amortization periods to provide payment relief. A loan modification is considered a troubled debt restructuring if the borrower is experiencing financial difficulties and we, for economic or legal reasons, grant a concession to the borrower that we would not otherwise consider. Those modifications deemed to be troubled debt restructurings are monitored centrally to ensure proper classification as a troubled debt restructuring and if or when the loan may be placed on accrual status.

As of December 31, 2021, we had loans renegotiated in troubled debt restructurings of \$6.2 million, of which \$3.9 million were reported as non-accrual loans in the non-performing asset and troubled debt restructurings and non-performing loan tables above. The remaining \$2.3 million were on accrual status and are reported as troubled debt restructurings in the non-performing asset and troubled debt restructurings table above.

As of December 31, 2020, we had loans renegotiated in troubled debt restructurings of \$14.5 million, of which \$11.3 million were reported as non-accrual loans in the non-performing asset and troubled debt restructurings and non-performing loan tables above. The remaining \$3.2 million were on accrual status and are reported as troubled debt restructurings in the non-performing asset and troubled debt restructurings table above.

For additional information regarding loans modified in troubled debt restructurings, see “Notes to Consolidated Financial Statements—Loans Held For Investment” included in financial statements included Part IV, Item 15 of this report.

#### *Allowance for Credit Losses*

The Company performs a quarterly assessment of the adequacy of its allowance for credit losses in accordance with GAAP. The methodology used to assess the adequacy is consistently applied to the Company’s loans held for investment portfolio. The allowance for credit losses is established through a provision for credit losses based on our evaluation of quantitative and qualitative risk factors in our loan portfolio at each balance sheet date. In determining the allowance for credit losses, we estimate losses on specific loans, or groups of loans, where the expected loss can be identified and reasonably determined. The balance of the allowance for credit losses is based on internally assigned risk classifications of loans, historical loan loss rates, changes in the nature or tenure of the loan portfolio, overall portfolio quality, industry concentrations, delinquency trends, current environmental and economic factors, and the estimated impact of current and forecasted economic conditions on certain historical loan loss rates. See the discussion under “Critical Accounting Estimates and Significant Accounting Policies — Allowance for Credit Losses” above.

The allowance for credit losses is increased by provisions charged against earnings and net recoveries of charged-off loans and is reduced by negative provisions credited to earnings and net loan charge-offs. The allowance for credit losses consists of three elements:

- (1) Specific valuation allowances associated with collateral-dependent loans. Specific valuation allowances are determined based on assessment of the fair value of the collateral underlying the loans as determined through independent appraisals, the present value of future cash flows, observable market prices, and any relevant qualitative or environmental factors impacting loans.
- (2) Historical valuation allowances based on loan loss experience for similar loans with similar characteristics and trends. The Company applies probability of default and loss given default methodologies for all portfolio segments. The Company uses a transition matrix for probability of default components of the methodology and a historical average for the loss given default components of the methodology. The probability of default and loss given default is applied to the current principal balance as of the reporting date. The transition matrix determines the probability of default by tracking the historical movement of loans between loan risk tiers over a defined period of time. Loan transitions are measured by either internal ratings or delinquency status. Those loans tracked by ratings are generally commercial purpose including agricultural, commercial, and commercial real estate. Those loans tracked by delinquency are generally consumer in nature, with the exception of multi-family and credit cards. The loss given default used as the basis for the estimate of credit losses is comprised of the Company’s historical loss experiences from 2008 to the current period, based on a migration analysis of our historical loss experience, designed to account for credit deterioration. The model compares the most recent period losses to prior period defaults to calculate the loss given default, which is averaged over the historical observations.
- (3) General valuation allowances determined based on changes in the nature of the loan portfolio, overall portfolio quality, industry concentrations, delinquency trends, general economic conditions or forecasts, and other qualitative risk factors, both internal and external to us, including the incorporation of a one-year forecast period for economic conditions.

Based on the assessment of the adequacy of the allowance for credit losses, the Company records provisions for credit losses to maintain the allowance for credit losses at appropriate levels.

Loans acquired in business combinations are initially recorded at fair value as adjusted for credit risk and an allowance for credit losses at the date of acquisition. For loans with no significant evidence of credit deterioration since origination, the difference between the fair value and the unpaid principal balance of the loan at the acquisition date is amortized into interest income using the effective interest method over the remaining period to contractual maturity. An allowance for credit loss is recorded for the life of loan expected credit losses on loans acquired without evidence of credit deterioration. Subsequent changes to the allowance for credit losses are recorded through provision expense using the same methodology as other loans held for investment.

For loans acquired in business combinations with evidence of deterioration in credit quality since origination, the Company determines the fair value of the loans by estimating the amount and timing of principal and interest cash flows initially expected to be collected on the loans and discounting those cash flows at an appropriate market rate of interest. An allowance for credit losses is recognized by estimating the expected credit losses of the purchased asset and recording an adjustment to the acquisition date fair value to establish the initial amortized cost basis of the asset. Differences between the established amortized cost basis, and the unpaid principal balance of the asset, is considered to be a non-credit discount/premium and is accreted/amortized into interest income using the level yield interest method. Subsequent changes to the allowance for credit losses are recorded through provision expense using the same methodology as other loans held for investment.

Loans, or portions thereof, are charged-off against the allowance for credit losses when management believes the collectability of the principal is unlikely, or, with respect to consumer installment loans, according to an established delinquency schedule. Generally, loans are charged-off when (1) there has been no material principal reduction within the previous 90 days and there is no pending sale of collateral or other assets, (2) there is no significant or pending event which will result in principal reduction within the upcoming 90 days, (3) it is clear that we will not be able to collect all or a portion of the loan, (4) payments on the loan are sporadic, will result in an excessive amortization, or are not consistent with the collateral held, or (5) foreclosure or repossession actions are pending. Loan charge-offs do not directly correspond with the receipt of independent appraisals or the use of observable market data if the collateral value is determined to be sufficient to repay the principal balance of the loan.

If a collateral-dependent loan is adequately collateralized, a specific valuation allowance is not recorded. As such, significant changes in collateral-dependent and non-performing loans do not necessarily correspond proportionally with changes in the specific valuation component of the allowance for credit losses. Additionally, the Company expects the timing of charge-offs will vary between quarters and will not necessarily correspond proportionally to changes in the allowance for credit losses or changes in non-performing or collateral dependent loans due to timing differences among the initial identification of a collateral-dependent loan, recording of a specific valuation allowance for collateral-dependent loans, and any resulting charge-off of uncollectible principal.

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

### Allowance for Credit Losses

(Dollars in millions)

As of and for the year ended December 31,	2021	2020	2019	2018	2017
Allowance for credit losses on loans: <sup>(1)</sup>					
Beginning balance	\$ 144.3	\$ 73.0	\$ 73.0	\$ 72.1	\$ 76.2
Initial impact of adopting ASC 326	—	30.0	—	—	—
Provision charged to operating expense <sup>(2)</sup>	(14.7)	55.5	13.9	8.6	11.0
Charge-offs:					
Real estate					
Commercial	2.3	0.4	0.2	1.9	2.3
Construction	1.4	0.5	2.0	0.7	0.8
Residential	0.1	—	1.3	1.1	1.2
Agricultural	0.7	—	—	—	—
Consumer	8.2	10.8	13.0	11.3	11.3
Commercial	3.7	9.1	6.6	4.7	6.8
Agricultural	0.2	0.1	0.5	—	0.4
Total charge-offs	16.6	20.9	23.6	19.7	22.8
Recoveries:					
Real estate					
Commercial	0.1	0.3	0.5	1.9	0.9
Construction	0.6	0.4	1.3	0.9	0.2
Residential	0.3	0.4	0.9	0.9	0.3
Consumer	4.5	3.9	3.6	4.5	4.2
Commercial	3.8	1.7	3.4	3.6	2.1
Agricultural	—	—	—	0.2	—
Total recoveries	9.3	6.7	9.7	12.0	7.7
Net charge-offs	7.3	14.2	13.9	7.7	15.1
Ending balance	\$ 122.3	\$ 144.3	\$ 73.0	\$ 73.0	\$ 72.1
Allowance for off-balance sheet credit losses:					
Beginning balance	\$ 3.7	\$ —	\$ —	\$ —	\$ —
Initial impact of adopting ASC 326	—	2.3	—	—	—
Provision for off-balance sheet credit losses	0.1	1.4	—	—	—
Ending balance	\$ 3.8	\$ 3.7	\$ —	\$ —	\$ —
Total allowance for credit losses	\$ 126.1	\$ 148.0	\$ 73.0	\$ 73.0	\$ 72.1
Total (reversal of) provision for credit losses	(14.6)	56.9	13.9	8.6	11.0
Loans held for investment	9,331.7	9,807.5	8,930.7	8,470.4	7,567.7
Average loans	9,788.9	9,825.0	8,879.1	7,985.0	6,675.4
Net charge-offs to average loans	0.07 %	0.14 %	0.16 %	0.10 %	0.23 %
Allowance to non-accrual loans	491.16	365.32	170.16	134.44	103.89
Allowance to loans held for investment	1.31	1.47	0.82	0.86	0.95

<sup>(1)</sup> Allowance for credit losses on loans (ACLL) for the 2021 and 2020 periods; allowance for loan losses (ALLL) for the 2019 and prior periods.

<sup>(2)</sup> Provision for credit losses on loans for the 2021 and 2020 periods; provision for loan losses for the 2019 and prior periods.



Our allowance for credit losses on loans was \$122.3 million, or 1.31% of loans held for investment, including PPP loans, as of December 31, 2021, as compared to \$144.3 million, or 1.47% of loans held for investment, as of December 31, 2020. The decrease in the percentage from December 31, 2020 is primarily a result of changes in the Company's internal economic forecast and improvement in credit quality. The allowance for credit losses represents management's estimate of expected credit losses in the loan portfolio expected over the life of the loan, including the incorporation of a one-year forecast period for economic conditions.

Although we have established our allowance for credit losses in accordance with GAAP in the United States and we believe that the allowance for credit losses is adequate to provide for known and inherent losses in the portfolio at all times, future provisions will be subject to on-going evaluations of the risks in the loan portfolio. If the economy declines or asset quality deteriorates, material additional provisions could be required.

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

#### Allocation of the Allowance for Credit Losses

(Dollars in millions)

As of December 31,	2021		2020		2019		2018		2017	
	Allocated Reserves	% of Loan Category to Loans	Allocated Reserves	% of Loan Category to Loans	Allocated Reserves	% of Loan Category to Loans	Allocated Reserves	% of Loan Category to Loans	Allocated Reserves	% of Loan Category to Loans
Real estate	\$ 69.3	72.1 %	\$ 80.5	65.1 %	\$ 28.9	66.5 %	\$ 31.0	66.0 %	\$ 31.7	65.3 %
Consumer	21.1	10.0	23.9	10.4	9.9	11.7	8.7	12.6	8.7	13.7
Commercial	31.6	15.8	39.2	22.0	32.6	18.7	31.3	18.4	30.5	19.2
Agricultural	0.3	2.1	0.7	2.5	1.6	3.1	2.0	3.0	1.2	1.8
Totals	\$ 122.3	100.0 %	\$ 144.3	100.0 %	\$ 73.0	100.0 %	\$ 73.0	100.0 %	\$ 72.1	100.0 %

The allowance for credit losses allocated to real estate loans decreased 13.9%, consumer loans decreased 11.7%, and commercial loans decreased 19.4% as of December 31, 2021 as compared to December 31, 2020, primarily a result of improvements in the overall economy, including unemployment rates, and improvement in credit quality.

#### Investment Securities

We manage our investment portfolio to obtain the highest yield possible while meeting our risk tolerance and liquidity guidelines and satisfying the pledging requirements for deposits of state and political subdivisions and securities sold under repurchase agreements. Our portfolio principally comprises U.S. treasuries, U.S. government agency residential and commercial mortgage-backed securities and collateralized mortgage obligations, U.S. government agency securities, and tax-exempt securities. Federal funds sold and interest-bearing deposits in bank are additional investments that are classified as cash equivalents rather than as investment securities. Investment securities classified as available-for-sale are recorded at fair value, while investment securities classified as held-to-maturity are recorded at amortized cost. Unrealized gains or losses, net of the deferred tax effect, on available-for-sale securities are reported as increases or decreases in accumulated other comprehensive income or loss, a component of stockholders' equity.

Investment securities increased \$2,447.8 million, or 60.3%, to \$6,508.1 million as of December 31, 2021, from \$4,060.3 million as of December 31, 2020. The increase is primarily due to a greater volume of funds available for investment generated through deposit growth.

In 2021, the Company invested \$500.0 million in five-year U.S. treasuries at 87 basis points, while simultaneously entering into a two-year forward starting, three-year pay-fixed interest rate swap on \$500.0 million notional amount. Beginning on June 30, 2023, the Company will begin receiving effective federal funds, and will pay 1.19% interest on such funds. Additionally, the Company also invested \$200.0 million in seven-year U.S. treasuries at 99 basis points, while simultaneously entering into a three-year forward starting, four-year pay-fixed interest rate swap on \$200.0 million notional amount. Beginning on August 31, 2024, the Company will begin receiving effective federal funds, and will pay 1.22% interest on such funds.

During the second quarter of 2021, the Company transferred debt securities with an amortized cost of \$646.7 million and an estimated fair value of \$672.2 million from the available-for-sale to the held-to-maturity classification. These securities consisted of residential and commercial mortgage-backed securities and collateralized mortgage obligations (\$629.4 million amortized cost and \$654.5 million estimated fair value) and corporate securities (\$17.3 million amortized cost and \$17.7 million estimated fair value) and were transferred as the Company has the positive intent and ability to hold these securities to maturity. The transfer of debt securities into the held-to-maturity category was recorded at fair value on the date of transfer. The net unrealized gains on the transfer date are included in accumulated other comprehensive income and are being accreted over the remaining lives of the securities. This accretion is expected to offset the amortization of the related premium created by the investment securities transfer into the held-to-maturity classification, with no expected impact on future net income.

See Notes “Investment Securities” and “Derivatives and Hedging Activities” included in Part IV, Item 15 of this report for additional details.

As of December 31, 2021, the estimated duration of our investment portfolio was 3.6 years, as compared to 3.3 years as of December 31, 2020. The weighted average yield on investment securities decreased 66 basis points to 1.36% in 2021, from 2.02% in 2020, and decreased 37 basis points to 2.02% in 2020, from 2.39% in 2019.

As of December 31, 2021, investment securities with amortized costs and fair values of \$2,617.8 million and \$2,610.8 million, respectively, were pledged to secure public deposits and securities sold under repurchase agreements, as compared to \$2,323.0 million and \$2,383.6 million, respectively, as of December 31, 2020. For additional information concerning securities sold under repurchase agreements, see “—Securities Sold Under Repurchase Agreements” included herein.

Mortgage-backed securities and, to a limited extent other securities, have uncertain cash flow characteristics that present additional interest rate risk in the form of prepayment or extension risk primarily caused by changes in market interest rates. This additional risk is generally rewarded in the form of higher yields. Maturities of mortgage-backed securities presented below have been adjusted to reflect shorter maturities based upon estimated prepayments of principal. As of December 31, 2021, the carrying value of our investments in non-agency mortgage-backed securities totaled \$174.4 million. All other mortgage-backed securities included in the table below were issued by U.S. government agencies and corporations. As of December 31, 2021, there were no significant concentrations of investments (greater than 10% of stockholders’ equity) in any individual security issuer, except for U.S. government or agency-backed securities.

Approximately 82.7% and 82.8% of our tax-exempt securities were general obligation securities as of December 31, 2021 and 2020, respectively, of which 72.8% and 67.4%, respectively, were issued by political subdivisions or agencies within the states of Idaho, Montana, Oregon, South Dakota, Washington, and Wyoming.

As of December 31, 2021, we had available-for-sale investment securities with fair values aggregating \$68.7 million that had been in a continuous loss position more than 12 months. Gross unrealized losses on these securities totaled \$1.1 million as of December 31, 2021, and were attributable to changes in interest rates. As the Company does not have the intent to sell any of the available-for-sale securities and it is more likely than not that the Company will not have to sell any securities before a recovery in cost, no impairment or credit losses were recorded during 2021, 2020, or 2019.

The following table sets forth the carrying value as of December 31, 2021 and 2020, and the percentage of total investment securities and weighted average yields on investment securities as of December 31, 2021. Weighted-average yields have been computed on a fully taxable-equivalent basis using a tax rate of 21%.

<b>Securities Maturities and Yield</b> <i>(Dollars in millions)</i>	2020	2021		
	Carrying Value	Carrying Value	% of Total Investment Securities	Weighted Average FTE Yield
<i>U.S. Treasuries</i>				
Maturing in one to five years	\$ —	\$ 497.4	7.64 %	0.87 %
Maturing in five to ten years	—	200.2	3.08	0.99
Mark-to-market adjustments on securities available-for-sale	—	(12.9)	(0.20)	NA
Total	—	684.7	10.52	0.92
<i>U.S. government agency securities</i>				
Maturing within one year	1.5	—	—	—
Maturing in one to five years	1.1	33.2	0.51	1.89
Maturing in five to ten years	330.3	322.8	4.96	1.26
Mark-to-market adjustments on securities available-for-sale	(1.0)	(9.1)	(0.15)	NA
Total	331.9	346.9	5.32	1.35
<i>Mortgage-backed securities</i>				
Maturing within one year	657.1	1,312.5	20.17	2.03
Maturing in one to five years	1,505.8	1,211.5	18.62	1.90
Maturing in five to ten years	141.1	688.3	10.58	2.27
Maturing after ten years	538.7	598.4	9.19	1.96
Mark-to-market adjustments on securities available-for-sale	66.8	(10.2)	(0.16)	NA
Total	2,909.5	3,800.5	58.40	1.99
<i>Marketable CDs</i>				
Maturing within one year	0.2	—	—	—
Mark-to-market adjustments on securities available-for-sale	—	—	—	NA
Total	0.2	—	—	—
<i>Collateralized loan obligations</i>				
Maturing in five to ten years	—	111.0	1.71	1.17
Maturing after ten years	—	787.2	12.10	4.37
Mark-to-market adjustments on securities available-for-sale	—	1.2	0.02	NA
Total	—	899.4	13.83	3.97
<i>Tax exempt securities</i>				
Maturing within one year	12.9	11.2	0.17	2.36
Maturing in one to five years	52.0	40.4	0.62	3.47
Maturing in five to ten years	59.8	79.0	1.21	2.22
Maturing after ten years	384.0	371.7	5.71	2.82
Mark-to-market adjustments on securities available-for-sale	3.8	(7.2)	(0.11)	NA
Total	512.5	495.1	7.60	2.81
<i>Corporate securities</i>				
Maturing within one year	24.0	20.0	0.31	2.48
Maturing in one to five years	56.6	74.3	1.14	1.91
Maturing in five to ten years	219.1	187.8	2.89	2.91
Mark-to-market adjustments on securities available-for-sale	6.4	(0.6)	(0.01)	NA
Total	306.1	281.5	4.33	2.62
<i>Other securities</i>				
Maturing in one to five years	0.1	—	—	—
Mark-to-market adjustments on securities available-for-sale	—	—	—	NA
Total	0.1	—	—	—
<b>Total</b>	<b>\$ 4,060.3</b>	<b>\$ 6,508.1</b>	<b>100.00 %</b>	<b>1.36 %</b>

Maturities of the 2021 securities noted above reflect \$236.1 million of investment securities at their final maturities, which have call provisions within the next year. Based on current market interest rates, management expects approximately \$94.7 million of these securities will be called in 2022. For additional information concerning investment securities, see “Notes to Consolidated Financial Statements — Investment Securities” included in Part IV, Item 15.

## Goodwill and Intangibles

Goodwill was \$621.6 million as of December 31, 2021 and 2020.

Core deposit intangibles represent the intangible value of depositor relationships resulting from deposit liabilities assumed and are amortized based on the estimated useful lives of the related deposits. Core deposit intangibles, net of accumulated amortization, decreased \$9.9 million, or 19.3%, to \$41.3 million as of December 31, 2021, from \$51.2 million as of December 31, 2020, due to scheduled amortization expense.

For additional information concerning Goodwill and Intangibles, see “Notes to Consolidated Financial Statements — Goodwill and Intangibles” included in Part IV, Item 15.

## Deposits

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

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

### Deposits

(Dollars in millions)

As of December 31,	2021	Percent	2020	Percent	2019	Percent	2018	Percent	2017	Percent
Non-interest bearing demand	\$ 5,568.3	34.2 %	\$ 4,633.5	32.6 %	\$ 3,426.5	29.4 %	\$ 3,158.3	29.6 %	\$ 2,900.0	29.2 %
Interest bearing:										
Demand	4,753.2	29.2	4,118.9	29.0	3,195.4	27.4	2,957.5	27.7	2,787.5	28.1
Savings	4,981.6	30.6	4,405.9	31.0	3,591.6	30.8	3,247.9	30.4	3,095.4	31.2
Time, \$250 or more	186.7	1.2	193.0	1.3	278.4	2.4	221.0	2.0	182.1	1.8
Time, other	779.8	4.8	865.7	6.1	1,171.6	10.0	1,096.0	10.3	969.9	9.8
Total interest bearing	10,701.3	65.8	9,583.5	67.4	8,237.0	70.6	7,522.4	70.4	7,034.9	70.8
Total deposits	\$16,269.6	100.0 %	\$14,217.0	100.0 %	\$11,663.5	100.0 %	\$10,680.7	100.0 %	\$ 9,934.9	100.0 %

Total deposits increased \$2,052.6 million, or 14.4%, to \$16,269.6 million as of December 31, 2021, from \$14,217.0 million as of December 31, 2020, primarily related to an increase of \$934.8 million in non-interest-bearing business deposits and an increase in interest bearing demand and savings deposits. These increases were partially offset by decreases in interest bearing time deposits. During 2021, the mix of deposits shifted from higher-costing time deposits to non-interest bearing demand deposits. Deposit mix fluctuations and deposit growth were driven by lower interest rates paid on deposits and a changes in client behavior related to the COVID-19 and economic stimulus provided by the U.S. government.

Non-interest-bearing demand deposits. Non-interest-bearing demand deposits increased \$934.8 million, or 20.2%, to \$5,568.3 million as of December 31, 2021, from \$4,633.5 million as of December 31, 2020. The increase in 2021 was largely driven by changes in client behavior related to COVID-19 and the economic stimulus programs provided by the U.S. government.

Interest bearing demand deposits. Interest bearing demand deposits increased \$634.3 million, or 15.4%, to \$4,753.2 million as of December 31, 2021, from \$4,118.9 million as of December 31, 2020. The increase in 2021 was largely driven by changes in client behavior related to COVID-19 and the economic stimulus programs provided by the U.S. government.

Savings deposits. Savings deposits increased \$575.7 million, or 13.1%, to \$4,981.6 million as of December 31, 2021, from \$4,405.9 million as of December 31, 2020. The increase in 2021 was largely driven by changes in client behavior related to COVID-19 and the economic stimulus programs provided by the U.S. government.

Time deposits of \$250,000 or more. Time deposits of \$250,000 or more decreased \$6.3 million, or 3.3%, to \$186.7 million as of December 31, 2021, from \$193.0 million as of December 31, 2020, largely driven by lower rates paid on maturity deposits.

Other time deposits. Other time deposits decreased \$85.9 million, or 9.9%, to \$779.8 million as of December 31, 2021, from \$865.7 million as of December 31, 2020, largely driven by lower rates paid on maturity deposits.

As of December 31, 2021 and 2020, we had Certificate of Deposit Account Registry Service, or CDARS, deposits of \$104.5 million and \$97.3 million, respectively. As of December 31, 2021 and 2020 we had no brokered deposits.

For additional information concerning client deposits, including the use of repurchase agreements, see “Business—Community Banking—Deposit Products,” included in Part I, Item 1 and “Notes to Consolidated Financial Statements—Deposits,” included in Part IV, Item 15 of this report.

#### *Securities Sold Under Repurchase Agreements*

Under repurchase agreements with commercial and municipal depositors, client deposit balances are invested in short-term U.S. government agency securities overnight and are then repurchased the following day. All outstanding repurchase agreements are due in one day and balances fluctuate in the normal course of business. Repurchase agreement balances decreased \$40.3 million, or 3.7%, to \$1,051.1 million as of December 31, 2021, from \$1,091.4 million as of December 31, 2020.

The following table sets forth certain information regarding securities sold under repurchase agreements as of the dates indicated:

#### **Securities Sold Under Repurchase Agreements**

*(Dollars in millions)*

As of and for the year ended December 31,	2021	2020	2019
<b>Securities sold under repurchase agreements:</b>			
Balance at period end	\$ 1,051.1	\$ 1,091.4	\$ 697.6
Average balance	1,025.2	765.8	677.3
Maximum amount outstanding at any month-end	1,094.0	1,092.1	713.0
<b>Average interest rate:</b>			
During the year	0.04 %	0.12 %	0.58 %
At period end	0.08	0.03	0.20

#### *Deferred Tax Liability/Asset*

The net deferred tax liability decreased \$17.9 million, or 65.8%, to \$9.3 million as of December 31, 2021, from \$27.2 million as of December 31, 2020. The decrease was primarily due to tax adjustments related to the decrease in our mark-to-market gains on investment securities partially offset by a decrease in tax adjustments related to our allowance for credit losses.

#### **Capital Resources and Liquidity**

##### *Capital Resources*

Stockholders’ equity is influenced primarily by earnings, dividends, sales and redemptions of common stock, and changes in the unrealized holding gains or losses, net of taxes, on available-for-sale investment securities. Stockholders’ equity increased \$26.8 million, or 1.4%, to \$1,986.6 million as of December 31, 2021 from \$1,959.8 million as of December 31, 2020, due to retention of earnings and proceeds from stock option exercises, which were partially offset by stock repurchases related to the stock repurchase program, other comprehensive loss, and cash dividends paid. Regular cash dividends paid to common shareholders during 2021 amounted to approximately \$101.6 million.

On January 26, 2022, we declared a quarterly dividend to common stockholders of \$0.41 per share, which was paid on February 21, 2022 to shareholders of record as of February 10, 2022. The dividend equates to a 4.0% annual yield based on the \$41.51 average closing price of the Company’s common stock as reported on NASDAQ during the fourth quarter of 2021.

On June 11, 2019, the Company’s board of directors adopted a stock repurchase program permitting the Company to repurchase up to 2.5 million of its outstanding shares of Class A common stock. On March 23, 2020, the Company’s board of directors suspended stock repurchases in response to the COVID-19 pandemic. Effective August 24, 2020, the Company’s board of directors lifted the temporary suspension of the Company’s stock repurchase program. On September 12, 2020, the Company’s board of directors increased the number of shares of Class A common stock authorized to be repurchased by the Company under the stock repurchase program by an additional 3.0 million shares bringing the total number of shares authorized under the program to 5.5 million shares. During 2021, the Company repurchased and retired 72,700 shares of Class A common stock under the stock repurchase program at a cost of \$2.9 million at an average price of \$39.69 per share. At December 31, 2021, there were 1.9 million remaining shares authorized to be purchased under the program.

For additional information regarding the repurchases, see “Notes to Consolidated Financial Statements—Capital Stock and Dividend Restrictions” included in Part IV, Item 15 of this report.

During 2021, the Company issued 19,081 shares of its Class A common stock to directors for their annual service on the Company’s board of directors. The aggregate value of the shares issued to directors of \$0.9 million is included in stock-based compensation expense in the accompanying consolidated statements of changes in stockholders’ equity.

As a bank holding company, the Company must comply with the capital requirements established by the Federal Reserve, and our subsidiary Bank must comply with the capital requirements established by the FDIC. The current risk-based guidelines applicable to us and our Bank are based on the Basel III framework, as implemented by the federal bank regulators. As of December 31, 2021 and 2020, the Company had capital levels that, in all cases, exceeded the guidelines to be deemed “well-capitalized.”

For additional information regarding our capital levels, see “Notes to Consolidated Financial Statements—Regulatory Capital,” included in Part IV, Item 15 of this report.

### *Liquidity*

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

The primary effect of inflation on our operations is reflected in increased operating costs. In our management’s opinion, changes in interest rates affect the financial condition of a financial institution to a far greater degree than changes in the inflation rate. While interest rates are greatly influenced by changes in the inflation rate, they do not necessarily change at the same rate or in the same magnitude as the inflation rate. Interest rates are highly sensitive to many factors that are beyond our control, including changes in the expected rate of inflation, the influence of general and local economic conditions, and the monetary and fiscal policies of the United States government, its agencies, and various other governmental regulatory authorities.

In the ordinary course of business we have entered into contractual obligations and have made other commitments to make future payments. Our short-term and long-term liquidity requirements are primarily to fund on-going operations, including payment of interest on deposits and debt, extensions of credit to borrowers, capital expenditures, and shareholder dividends. These liquidity requirements are met primarily through cash flow from operations, redeployment of prepaying and maturing balances in our loan and investment portfolios, debt financing, and increases in client deposits. For additional information regarding our operating, investing and financing cash flows, see “Consolidated Financial Statements—Consolidated Statements of Cash Flows,” included in Part IV, Item 15 of this report.

The Company had deposits without a stated maturity of \$15,303.1 million and time deposits of \$776.1 million, due in one year or less in addition to time deposits due in more than one year of \$190.4 million as of December 31, 2021. For additional details in regards to the Company’s deposits see “Notes to Consolidated Financial Statements—Deposits” included in Part IV, Item 15 of this report.

As of December 31, 2021, the Company had securities sold under repurchase agreements of \$1,051.1 million due in one year or less as the agreements with our client counterparties mature on the next banking day.

The Company had \$98.7 million of fixed-to-floating rate subordinated notes due in more than one year as of December 31, 2021. For additional information concerning long-term debt, see “Notes to Consolidated Financial Statements—Long Term Debt and Other Borrowed Funds” included in Part IV, Item 15 of this report.

The Company guarantees the distribution and payment for redemption or liquidation of capital trust preferred securities issued by our wholly-owned subsidiary business trusts to the extent of funds held by the trusts. Although the guarantees are not separately recorded, the obligations underlying the guarantees are fully reflected on our consolidated balance sheets as subordinated debentures held by subsidiary trusts. The subordinated debentures currently qualify as tier 1 capital under the Federal Reserve capital adequacy guidelines. As of December 31, 2021, the Company had subordinated debentures held by subsidiary trusts of \$87.0 million due in more than one year. For additional information concerning the subordinated debentures, see “Notes to Consolidated Financial Statements—Subordinated Debentures Held by Subsidiary Trusts” included in Part IV, Item 15 of this report.

The Company has future minimum rental commitments, exclusive of maintenance and operating costs, required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2021 with \$6.1 million due in one year or less and \$31.2 million due in more than one year. For additional information concerning leases, see “Notes to Consolidated Financial Statements—Commitments and Contingencies” included in Part IV, Item 15 of this report.

The Company is a limited partner in several tax-advantaged limited partnerships that have been formed for the purpose of investing in approved qualified affordable housing, renewable energy, or other renovation or community revitalization projects. As of December 31, 2021, the Company expects to recover its investments through the use of tax credits generated by the investments.

The Company has entered into various arrangements not reflected on the consolidated balance sheet that have or are reasonably likely to have a current or future effect on our financial condition, results of operations, or liquidity. As of December 31, 2021, the Company had unused credit card lines of \$681.6 million, commitments to extend credit of \$2,539.8 million and standby letters of credit of \$57.5 million. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. For additional information regarding our off-balance sheet arrangements, see “Notes to Consolidated Financial Statements—Financial Instruments with Off-Balance Sheet Risk” included in Part IV, Item 15 of this report.

As a bank holding company, we are a corporation separate and apart from our subsidiary Bank and, therefore, we provide for our own liquidity. Our primary sources of funding include management fees and dividends declared and paid by the Bank and access to capital markets. There are statutory, regulatory, and debt covenant limitations that affect the ability of our Bank to pay dividends to us. Management believes that such limitations will not impact our ability to meet our ongoing short-term cash obligations. For additional information regarding dividend restrictions, see “Financial Condition—Capital Resources and Liquidity” above, “Business—Government Regulation and Supervision—Dividends and Restrictions on Transfers of Funds” included in Part I, Item 1 of this report, and “Risk Factors—Liquidity Risks and Regulatory and Compliance Risks” included in Part I, Item 1A of this report.

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

#### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Our primary market risk exposure is interest rate risk. Our business and the composition of our balance sheet consists of investments in interest earning assets (principally loans and investment securities) which are primarily funded by interest bearing liabilities (deposits and indebtedness). Such financial instruments have varying levels of sensitivity to changes in market interest rates. Interest rate risk results when, due to different maturity dates and repricing intervals, interest rate indices for interest earning assets fluctuate adversely relative to interest bearing liabilities, thereby creating a risk of decreased net earnings and cash flow.

Although we characterize some of our interest-sensitive assets as securities available-for-sale, such securities are not purchased with the intent to sell in the near term. Rather, such securities may be sold in response to or in anticipation of changes in interest rates and resulting prepayment risk. See “Notes to Consolidated Financial Statements—Summary of Significant Accounting Policies” included in Part IV, Item 15 of this report.

#### **Asset Liability Management**

The goal of asset liability management is the prudent control of market risk, liquidity, and capital. Asset liability management is governed by policies, goals, and objectives adopted and reviewed by the Bank’s board of directors.

Development of asset liability management strategies is the responsibility of the Asset Liability Committee, or ALCO, which is composed of members of senior management.

### Interest Rate Risk

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

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

The following table shows interest rate sensitivity gaps and the earnings sensitivity ratio for different intervals as of December 31, 2021. The information presented in the table is based on our mix of interest earning assets and interest-bearing liabilities and historical experience regarding their interest rate sensitivity.

Interest Rate Sensitivity Gaps (Dollars in millions)	Projected Maturity or Repricing				
	Three Months or Less	Three Months to One Year	One Year to Five Years	After Five Years	Total
<i>Interest earning assets:</i>					
Loans (1)	\$ 2,977.5	\$ 1,543.4	\$ 4,161.0	\$ 624.9	\$ 9,306.8
Investment securities (2)	871.0	737.8	2,777.6	2,121.7	6,508.1
Interest bearing deposits in banks	2,173.7	—	1.5	0.9	2,176.1
Federal funds sold	0.1	—	—	—	0.1
<b>Total interest earning assets</b>	<b>\$ 6,022.3</b>	<b>\$ 2,281.2</b>	<b>\$ 6,940.1</b>	<b>\$ 2,747.5</b>	<b>\$ 17,991.1</b>
<i>Interest bearing liabilities:</i>					
Interest bearing demand accounts (3)	\$ 1,442.1	\$ —	\$ 3,311.1	\$ —	\$ 4,753.2
Savings deposits (3)	1,477.8	—	3,503.8	—	4,981.6
Time deposits, \$250 or more	68.1	88.5	30.1	—	186.7
Other time deposits	294.8	324.8	159.5	0.7	779.8
Securities sold under repurchase agreements	1,051.1	—	—	—	1,051.1
Long-term debt	—	5.2	0.4	106.8	112.4
Subordinated debentures held by subsidiary trusts	87.0	—	—	—	87.0
<b>Total interest bearing liabilities</b>	<b>\$ 4,420.9</b>	<b>\$ 418.5</b>	<b>\$ 7,004.9</b>	<b>\$ 107.5</b>	<b>\$ 11,951.8</b>
Rate gap	\$ 1,601.4	\$ 1,862.7	\$ (64.8)	\$ 2,640.0	\$ 6,039.3
Cumulative rate gap	1,601.4	3,464.1	3,399.3	6,039.3	
Cumulative rate gap as a percentage of total interest earning assets	8.90 %	19.25 %	18.89%	33.57%	33.57%

- (1) Does not include non-accrual loans of \$24.9 million. Variable rate loans are included in the three months or less category in the above table although certain of these loans have reached interest rate floors and may not immediately reprice.
- (2) Adjusted to reflect: (a) expected shorter maturities based upon our historical experience of early prepayments of principal, and (b) the redemption of callable securities on their next call date.
- (3) Interest bearing demand and savings deposits, while technically subject to immediate withdrawal, actually display sensitivity characteristics that generally fall within one to five years. Their allocation is presented based on those sensitivity characteristics. If these deposits were included in the three month or less category, the above table would reflect a negative three-month gap of \$5.2 million, a negative cumulative one year gap of \$3.4 million, and a positive cumulative one to five year gap of \$3.4 million.



## *Net Interest Income Sensitivity*

We believe net interest income sensitivity provides the best perspective of how day-to-day decisions affect our interest rate risk profile. We monitor net interest income sensitivity by utilizing an income simulation model to subject 12- and 24-month net interest income to various rate movements. Simulations modeled quarterly include scenarios where market rates change instantaneously up or down in a parallel manner and scenarios where market rates gradually increase 200 basis points. Estimates produced by our income simulation model are based on numerous assumptions including, but not limited to: (1) the timing of changes in interest rates, (2) shifts or rotations in the yield curve, (3) repricing characteristics for market rate sensitive instruments, (4) differing sensitivities of financial instruments due to differing underlying rate indices, (5) varying loan prepayment speeds for different interest rate scenarios, (6) the effect of interest rate limitations in our assets, such as caps and floors, and (7) overall growth and repayment rates and product mix of assets and liabilities. Because of limitations inherent in any approach used to measure interest rate risk, simulation results are not intended as a forecast of the actual effect of a change in market interest rates on our results, but rather to provide insight into our current interest rate exposure and execute appropriate asset/liability management strategies accordingly.

We continue to refine our mix of interest earning assets and interest-bearing liabilities to approach a target of no more than 4.0% of the net interest income at risk over a one-year period, should interest rates immediately shift up or down 100 basis points, or gradually shift up 200 basis points over a 12 month period. As of December 31, 2021, our income simulation model predicted net interest income would increase 7.68% on an immediate 100 basis point shock, assuming a static balance sheet. Assuming a 0.5% gradual increase in interest rates during each of the next four consecutive quarters, net interest income would increase \$31.4 million, or 7.07%.

We did not simulate the gradual 200 basis points decrease in interest rates due to the low-rate environment as of December 31, 2021. Additionally, rates are modeled not to fall below 0% with a decrease in interest rates. Although we did not simulate a ramp decrease in interest rates due to the low-rate environment as of December 31, 2021, a further decline in interest rates would result in compression of our net interest income.

Each scenario predicts that our interest-bearing assets reprice faster than our interest bearing liabilities. We are not currently engaged in significant derivative or balance sheet hedging activities to manage our interest rate risk. The preceding interest rate sensitivity analysis does not represent a forecast and should not be relied upon as being indicative of expected operating results.

### **Recent Accounting Pronouncements**

The expected impact of accounting standards recently issued but not yet adopted are discussed in “Notes to Consolidated Financial Statements—Authoritative Accounting Guidance” included in Part IV, Item 15 of this report.

### **Item 8. Financial Statements and Supplementary Data**

The following consolidated financial statements of First Interstate BancSystem, Inc. and subsidiaries are contained in Part IV, Item 15 of this report and are incorporated herein by reference.

Report of RSM US LLP, Independent Registered Public Accounting Firm (PCAOB ID: 49)  
Consolidated Balance Sheets — December 31, 2021 and 2020  
Consolidated Statements of Income — Years Ended December 31, 2021, 2020, and 2019  
Consolidated Statements of Comprehensive Income — Years Ended December 31, 2021, 2020, and 2019  
Consolidated Statements of Stockholders’ Equity — Years Ended December 31, 2021, 2020, and 2019  
Consolidated Statements of Cash Flows — Years Ended December 31, 2021, 2020, and 2019  
Notes to Consolidated Financial Statements

### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There have been no disagreements with accountants on accounting and financial disclosure.

## Item 9A. Controls and Procedures

### Disclosure Controls and Procedures

We have established and maintain disclosure controls and procedures, as defined under Rules 13a-15(e) and 15d-15(e) of the Exchange Act. As of December 31, 2021, our management evaluated, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures, as of December 31, 2021, were effective in ensuring that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods required by the SEC's rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

### Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting includes controls and procedures designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of our published financial statements in accordance with U.S. generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even systems deemed to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of our system of internal control over financial reporting as of December 31, 2021 based on the guidelines established in the *Internal Control--Integrated Framework* (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we believe that, as of December 31, 2021, our system of internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

RSM US LLP, the independent registered public accounting firm that audited our consolidated financial statements included in this Annual Report on Form 10-K, has issued a report on the effectiveness of our internal control over financial reporting as of December 31, 2021. The report, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2021, is included below.

### Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of First Interstate BancSystem, Inc.

### Opinion on the Internal Control Over Financial Reporting

We have audited First Interstate BancSystem, Inc. and its subsidiaries' (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes to the consolidated financial statements of the Company and our report dated February 25, 2022 expressed an unqualified opinion.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP  
Des Moines, Iowa  
February 25, 2022

## Item 9B. Other Information

There were no items required to be disclosed in a report on Form 8-K during the fourth quarter of 2021 that were not reported.

## Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

## PART III

### Item 10. Directors, Executive Officers, and Corporate Governance

Information concerning directors, executive officers, and corporate governance is set forth under the heading, “Directors and Executive Officers” and “Corporate Governance” in our Proxy Statement relating to our 2022 annual meeting of shareholders and is incorporated herein by reference.

Information concerning our compliance with section 16(a) of the Securities Exchange Act of 1934 is set forth under the heading “Delinquent Section 16(a) Reports” in our Proxy Statement relating to our 2022 annual meeting of shareholders and is herein incorporated herein by reference.

### Item 11. Executive Compensation

Information concerning executive compensation is set forth under the headings “Compensation Discussion and Analysis” and “Compensation of Executive Officers and Directors” in our Proxy Statement relating to our 2022 annual meeting of shareholders and is herein incorporated by reference.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information concerning security ownership of certain beneficial owners and management as well as related stockholder matters is set forth under the heading “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plans” in our Proxy Statement relating to our 2022 annual meeting of shareholders and is herein incorporated herein by reference.

The following table provides information, as of December 31, 2021, regarding our equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans(1)
Equity compensation plans approved by shareholders(2)	23,252	\$14.37	880,798
Equity compensation plans not approved by shareholders	NA	NA	NA
Total	23,252	\$14.37	880,798

(1) Excludes number of securities to be issued upon exercise of outstanding options, warrants and rights.

(2) Represents stock options issued pursuant to the 2015 Equity Compensation Plan, as amended and restated. For additional information, see “Notes to Consolidated Financial Statements—Stock-Based Compensation” included in financial statements included Part IV, Item 15 of this report.

### Item 13. Certain Relationships and Related Transactions and Director Independence

Information concerning relationships and related party transactions of certain of our executive officers, directors, and greater than 5% shareholders as well as the independence of our directors is set forth under the headings “Directors and Executive Officers” and “Certain Relationships and Related Transactions” in our Proxy Statement relating to our 2022 annual meeting of shareholders and is herein incorporated herein by reference. In addition, see “Notes to Consolidated Financial Statements—Related Party Transactions” included in Part IV, Item 15.

### Item 14. Principal Accountant Fees and Services

Information concerning principal accountant fees and services is set forth under the heading “Principal Accounting Fees and Services” in our Proxy Statement relating to our 2022 annual meeting of shareholders and is herein incorporated by reference.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

- (a) 1. Our audited consolidated financial statements follow.

The list of all financial statements filed as part of this filing is included above under Part II, Item 8. Financial Statements and Supplementary Data, on page 59, and incorporated herein by reference. Such audited consolidated financial statements follow:

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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To the Shareholders and the Board of Directors of First Interstate BancSystem, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of First Interstate BancSystem, Inc. and its subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated February 25, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Allowance for Credit Losses - Loans Held for Investment*

The Company's loans held for investment portfolio totaled \$9,331.7 million as of December 31, 2021 and the associated allowance for credit losses on loans held for investment was \$122.3 million. As described in Notes 1 and 6 to the financial statements, the allowance for credit losses on loans held for investment is a valuation account that is deducted from the Company's amortized cost basis of loans held for investment to present the net amount of loans held for investment expected to be collected. The Company's allowance for credit losses on loans held for investment consists of three elements: (1) specific valuation allowances associated with collateral-dependent loans; (2) historical valuation allowances based on loan loss experience for similar loans with similar characteristics and trends; and (3) adjustments to historical loss information for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in or forecasted changes in environmental and economic conditions, such as changes in unemployment rates, property values, or other relevant factors.

We identified the adjustments to historical loss information component of the allowance for credit losses on loans held for investment, both as it relates to current conditions and forecasted scenarios, as a critical audit matter, because auditing this component of the allowance for credit losses on loans held for investment required significant auditor judgement related to estimates determined by management which are highly subjective and are highly sensitive to change in significant assumptions.

Our audit procedures related to the Company's adjustments to historical loss information component of the allowance for credit losses on loans held for investment included the following, among others:

- We obtained an understanding of the relevant controls related to the allowance for credit losses on loans held for investment and tested such controls for design and operating effectiveness, including controls relating to management's review and approval of the allowance for credit losses on loans held for investment calculation, management's assessment and review of the adjustments to historical loss information component of the allowance for credit losses on loans held for investment for current conditions and forecasted scenarios and management's validation of underlying source data.
- We tested management's calculation of adjustments to historical loss information within the allowance for credit losses on loans held for investment calculation by agreeing calculation inputs to the Company's internal and external source data, including for current and forecasted conditions, verifying the mathematical accuracy of the calculation of adjustments to historical loss information, and evaluating whether adjustments to historical loss information within the allowance for credit losses on loans held for investment, or lack thereof, were reasonable and consistent with Company provided internal data and external independent data, including data related to current and forecasted periods.
- We assessed the reasonableness of management's calculated changes in adjustments to historical loss information within the allowance for credit losses on loans held for investment calculation by evaluating the magnitude and directional consistency of changes, or lack thereof, in the level of adjustments to historical loss information between periods and evaluating whether management's conclusions were reasonable and consistent with Company provided internal data and external independent data, including data related to current and forecasted periods.
- We agreed management's calculated adjustments to historical loss information to the allowance for credit losses on loans held for investment calculation.

/s/ RSM US LLP

We have served as the Company's auditor since 2004.

Des Moines, Iowa  
February 25, 2022

**FIRST INTERSTATE BANCYSYSTEM, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(In millions, except share data)

December 31,	2021	2020
<i>Assets</i>		
Cash and due from banks	\$ 168.6	\$ 261.4
Interest bearing deposits in banks	2,176.1	2,015.3
Federal funds sold	0.1	0.1
Total cash and cash equivalents	2,344.8	2,276.8
Investment securities:		
Available-for-sale	4,820.5	4,008.7
Held-to-maturity, net (estimated fair values of \$1,667.5 and \$55.0 at December 31, 2021 and 2020, respectively)	1,687.6	51.6
Total investment securities	6,508.1	4,060.3
Mortgage loans held for sale, at fair value	30.1	74.0
Loans held for investment, net of deferred fees and costs	9,331.7	9,807.5
Allowance for credit losses	122.3	144.3
Net loans held for investment	9,209.4	9,663.2
Goodwill	621.6	621.6
Company-owned life insurance	301.5	296.4
Premises and equipment, net of accumulated depreciation	299.6	312.3
Core deposit intangibles, net of accumulated amortization	41.3	51.2
Accrued interest receivable	47.4	51.1
Mortgage servicing rights, net of accumulated amortization and impairment reserve	28.2	24.0
Other real estate owned ("OREO")	2.0	2.5
Other assets	237.9	215.3
Total assets	\$ 19,671.9	\$ 17,648.7
<i>Liabilities and Stockholders' Equity</i>		
Deposits:		
Non-interest bearing	\$ 5,568.3	\$ 4,633.5
Interest bearing	10,701.3	9,583.5
Total deposits	16,269.6	14,217.0
Securities sold under repurchase agreements	1,051.1	1,091.4
Accounts payable and accrued expenses	148.4	144.4
Accrued interest payable	3.7	5.8
Deferred tax liability, net	9.3	27.2
Long-term debt	112.4	112.4
Allowance for credit losses on off-balance sheet credit exposures	3.8	3.7
Subordinated debentures held by subsidiary trusts	87.0	87.0
Total liabilities	17,685.3	15,688.9
Stockholders' equity:		
Nonvoting noncumulative preferred stock without par value; authorized 100,000 shares; no shares issued or outstanding as of December 31, 2021 or 2020	—	—
Common stock	945.0	941.1
Retained earnings	1,052.6	962.1
Accumulated other comprehensive (loss) income, net	(11.0)	56.6
Total stockholders' equity	1,986.6	1,959.8
Total liabilities and stockholders' equity	\$ 19,671.9	\$ 17,648.7

See accompanying notes to consolidated financial statements.



**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

*(In millions, except per share data)*

Year Ended December 31,	2021	2020	2019
<b>Interest income:</b>			
Interest and fees on loans	\$ 430.2	\$ 453.4	\$ 470.9
<b>Interest and dividends on investment securities:</b>			
Taxable	67.1	63.4	62.3
Exempt from federal taxes	5.6	2.7	2.0
Interest on deposits in banks	2.6	4.1	18.8
<b>Total interest income</b>	<b>505.5</b>	<b>523.6</b>	<b>554.0</b>
<b>Interest expense:</b>			
Interest on deposits	8.1	18.1	49.3
Interest on securities sold under repurchase agreements	0.4	0.9	3.9
Interest on other debt	6.0	4.6	1.3
Interest on subordinated debentures held by subsidiary trusts	2.8	3.0	4.5
<b>Total interest expense</b>	<b>17.3</b>	<b>26.6</b>	<b>59.0</b>
<b>Net interest income</b>	<b>488.2</b>	<b>497.0</b>	<b>495.0</b>
<b>(Reversal of) provision for credit losses</b>	<b>(14.6)</b>	<b>56.9</b>	<b>13.9</b>
<b>Net interest income after provision for (reversal of) credit losses</b>	<b>502.8</b>	<b>440.1</b>	<b>481.1</b>
<b>Non-interest income:</b>			
Payment services revenues	45.1	41.1	41.5
Mortgage banking revenues	40.8	47.3	33.2
Wealth management revenues	26.3	23.8	23.8
Service charges on deposit accounts	16.5	17.6	21.1
Other service charges, commissions, and fees	7.9	12.1	7.0
Investment securities gains, net	1.1	0.3	0.1
Other income	12.8	14.5	15.9
<b>Total non-interest income</b>	<b>150.5</b>	<b>156.7</b>	<b>142.6</b>
<b>Non-interest expense:</b>			
Salaries and wages	164.9	173.7	155.3
Employee benefits	55.8	49.4	51.5
Outsourced technology services	32.8	32.8	32.3
Occupancy, net	28.7	28.5	28.3
Furniture and equipment	17.6	15.5	13.2
OREO expense, net of income	(0.2)	(0.5)	(2.2)
Professional fees	12.1	10.9	11.6
FDIC insurance premiums	6.6	5.9	3.5
Core deposit intangibles amortization	9.9	10.9	11.2
Other expenses	65.7	60.4	63.6
Acquisition related expenses	11.6	—	20.3
<b>Total non-interest expense</b>	<b>405.5</b>	<b>387.5</b>	<b>388.6</b>
<b>Income before income tax expense</b>	<b>247.8</b>	<b>209.3</b>	<b>235.1</b>
<b>Income tax expense</b>	<b>55.7</b>	<b>48.1</b>	<b>54.1</b>
<b>Net income</b>	<b>\$ 192.1</b>	<b>\$ 161.2</b>	<b>\$ 181.0</b>
<b>Basic earnings per common share</b>	<b>\$ 3.12</b>	<b>\$ 2.53</b>	<b>\$ 2.84</b>
<b>Diluted earnings per common share</b>	<b>3.11</b>	<b>2.53</b>	<b>2.83</b>

*See accompanying notes to consolidated financial statements.*

**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

*(In millions)*

Year ended December 31,	2021	2020	2019
Net income	\$ 192.1	\$ 161.2	\$ 181.0
Other comprehensive income (loss) before tax:			
Investment securities available-for-sale:			
Change in net unrealized (losses) gains during the period	(113.7)	61.8	54.9
Reclassification adjustment for net gains included in income	(1.1)	(0.3)	(0.1)
Reclassification adjustment for securities transferred from held-to-maturity to available-for-sale	—	—	(6.0)
Net change in unamortized gains on available-for-sale investment securities transferred into held-to-maturity	20.2	—	—
Change in net unrealized loss on derivatives	4.2	0.2	—
Defined benefit post-retirement benefit plans:			
Change in net actuarial loss	—	(0.5)	(0.8)
Other comprehensive (loss) income, before tax	(90.4)	61.2	48.0
Deferred tax benefit (expense) related to other comprehensive (loss) income	22.8	(15.6)	(12.4)
Other comprehensive (loss) income, net of tax	(67.6)	45.6	35.6
Comprehensive income, net of tax	\$ 124.5	\$ 206.8	\$ 216.6

*See accompanying notes to consolidated financial statements.*

**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

*(In millions, except share and per share data)*

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2018	\$ 866.7	\$ 851.8	\$ (24.6)	\$ 1,693.9
Net income	—	181.0	—	181.0
Other comprehensive income, net of tax expense	—	—	35.6	35.6
Common stock transactions:				
43,560 common shares purchased and retired	(2.5)	—	—	(2.5)
4,356,973 common shares issued	176.1	—	—	176.1
212,587 non-vested common shares issued	—	—	—	—
46,198 non-vested common shares forfeited or canceled	—	—	—	—
143,222 stock options exercised, net of 47,971 shares tendered in payment of option price and income tax withholding amounts	1.0	—	—	1.0
Stock-based compensation expense	8.0	—	—	8.0
Common cash dividends declared (\$1.24 per share)	—	(79.2)	—	(79.2)
Balance at December 31, 2019	\$ 1,049.3	\$ 953.6	\$ 11.0	\$ 2,013.9
Cumulative change related to the adoption of ASU 2016-13	—	(24.1)	—	(24.1)
Adjusted balance at January 1, 2020	1,049.3	929.5	11.0	1,989.8
Net income	—	161.2	—	161.2
Other comprehensive income, net of tax expense	—	—	45.6	45.6
Common stock transactions:				
3,578,743 common shares purchased and retired	(116.8)	—	—	(116.8)
19,491 common shares issued	—	—	—	—
332,085 non-vested common shares issued	—	—	—	—
34,912 non-vested common shares forfeited or canceled	—	—	—	—
111,539 stock options exercised, net of 26,124 shares tendered in payment of option price and income tax withholding amounts	1.1	—	—	1.1
Stock-based compensation expense	7.5	—	—	7.5
Common cash dividends declared (\$2.00 per share)	—	(128.6)	—	(128.6)
Balance at December 31, 2020	\$ 941.1	\$ 962.1	\$ 56.6	\$ 1,959.8
Net income	—	192.1	—	192.1
Other comprehensive loss, net of tax expense	—	—	(67.6)	(67.6)
Common stock transactions:				
128,171 common shares purchased and retired	(5.4)	—	—	(5.4)
19,081 common shares issued	—	—	—	—
241,307 non-vested common shares issued	—	—	—	—
73,044 non-vested common shares forfeited or canceled	—	—	—	—
45,484 stock options exercised, net of 6,982 shares tendered in payment of option price and income tax withholding amounts	0.4	—	—	0.4
Stock-based compensation expense	8.9	—	—	8.9
Common cash dividends declared (\$1.64 per share)	—	(101.6)	—	(101.6)
Balance at December 31, 2021	\$ 945.0	\$ 1,052.6	\$ (11.0)	\$ 1,986.6

*See accompanying notes to consolidated financial statements.*

**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions)

Year Ended December 31,	2021	2020	2019
<b>Cash flows from operating activities:</b>			
Net income	\$ 192.1	\$ 161.2	\$ 181.0
Adjustments to reconcile net income from operations to net cash provided by operating activities:			
(Reversal of) provision for credit losses	(14.6)	56.9	13.9
Net (gain) loss on disposal of property and equipment	(1.8)	0.3	(1.5)
Depreciation and amortization	44.4	45.1	38.7
Net premium amortization on investment securities	38.8	15.9	8.9
Net gain on investment securities transactions	(1.1)	(0.3)	(0.1)
Realized and unrealized net gains on mortgage banking activities	(26.2)	(49.3)	(30.5)
Net gain on sale of investments in unrelated entities	—	(1.0)	—
Net gain on sale of OREO	(0.3)	(0.9)	(3.6)
Write-downs of OREO and other assets pending disposal	—	0.1	0.9
Mortgage servicing rights (recovery) impairment	(6.9)	9.9	0.4
Deferred taxes	5.0	(6.6)	5.4
Net increase in cash surrender value of company-owned life insurance policies	(6.1)	(7.6)	(6.7)
Stock-based compensation expense	8.9	7.5	8.0
Originations of mortgage loans held for sale	(817.4)	(1,404.2)	(1,015.6)
Proceeds from sales of mortgage loans held for sale	883.9	1,468.4	971.2
Changes in operating assets and liabilities:			
Decrease (increase) in interest receivable	3.7	(4.4)	0.3
Increase in other assets	(16.4)	(27.7)	(22.1)
Decrease in interest payable	(2.0)	(6.3)	(13.5)
Decrease (increase) in accounts payable and accrued expenses	(1.7)	11.3	(7.8)
Net cash provided by operating activities	282.3	268.3	127.3
<b>Cash flows from investing activities:</b>			
Purchases of investment securities:			
Held-to-maturity	(1,238.0)	—	—
Available-for-sale	(2,717.8)	(2,444.1)	(1,270.0)
Proceeds from maturities, pay-downs, calls and sales of investment securities:			
Held-to-maturity	257.6	40.4	35.6
Available-for-sale	1,118.0	1,441.4	978.6
Proceeds from bank-owned life insurance settlements	1.0	5.0	3.2
Extensions of credit to clients, net of repayments	458.5	(901.3)	(81.4)
Recoveries of loans charged-off	9.3	6.7	9.7
Proceeds from sales of OREO	1.7	10.1	25.4
Proceeds from the sale of health savings accounts	—	—	0.3
Proceeds from sale of investments in unrelated entities	—	2.2	—
Acquisition of banks and bank holding companies, net of cash and cash equivalents received	—	—	298.4
Capital expenditures, net of proceeds from sales	(10.3)	(30.2)	(16.6)
Net cash used in investing activities	\$ (2,120.0)	\$ (1,869.8)	\$ (16.8)

**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

(In millions)

Year Ended December 31,	2021	2020	2019
<b>Cash flows from financing activities:</b>			
Net increase in deposits	\$ 2,052.6	\$ 2,553.5	\$ 276.2
Net decrease (increase) in securities sold under repurchase agreements	(40.3)	393.8	(45.2)
Net decrease in other borrowed funds	—	—	(4.1)
Repayments of long-term debt	—	(0.1)	(2.0)
Advances on long-term debt	—	98.6	0.1
Proceeds from issuance of common stock	0.4	1.1	1.0
Purchase and retirement of common stock	(5.4)	(116.8)	(2.5)
Dividends paid to common stockholders	(101.6)	(128.6)	(79.2)
Net cash provided by financing activities	1,905.7	2,801.5	144.3
Net increase in cash and cash equivalents	68.0	1,200.0	254.8
Cash and cash equivalents at beginning of period	2,276.8	1,076.8	822.0
Cash and cash equivalents at end of period	\$ 2,344.8	\$ 2,276.8	\$ 1,076.8
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the period for income taxes	\$ 56.8	\$ 54.4	\$ 51.2
Cash paid during the period for interest expense	19.3	32.9	54.7
<b>Supplemental disclosures of noncash investing and financing activities:</b>			
Transfer of securities from held-to-maturity to available-for-sale	—	—	281.1
Transfer of securities from available-for-sale to held-to-maturity	672.2	—	—
Right-of-use assets obtained in exchange for operating lease liabilities	5.9	3.6	39.6
Transfer of loans to other real estate owned	0.9	3.3	14.1
Capitalization of internally originated mortgage servicing rights	3.6	11.7	7.3
<b>Supplemental schedule of noncash investing activities from acquisitions:</b>			
Investment securities available for sale	\$ —	\$ —	\$ 78.7
Loans held for sale	—	—	0.5
Loans	—	—	416.6
Premises and equipment	—	—	24.6
Goodwill	—	—	75.3
Core deposit intangible	—	—	16.6
Company-owned life insurance	—	—	15.2
Interest receivable	—	—	2.2
Other real estate owned	—	—	2.4
Other assets	—	—	6.5
Total noncash assets acquired	\$ —	\$ —	\$ 638.6
<b>Liabilities assumed:</b>			
Deposits	\$ —	\$ —	\$ 706.7
Securities sold under repurchase agreements	—	—	30.4
Accounts payable and accrued expenses	—	—	19.9
Long-term debt	—	—	4.1
Deferred tax liability	—	—	0.1
Total liabilities assumed	\$ —	\$ —	\$ 761.2

See accompanying notes to consolidated financial statements.

**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Dollars in millions, except share and per share data)*

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Business.** First Interstate BancSystem, Inc. (the “Parent Company” and collectively with its subsidiaries, the “Company”) is a financial and bank holding company that, through the branch offices of its bank subsidiary, provides a comprehensive range of banking products and services to individuals, businesses, municipalities, and other entities throughout Idaho, Montana, Oregon, South Dakota, Washington, and Wyoming. In addition to its primary emphasis on commercial and consumer banking services, the Company also offers trust, employee benefit, investment, and insurance services through its bank subsidiary. The Company is subject to competition from other financial institutions and nonbank financial companies, and is also subject to the regulations of various government agencies and undergoes periodic examinations by those regulatory authorities.

**Basis of Presentation.** The Company’s consolidated financial statements include the accounts of the Parent Company and its operating subsidiaries. As of December 31, 2021, the Company had one significant subsidiary, First Interstate Bank (“FIB”). All significant intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications, none of which were material, have been made in the consolidated financial statements for 2020 and 2019 to conform to the 2021 presentation. These reclassifications did not change previously reported net income or stockholders’ equity.

**Business Combinations.** The Company accounts for all business combinations using the acquisition method of accounting. Under this method of accounting, acquired assets and assumed liabilities are included with the acquirer's accounts as of the date of acquisition, with any excess of purchase price over the fair value of the net assets acquired recognized as either finite lived intangibles or capitalized as goodwill. In addition, acquisition related costs and restructuring costs are recognized as period expenses as incurred. Fair values are subject to refinement over the measurement period, not to exceed one year after the closing date.

**Equity Method Investments.** The Company has investments in real estate joint ventures that are not consolidated because the Company does not own a majority voting interest, control the operations, or receive a majority of the losses or earnings of the joint venture. These joint ventures are accounted for using the equity method of accounting whereby the Company initially records its investment at cost (or fair value at the date of acquisition) and then subsequently adjusts the carrying value for the Company’s proportionate share of distributions and earnings or losses of the joint ventures.

**Variable Interest Entities.** The Company’s wholly-owned business trusts, FI Statutory Trust I (“Trust I”), FI Capital Trust II (“Trust II”), FI Statutory Trust III (“Trust III”), FI Capital Trust IV (“Trust IV”), FI Statutory Trust V (“Trust V”), FI Statutory Trust VI (“Trust VI”), and Northwest Bancorporation Capital Trust I (“Trust VII”) are variable interest entities for which the Company is not a primary beneficiary. Accordingly, the accounts of Trust I, Trust II, Trust III, Trust IV, Trust V, Trust VI, and Trust VII are not included in the accompanying consolidated financial statements, and are instead accounted for using the equity method of accounting.

The Company has equity investments in variable interest Certified Development Entities (“CDEs”) which have received allocations under the New Markets Tax Credits Program. The underlying activities of the CDEs are community development projects designed primarily to promote community welfare, such as economic rehabilitation and development of low-income areas by providing housing, services, or jobs for residents. The maximum exposure to loss in the CDEs is the amount of equity invested and credit extended by the Company. The Company has credit protection in the form of indemnification agreements, guarantees, and collateral arrangements.

**Assets Held in Fiduciary or Agency Capacity.** The Company holds certain trust assets in a fiduciary or agency capacity. The Company also purchases and sells federal funds as an agent. These and other assets held in an agency or fiduciary capacity are not assets of the Company and, accordingly, are not included in the accompanying consolidated financial statements.

**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Dollars in millions, except share and per share data)*

**Use of Estimates.** The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and income and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to change relate to the determination of the allowance for credit losses, the valuation of goodwill, and fair valuations of investment securities and other financial instruments.

**Cash and Cash Equivalents.** For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, federal funds sold for one-day periods, and interest-bearing deposits in banks with original maturities of less than three months. As of December 31, 2021 and 2020, the Company had cash of \$2,166.1 million and \$1,989.3 million, respectively, on deposit with the Federal Reserve Bank. On March 15, 2020, the Federal Reserve reduced reserve requirement ratios to zero percent effective March 26, 2020. This action eliminated reserve requirements for all depository institutions. The Company did not maintain compensating balances with the Federal Reserve Bank as of December 31, 2021 and 2020.

**Debt Security Investments.** Investments in debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity and carried at amortized cost. Investments in debt securities that may be sold in response to or in anticipation of changes in interest rates and resulting prepayment risk, or other factors, are classified as available-for-sale and carried at fair value. The unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of stockholders’ equity and comprehensive income. Management determines the appropriate classification of securities at the time of purchase and at each reporting date management reassesses the appropriateness of the classification.

The amortized cost of debt securities classified as held-to-maturity or available-for-sale is adjusted for accretion of discounts to maturity and amortization of premiums over the estimated average life of the security, without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated, or in the case of callable securities, through the first call date, using the effective yield method. Such amortization and accretion is included in interest income. Realized gains and losses on sales are recorded on the trade date in investment securities gains and losses and determined using the specific identification method.

Accrued interest receivable on investment securities totaled \$16.6 million and \$12.6 million at December 31, 2021 and 2020, respectively, and was reported in the accrued interest receivable line item on the consolidated balance sheets.

Allowance for Credit Losses - Held-to-Maturity Securities: Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. Accrued interest receivable on held-to-maturity debt securities is excluded from the estimate of credit losses. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

Management classifies the held-to-maturity portfolio into the following major security types:

**State, county, and municipal securities.** Municipal bonds issued by municipal governments within the U.S. These types of securities are primarily composed of general obligation bonds, or municipal bonds backed by the credit and taxing power of the issuing jurisdiction and revenue obligation bonds, or municipal bonds that are financed by income-producing projects and are secured by a specified source of revenue. Municipal issues shall have at least a “BBB” rating by Moody’s and/or Standard and Poor’s, or equivalent creditworthiness must be established prior to purchase. All non-rated or private placement securities must be analyzed and approved by the Company’s Credit Department and documented prior to purchase.

**Obligations of U.S. government agencies and entities.** Securities held by the Company are primarily issued by The Federal Home Loan Mortgage Corporation, known as Freddie Mac, and The Federal National Mortgage Association, known as Fannie Mae, which are implicitly guaranteed by the U.S. government and are consistently highly rated by major rating agencies with very little risk to default.

**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Dollars in millions, except share and per share data)*

***U.S. agency residential and commercial mortgage -backed securities and Collateralized Mortgage Obligations.***

Residential and commercial mortgage -backed securities held by the Company are primarily issued by U.S. government agencies and entities. These securities are either explicitly or implicitly guaranteed by the U.S. government, are consistently highly rated by major rating agencies with very little risk to default. Collateralized mortgage obligations include agency and non-agency residential securities which carry ratings no lower than investment grade “BBB” and pass the federal financial institutions examinations test (Collateral Mortgage Obligation volatility test) at the time of purchase.

***Corporate securities.*** Securities held by the Company are primarily comprised of corporate bonds (both senior and subordinated-debt) issued by a firm or public entity which carry ratings no lower than investment grade “BBB” or better by Moody’, Standard and Poor’s, or Kroll rating agencies. All corporate subordinated-debt securities are analyzed and approved by the Company prior to purchase.

**Allowance for Credit Losses - Available-For-Sale Securities:** For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security’s amortized cost basis is written down to fair value through income. For available-for-sale debt securities that do not meet the aforementioned criteria, the Company performs a qualitative assessment as to whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable on available-for-sale debt securities is excluded from the estimate of credit losses.

***Loans Held for Sale.*** Residential loans the Company originated with the intent to sell are classified as loans held for sale and recorded at fair value, determined individually, as of the balance sheet date. The loan’s fair value includes the servicing value of the loans as well as any accrued interest.

***Loans Held for Investment.*** Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost or principal balance outstanding. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts and deferred loan fees and costs. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Accrued interest receivable on loans held for investment totaled \$30.2 million and \$37.9 million at December 31, 2021 and 2020, respectively, and was reported in the accrued interest receivable line item on the consolidated balance sheets. Interest income is accrued on the unpaid principal balance of underlying loans.

Interest income on mortgage and commercial loans is discontinued and placed on nonaccrual status at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection.

Mortgage loans that are 180 days past due and commercial loans are charged off to the extent principal or interest is deemed uncollectible. Consumer and credit card loans continue to accrue interest until they are charged off no later than 120 days past due unless the loan is in the process of collection. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.



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All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and when, in the opinion of management, the loans are estimated to be fully collectible as to both principal and interest.

***Purchased Credit Deteriorated (“PCD”) Loans***

The Company has purchased loans, some of which have experienced more than insignificant credit deterioration since origination. Loans that meet at least one of the following criteria are considered to have experienced more-than-insignificant credit deterioration since origination at the date of acquisition: 1) have experienced more than one delinquency of more than 60 days or 60+ days as of the acquisition date; 2) have been placed on nonaccrual status at any point since origination; 3) are special mention, substandard, doubtful as of the acquisition date; 4) have a TDR status as of the acquisition date; or 5) are in high-risk industries based on macroeconomic conditions and local market conditions of the acquired entity on the acquisition date. PCD loans are recorded at the amount paid for the loan. An allowance for credit losses is determined using the same methodology as other loans held for investment. The initial allowance for credit losses determined on a collective basis is allocated to individual loans. The sum of the loan’s purchase price and allowance for credit losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the allowance for credit losses are recorded through provision expense.

***Allowance for Credit Losses - Loans held for investment***

The allowance for credit losses is a valuation account that is deducted from the loans’ amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. When forecasting expected recoveries, the amounts should not exceed the aggregate of amounts that have previously been or are expected to be charged-off loans. The Company has elected to not forecast recoveries.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses.

Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental and economic conditions, such as changes in unemployment rates, property values, or other relevant factors.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist.

The Company applies Probability of Default (PD) and Loss Given Default (LGD) methodologies for all portfolio segments. The Company uses a Transition Matrix (TM) for PD components of the methodology and a historical average for the LGD components of methodology. The PD and LGD is applied to the current principal balance as of the reporting date. The TM determines the PD by tracking the historical movement of loans between loan risk tiers over a defined period of time. The Company currently has 16 portfolio segments for which we track monthly movement between either risk ratings, or delinquency date count, or delinquency band.

While the TM functions similarly across all portfolio segments, generally speaking, commercial portfolios use the Company’s risk rating scale and consumer portfolios use the delinquency band. Loans using risk ratings are scored utilizing the Company’s risk rating scale. The risk rating scale is 1-10, with 1 being the best rating, 6 being a pass but on watch, and 7-10 being various stages of criticized loans. Risk ratings 8 or greater and in a non-accrual status are considered in a defaulted state. Loans using delinquency band are measured using a 5-grade band, with 1 being current and 5 being 90 or more days past due.

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The LGD used as the basis for the estimate of credit losses is comprised of the Company's historical loss experience from 2008 to the current period, based on a migration analysis of our historical loss experience, designed to account for credit deterioration. The model compares the most recent period losses to prior period defaults to calculate the LGD, which is averaged over the historical observations.

Economic scenarios and forecasts along with current portfolio conditions and trends are monitored and accounted for through the Company's qualitative framework. The Company utilizes a one-year forecast period with immediate reversion to historical loss rates.

The Company segments the loan portfolio into pools based on the following risk characteristics: financial asset type, collateral type, loan characteristics, credit characteristics, outstanding loan balances, contractual terms and prepayment assumptions, vintage, industry of borrower and concentrations, and historical or expected credit loss.

The Company has identified the following portfolio segments and measures the allowance for credit losses using the following methods:

***Portfolio segments using the Company's risk ratings include the following:***

***Commercial real estate non-owner-occupied loans.*** These loans include a mix of variable and fixed rate non-farm, non-residential real estate loans secured by non-owner-occupied properties. Commercial real estate non-owner-occupied loans are generally secured by first liens on income-producing real estate and generally mature in less than 10 years.

***Commercial real estate owner-occupied loans.*** Non-farm, non-residential real estate loans are generally secured by first liens on real estate where the owner occupant is the majority tenant of the property and generally mature in less than 10 years.

***Construction land acquisition and development loans.*** Construction land acquisition and development loans are primarily to commercial builders for residential lot development and the construction of single-family residences and commercial real estate properties. Construction loans are generally underwritten pursuant to pre-approved permanent financing. During the construction phase the borrower pays interest only. Construction land acquisition and development loans generally mature in three years or less.

***Residential construction loans.*** Residential construction loans are primarily to commercial builders or owner occupants for the construction of single-family residences. Construction loans are generally underwritten pursuant to credit worthiness or pre-qualification for permanent financing. During the construction phase the borrower pays interest only. Residential construction loans generally mature in one to two years.

***Commercial construction loans.*** Commercial construction loans are primarily to commercial builders for commercial real estate properties. Construction loans are generally underwritten pursuant to credit worthiness or pre-qualification for permanent financing. During the construction phase the borrower pays interest only. Commercial construction loans generally mature in two years or less.

***Agricultural real estate loans.*** These include loans secured by farmland or ranchland consisting of short, intermediate, and long-term structures to experienced agriculturalists who have demonstrated management capabilities, established production and historical financial performance. Agricultural real estate loans generally mature in ten years or less.

***Commercial and floor plan loans.*** The Company provides a mix of variable and fixed rate commercial loans in addition to loans to finance dealership floor inventories. The loans are typically made to small and medium-sized manufacturing, wholesale, retail, and service businesses for working capital needs and business expansions. Commercial loans generally include lines of credit, business credit cards, and loans with maturities of five years or less and outstanding balances tend to be cyclical in nature. The loans are generally made with business operations as the primary source of repayment, and are typically collateralized by inventory, accounts receivable, equipment, and/or personal guarantees. Commercial and floor plan loans generally mature in seven years or less.

***Commercial purpose secured by 1-4 family loans.*** These include loans for commercial purposes secured by 1-4 family residential property. Commercial purpose loans secured by 1-4 family generally mature in seven years or less.

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

***Portfolio segments utilizing the delinquency bands include the following:***

***Consumer indirect loans.*** These include loan contracts advanced for the purchase of automobiles, boats, and other consumer goods from the consumer product dealer networks within the market areas we serve. Indirect dealer loans are generally secured by automobiles, recreational vehicles, boats, and other types of personal property and are made on an installment basis. Consumer indirect line loans generally mature in seven years or less.

***Consumer direct and advance line loans.*** These loans are originated for a variety of purposes including the purchase of automobiles, boats and other consumer goods, home improvements, medical expenses, vehicle repairs, debt consolidation, and planned expenses. Consumer direct and advance line loans generally mature in seven years or less.

***Consumer credit card loans.*** These are lines of credit offered to clients in our market areas that are generally floating rate loans and include both unsecured and secured lines. Consumer credit card loans generally do not have stated maturities but are reviewed periodically and are unconditionally cancellable.

***Consumer home equity and home equity lines of credit (“HELOC”).*** These include home equity loans and lines of credit that are secured by residential property. Consumer home equity loans generally mature in 15 years or less and HELOC loans generally mature in 25 years or less.

***Residential 1-4 family and multi-family lending.*** These are loans to finance the purchase or refinance of residential property which are typically secured by first liens, inclusive of 1-4 family as well as 5+ residential properties. Residential 1-4 family loans generally mature within 15 years but can be up to 30 years. Multi-family loans generally mature in 10 years or less.

***Commercial real estate multi-family loans.*** Commercial real estate multi-family loans are generally secured by first liens on income-producing rental real estate consisting of 5 or more residential dwelling units and generally mature in less than 10 years. For CECL related segmentation, multi-family loans are modeled with residential 1-4 family but are reported under Commercial Real Estate.

***Commercial credit card loans.*** These are lines of credit for commercial purposes that are generally floating rate loans and include both unsecured and secured lines. For CECL related segmentation, commercial credit card loans are modeled separately but are reported under Commercial. Commercial credit card loans generally do not have stated maturities but are reviewed periodically and are unconditionally cancellable.

***Agricultural credit card loans.*** Lines of credit for agricultural purposes that are generally floating rate loans and are unsecured or secured. For CECL related segmentation, agricultural credit card loans are modeled separately but are reported under Commercial. Agricultural credit card loans generally do not have stated maturities but are reviewed periodically and are unconditionally cancellable.

***Contractual Term.*** Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

A loan for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, is considered to be a troubled debt restructuring. The allowance for credit loss on a troubled debt restructuring is measured using the same method as all other loans held for investment, except when the value of a concession cannot be measured using a method other than the discounted cash flow method. When the value of a concession is measured using the discounted cash flow method, the allowance for credit loss is determined by discounting the expected future cash flows at the original interest rate of the loan.

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**Allowance for Credit Losses on Off-Balance Sheet Credit Exposures.** The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Company. Management considers our unused credit card lines and federal fund lines, extended to others, to be considered unconditionally cancellable.

Credit card receivables are run through the transition matrices and their unused lines are excluded from the final loss calculation because they are unconditionally cancellable. The allowance for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate considers the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over the estimated life.

The Company has identified commitments to extend credit and standby letters of credit determined not to be unconditionally cancellable as categories with off-balance sheet credit exposures and uses the commitment balance, expected loss rate, and utilization rate as primary assumptions to develop the allowance for credit losses on those exposures. The loss rate expectation is the same for both the unfunded and funded portions of the credit exposure. The utilization rate represents management's best estimate of the probability that the unfunded portion of the commitment will be funded given existing economic conditions.

**Goodwill.** The excess purchase price over the fair value of net assets from acquisitions, or goodwill, is evaluated for impairment at least annually and on an interim basis if an event or circumstance indicates that it is likely impairment has occurred. Goodwill impairment is determined by comparing the fair value of a reporting unit to its carrying amount. In any given year the Company may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is in excess of its carrying value. If it is not more likely than not that the fair value of the reporting unit is in excess of the carrying value, or if the Company elects to bypass the qualitative assessment, a quantitative impairment test is performed. In performing a quantitative test for impairment, the fair value of net assets is estimated based on analyses of the Company's market value, discounted cash flows and peer values. The determination of goodwill impairment is sensitive to market-based economics and other key assumptions used in determining or allocating fair value. Variability in the market and changes in assumptions or subjective measurements used to allocate fair value are reasonably possible and may have a material impact on our consolidated financial statements or results of operations.

**Core Deposit Intangibles.** Core deposit intangibles represent the intangible value of depositor relationships resulting from deposit liabilities assumed, as a result of acquisitions, and are amortized using an accelerated method based on the estimated weighted average useful lives of the related deposits, which is generally ten years.

**Mortgage Servicing Rights.** The Company recognizes the rights to service mortgage loans for others, whether acquired or internally originated. Mortgage servicing rights are initially recorded at fair value based on comparable market data and are amortized in proportion to and over the period of estimated net servicing income. Mortgage servicing rights are evaluated quarterly for impairment by discounting the expected future cash flows, taking into consideration the estimated level of prepayments based on current industry expectations and the predominant risk characteristics of the underlying loans including loan type, note rate, and loan term. Impairment adjustments, if any, are recorded through a valuation allowance.

**Premises and Equipment.** Buildings, furniture, and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed using straight-line methods over estimated useful lives of 5 to 45 years for buildings and improvements and 3 to 15 years for furniture and equipment. Leasehold improvements and assets acquired under a financing lease are amortized over the shorter of their estimated useful lives or the terms of the related leases. Land is recorded at cost. Costs incurred for maintenance and repairs are expensed as incurred.

We have leased branches and office space and have entered into various other agreements in conducting our business. Operating lease right-of-use assets are included within the Premises and Equipment line item and our operating lease liability is included within the Other Liabilities line item. Operating lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or expectations regarding the terms. Variable lease costs such as property taxes are expensed as incurred. Lease and non-lease components are accounted for separately as the amounts are readily determinable under our lease contracts. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

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Upon adoption of ASU 2016-02, the Company elected to apply certain practical expedients whereby we did not reassess (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases, and (iii) initial direct costs for any existing leases. We elected the hindsight practical expedient to determine the lease term for existing leases.

In recognizing lease right-of-use assets and related lease liabilities, we determine whether an agreement represents a lease and at commencement of the lease we evaluate each agreement to determine whether the lease is an operating or financing lease. Some of our lease agreements have contained renewal options, tenant improvement allowances, rent holidays, and rent escalation clauses. We hold one financing lease with the remaining leases classified as operating leases. Right-of-use lease assets represent our right to use the underlying asset for the lease term and the lease obligation represents our commitment to make the lease payments arising from the lease. Right-of-use lease assets and obligations are recognized at the commencement date based on the present value of remaining lease payments over the lease term. For the Company's leases that do not provide an implicit rate, we use an estimated incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The right-of-use lease asset includes any lease payments made prior to commencement and excludes any lease incentives. The estimated lease term may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

**Company-Owned Life Insurance.** Key executive and group life insurance policies are recorded at their cash surrender value. Separate account group life insurance policies are subject to a stable value contract that offsets the impact of interest rate fluctuations on the market value of the policies and are recorded at the stabilized investment value. Increases in the cash surrender or stabilized investment value of insurance policies, as well as insurance proceeds received, are recorded as other non-interest income, and are not subject to income taxes.

**Deferred Compensation Plan.** The Company has a deferred compensation plan for the benefit of certain highly compensated officers and directors of the Company. The plan allows for discretionary employer contributions in excess of tax limits applicable to the Company's 401(k) plan and the deferral of salary, short-term incentives, or director fees subject to certain limitations. Deferred compensation plan assets and liabilities are included in the Company's consolidated balance sheets at fair value. As of December 31, 2021 and 2020, deferred compensation plan assets were \$21.4 million and \$19.1 million, respectively. Corresponding deferred compensation plan liabilities were \$21.4 million and \$19.1 million as of December 31, 2021 and 2020, respectively.

**Impairment of Long-Lived Assets.** Long-lived assets, including premises and equipment and certain identifiable intangibles, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. The amount of the impairment loss, if any, is based on the asset's fair value. No impairment losses were recognized in 2021, 2020, or 2019.

**Other Real Estate Owned.** Real estate acquired in satisfaction of loans is initially carried at current fair value less estimated selling costs. Any excess of loan carrying value over the fair value of the real estate acquired is recorded as a charge to the allowance for credit losses. Subsequent declines in fair value less estimated selling costs are included in OREO expense. Subsequent increases in fair value less estimated selling costs are recorded as a reduction in OREO expense to the extent of recognized losses. Operating expenses, net of related income, and gains or losses on sales are included in OREO expense.

**Restricted Equity Securities.** The Company, as a member of the Federal Reserve Bank and the Federal Home Loan Bank ("FHLB"), is required to maintain investments in each of the organization's capital stock. As of December 31, 2021 and 2020, restricted equity securities of the Federal Reserve Bank and the FHLB of \$42.8 million and \$10.6 million, respectively, were included in other assets at cost. No ready market exists for these restricted equity securities, and they have no quoted market values. Restricted equity securities are periodically reviewed for impairment based on ultimate recovery of par value.

The determination of whether a decline affects the ultimate recovery of par value is influenced by the significance of the decline compared to the cost basis of the restricted equity securities, length of time a decline has persisted, impact of legislative and regulatory changes on the issuing organizations, and the liquidity positions of the issuing organizations. Based on management's assessment, no impairment losses were recorded on restricted equity securities during 2021, 2020, or 2019.

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**Derivatives and Hedging Activities.** For asset and liability management purposes, the Company enters into interest rate swap contracts to hedge against changes in forecasted cash flows due to interest rate exposures. Interest rate swaps are contracts in which a series of interest payments are exchanged over a prescribed period. The notional amount upon which the interest payments are based is not exchanged.

The Company formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. The swap agreements are derivative instruments and convert a portion of the Company's forecasted variable rate debt to a fixed rate (i.e., cash flow hedge) over the payment term of the interest rate swap. The gain or loss on cash flow hedging instruments is initially reported as a component of other comprehensive income and subsequently reclassified into earnings in the same period during which the transaction affects earnings.

When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively when (a) it is determined that the derivative is no longer effective in offsetting changes in the cash flows of a hedged item (including forecasted transactions); (b) the derivative expires or is sold, terminated, or exercised; (c) the derivative is dedesignated as a hedge instrument, because it is unlikely that a forecasted transaction will occur; or (d) management determines that designation of the derivative as a hedge instrument is no longer appropriate.

When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the derivative will continue to be carried on the balance sheet at its fair value, and gains and losses that were accumulated in other comprehensive income will be recognized immediately in earnings. In all other situations in which hedge accounting is discontinued, the derivative will be carried at its fair value on the balance sheet, with subsequent changes in its fair value recognized in current-period earnings.

The Company also enters into certain interest rate swap contracts that are not designated as hedging instruments. These derivative contracts relate to transactions in which the Company enters into an interest rate swap with a client while at the same time entering into an offsetting interest rate swap with a third-party financial institution. Because the Company acts as an intermediary for the client, changes in the fair value of the underlying derivative contracts for the most part offset each other and do not significantly impact the Company's results of operations.

In the normal course of business, the Company enters into interest rate lock commitments to finance residential mortgage loans that are not designated as accounting hedges. These commitments, which contain fixed expiration dates, offer the borrower an interest rate guarantee provided the loan meets underwriting guidelines and closes within the timeframe established by the Company. Interest rate risk arises on these commitments and subsequently closed loans if interest rates change between the time of the interest rate lock and the delivery of the loan to the investor. Loan commitments related to residential mortgage loans intended to be sold are considered derivatives and are marked to market through earnings. In addition to the effects of the change in market interest rate, the fair value measurement of the derivative also contemplates the expected cash flows to be received from the counterparty from the future sale of the loan.

The Company sells residential mortgage loans on either a best efforts or mandatory delivery basis. The Company mitigates the effect of the interest rate risk inherent in providing interest rate lock commitments by entering into forward loan sales contracts. During the interest rate lock commitment period, these forward loan sales contracts are marked to market through earnings and are not designated as accounting hedges. Exclusive of the fair value component associated with the projected cash flows from the loan delivery to the investor, the changes in fair value related to movements in market rates of the interest rate lock commitments and the forward loan sales contracts generally move in opposite directions, and the net impact of changes in these valuations on net income during the loan commitment period is generally inconsequential. When the loan is funded to the borrower, the interest rate lock commitment derivative expires and the Company records a loan held for sale. The forward loan sales contract acts as a hedge against the variability in cash to be received from the loan sale.

The changes in measurement of the estimated fair values of the interest rate lock commitments and forward loan sales contracts are included in mortgage banking revenues in the accompanying consolidated statements of income.

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**Software.** Capitalized software, stated at cost less accumulated amortization, includes purchased software, capitalizable application development costs associated with internally developed software, and cloud computing arrangements, including capitalizable implementation costs associated with hosting arrangements that are service contracts. Capitalized software is included in premises and equipment, net of accumulated depreciation on the Consolidated Balance Sheets. Amortization expense, generally computed on the straight-line method, is charged to furniture and equipment in the Consolidated Statements of Income over the estimated useful life of the software, generally three to five years, or the term of the hosting arrangement for implementation costs related to service contracts.

Cloud computing arrangements include software as a service (SaaS), platform as a service (PaaS), infrastructure as a service (IaaS) and other similar hosting arrangements. The Company primarily utilizes SaaS and PaaS arrangements. Capitalized implementation costs of hosting arrangements that are service contracts were \$4.6 million and \$6.0 million at December 31, 2021 and 2020, respectively.

**Earnings Per Common Share.** Basic and diluted earnings per common share are calculated using a two-class method. Under the two-class method, basic earnings per common share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period, excluding outstanding participating securities. Participating securities include non-vested performance restricted stock awards granted and all non-vested time restricted stock awards.

Diluted earnings per common share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding determined for the basic earnings per share calculation plus the dilutive effect of stock compensation using the treasury stock method.

**Income Taxes.** The Parent Company and its subsidiaries have elected to be included in a consolidated federal income tax return. For state income tax purposes, the combined taxable income of the Parent Company and its subsidiaries is apportioned among the states in which operations take place. Federal and state income taxes attributable to the subsidiaries, computed on a separate return basis, are paid to or received from the Parent Company.

The Company accounts for income taxes using the liability method. Under the liability method, deferred tax assets and liabilities are determined based on enacted income tax rates which will be in effect when the differences between the financial statement carrying values and tax bases of existing assets and liabilities are expected to be reported in taxable income.

Positions taken in the Company's tax returns may be subject to challenge by the taxing authorities upon examination. Uncertain tax positions are initially recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions are both initially and subsequently measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement with the tax authority, assuming full knowledge of the position and all relevant facts. The Company provides for interest and, in some cases, penalties on tax positions that may be challenged by the taxing authorities. Interest expense is recognized beginning in the first period that such interest would begin accruing. Penalties are recognized in the period that the Company claims the position in the tax return. Interest and penalties on income tax uncertainties are classified within income tax expense in the consolidated statements of income. With few exceptions, the Company is no longer subject to U.S. federal and state examinations by tax authorities for years before 2018. The Company had no material penalties as of December 31, 2021, 2020, or 2019.

**Revenue Recognition.** The Company recognizes revenue as it is earned based on contractual terms, as transactions occur, or as services are provided and collectability is reasonably assured. The principal source of revenue is interest income from loans and investments. The Company also earns non-interest income from various banking and financial services offered to its clients. Certain specific policies related to non-interest income include the following:

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*Wealth management and trust fee income*

Wealth management and trust fee income represents monthly fees due from wealth management clients as consideration for managing the clients' assets. Wealth management and trust services include custody of assets, investment management, fees for trust services and similar fiduciary activities. Revenue is recognized when our performance obligation is completed. The Company does not earn performance-based incentives. Optional services such as settlement, court, and regulatory fees are also available to existing trust and asset management clients. The Company's performance obligation for these transactional-based services is generally satisfied, and related revenue recognized, at a point in time.

*Service charges on deposit accounts*

Service charges on deposit accounts represent general service fees for account maintenance and activity- or transaction-based fees and consist of transaction-based revenue, time-based revenue (service period), item-based revenue or some other individual attribute-based revenue. Revenue is recognized when our performance obligation is completed for account maintenance services or when a transaction has been completed (such as a wire transfer or check orders). Payment for such performance obligations are generally received at a point in time when the performance obligations are satisfied.

*Interchange and other fees*

Interchange and other fees primarily represent debit and credit card income comprised of interchange fees earned whenever the Company's debit and credit cards are processed through card payment networks such as MasterCard. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM or a non-Company cardholder uses a Company ATM. Merchant services income primarily represents fees charged to merchants to process their debit and credit card transactions, in addition to account management fees. Swap fee income primarily represents income associated with the execution of dealer bank swap agreements. Other service charges include revenue from processing wire transfers, bill pay service, cashier's checks, and other services.

The Company's performance obligation for interchange and other service charges are largely satisfied, and related revenue recognized, when completion of the services are rendered at a point in time.

*Annuity and insurance commissions*

Annuity and insurance commissions primarily represent commissions received on annuity product sales. The Company acts as an intermediary between the Company's client and the insurance carrier. The Company's performance obligation is generally satisfied upon the issuance of the annuity policy, the carrier then remits the commission payment to the Company, and the Company recognizes the revenue at a point in time.

**Comprehensive Income.** Comprehensive income includes net income, as well as other changes in stockholders' equity that result from transactions and economic events other than those with shareholders. In addition to net income, the Company's comprehensive income includes the after tax effect of changes in unrealized gains and losses on available-for-sale investment securities and derivatives designated as fair value or cash flow hedges, and changes in the unamortized gain or loss on available-for-sale investment securities transferred to held-to-maturity.

**Segment Reporting.** An operating segment is defined as a component of a business for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and evaluate performance. The "Segment Reporting" topic of the FASB ASC requires that public companies report certain information about operating segments. It also requires that public companies report certain information about their products and services, the geographic areas in which they operate, and their major clients. The Company is a holding company for a regional community bank, which offers a wide array of products and services to its clients. The Company has one reporting unit and one operating segment, community banking, which encompasses commercial and consumer banking services offered to individuals, businesses, municipalities and other entities.

**Advertising Costs.** Advertising costs are expensed as incurred. Advertising expense was \$2.6 million, \$2.8 million, and \$4.2 million in 2021, 2020, and 2019, respectively.



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**Transfers of Financial Assets.** Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company; the transferee obtains the right, free of conditions that constrain it from taking advantage of that right, to pledge or exchange the transferred assets; and, the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

**Stock-Based Compensation.** Compensation cost for all stock-based awards is measured at fair value on the date of grant and is recognized over the requisite service period for awards expected to vest. The impact of forfeitures of stock-based payment awards on compensation expense is recognized as forfeitures occur. Stock-based compensation expense of \$8.9 million, \$7.5 million, and \$8.0 million for the years ended December 31, 2021, 2020, and 2019, respectively, is included in benefits expense in the Company's consolidated statements of income. Related income tax benefits recognized for the years ended December 31, 2021, 2020, and 2019 were \$0.5 million, \$0.4 million, and \$1.2 million, respectively, is included in income tax expense in the Company's consolidated statements of income.

**Fair Value Measurements.** In general, fair value measurements are based upon quoted market prices, where available. If quoted market prices are not available, fair value measurements are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and require some degree of judgment regarding interest rates, credit risk, prepayments and other factors. The use of different assumptions or estimation techniques may have a significant effect on the fair value amounts reported.

**(2) GOODWILL AND CORE DEPOSIT INTANGIBLES**

**Goodwill**

The Company has goodwill with a carrying value of \$621.6 million as of December 31, 2021 and 2020 and performed its annual goodwill impairment qualitative assessment as of July 1, 2021, 2020, and 2019 and determined the Company's goodwill was not considered impaired. In addition, there were no events or circumstances that occurred during the second half of 2021 that would more-likely-than-not reduce the fair value of a reporting unit below its carrying value. The Company did not perform interim impairment testing as of December 31, 2021.

**Core deposit intangibles ("CDI")**

The following table sets forth activity for identifiable core deposit intangibles subject to amortization:

Year Ended December 31,	2021	2020
Gross CDI, beginning of period	\$ 106.0	\$ 106.0
Accumulated amortization	(64.7)	(54.8)
Net CDI, end of period	\$ 41.3	\$ 51.2

Amortization expense of CDI assets was \$9.9 million, \$10.9 million and \$11.2 million for the fiscal years ended December 31, 2021, 2020 and 2019, respectively.

CDI are evaluated for impairment if events and circumstances indicate a possible impairment. The CDI are amortized using an accelerated method based on the estimated weighted average useful lives of the related deposits, which is generally ten years.

The following table provides estimated future CDI amortization expense:

Years ending December 31,	
2022	\$ 9.0
2023	8.2
2024	7.3
2025	6.5
2026	5.9
Thereafter	4.4
Total	\$ 41.3

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**(3) INVESTMENT SECURITIES**

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

December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<i>Available-for-Sale</i>				
U.S. Treasury notes	\$ 697.6	\$ —	\$ (12.9)	\$ 684.7
State, county, and municipal securities	434.7	2.1	(9.3)	427.5
Obligations of U.S. government agencies	356.0	0.1	(9.2)	346.9
U.S. agency residential & commercial mortgage-backed securities & collateralized mortgage obligations	2,027.3	14.1	(23.3)	2,018.1
Private mortgage-backed securities	174.4	0.1	(1.1)	173.4
Collateralized loan obligations	898.2	1.2	—	899.4
Corporate Securities	271.1	3.0	(3.6)	270.5
<b>Total</b>	<b>\$ 4,859.3</b>	<b>\$ 20.6</b>	<b>\$ (59.4)</b>	<b>\$ 4,820.5</b>

December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<i>Held-to Maturity</i>				
State, county, and municipal securities	\$ 67.6	\$ 2.0	\$ (0.4)	\$ 69.2
U.S. agency residential & commercial mortgage-backed securities & collateralized mortgage obligations <sup>(1)</sup>	1,609.0	13.2	(35.3)	1,586.9
Corporate securities	11.0	0.4	—	11.4
<b>Total</b>	<b>\$ 1,687.6</b>	<b>\$ 15.6</b>	<b>\$ (35.7)</b>	<b>\$ 1,667.5</b>

<sup>(1)</sup> Amortized costs presented above include \$20.1 million of unamortized gains in U.S. agency residential and commercial mortgage-backed securities and collateralized mortgage obligations related to the 2021 second quarter transfer of securities from available-for-sale to held-to-maturity.

December 31, 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<i>Available-for-Sale</i>				
State, county, and municipal securities	\$ 462.1	\$ 4.8	\$ (1.0)	\$ 465.9
Obligations of U.S. government agencies	332.9	1.0	(2.0)	331.9
U.S. agency residential & commercial mortgage-backed securities & collateralized mortgage obligations	2,830.8	69.3	(2.5)	2,897.6
Private mortgage-backed securities	10.9	0.1	(0.1)	10.9
Corporate Securities	295.8	6.5	(0.1)	302.2
Other investments	0.2	—	—	0.2
<b>Total</b>	<b>\$ 3,932.7</b>	<b>\$ 81.7</b>	<b>\$ (5.7)</b>	<b>\$ 4,008.7</b>

December 31, 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<i>Held-to Maturity</i>				
State, county, and municipal securities	\$ 46.6	\$ 3.2	\$ —	\$ 49.8
U.S. agency residential & commercial mortgage-backed securities & collateralized mortgage obligations	1.0	0.1	—	1.1
Corporate securities	3.9	0.1	—	4.0
Other investments	0.1	—	—	0.1
<b>Total</b>	<b>\$ 51.6</b>	<b>\$ 3.4</b>	<b>\$ —</b>	<b>\$ 55.0</b>

There were \$3.2 million in gross realized gains and \$2.1 million in gross realized losses on the disposition of available-for-sale securities during 2021, with no material gross realized gains and no material gross realized losses on the disposition of available-for-sale securities during 2020, or 2019.

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On June 7, 2021, the Company transferred debt securities with an amortized cost of \$646.7 million and an estimated fair value of \$672.2 million from the available-for-sale to the held-to-maturity classification. These securities consisted of residential and commercial mortgage-backed securities and collateralized mortgage obligations (\$629.4 million amortized cost and \$654.5 million estimated fair value) and corporate securities (\$17.3 million amortized cost and \$17.7 million estimated fair value) and were transferred as the Company has the positive intent and ability to hold these securities to maturity. The transfer of debt securities into the held-to-maturity category was recorded at fair value on the date of transfer. The net unrealized gains on the transfer date are included in accumulated other comprehensive income and are being accreted over the remaining lives of the securities. This accretion is expected to offset the amortization of the related premium created by the investment securities transfer into the held-to-maturity classification, with no expected impact on future net income.

As of December 31, 2021, the Company had general obligation securities with amortized costs of \$55.9 million included in state, county, and municipal securities, of which \$40.7 million, or 72.8% were issued by political subdivisions or agencies within the states of Idaho, Montana, Oregon, South Dakota, Washington, and Wyoming.

The following tables show the gross unrealized losses and fair values of investment securities, aggregated by investment category, and the length of time individual investment securities have been in a continuous unrealized loss position, as of December 31, 2021 and 2020. There were no held-to-maturity securities in a continuous unrealized loss position as of December 31, 2020.

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2021						
<i>Available-for-Sale</i>						
U.S. Treasury notes	\$ 684.7	\$ (12.9)	\$ —	\$ —	\$ 684.7	\$ (12.9)
State, county, and municipal securities	278.7	(9.1)	5.0	(0.2)	283.7	(9.3)
Obligations of U.S. government agencies	297.0	(8.9)	16.4	(0.3)	313.4	(9.2)
U.S. agency residential & commercial mortgage-backed securities & collateralized mortgage obligations	1,262.8	(23.0)	26.4	(0.3)	1,289.2	(23.3)
Private mortgage-backed securities	127.2	(1.1)	—	—	127.2	(1.1)
Corporate securities	109.9	(3.3)	20.9	(0.3)	130.8	(3.6)
Total	\$ 2,760.3	\$ (58.3)	\$ 68.7	\$ (1.1)	\$ 2,829.0	\$ (59.4)
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2021						
<i>Held-to-Maturity</i>						
U.S. agency residential & commercial mortgage-backed securities & collateralized mortgage obligations	1,038.7	(35.3)	—	—	1,038.7	(35.3)
State, county and municipal securities	29.0	(0.4)	—	—	29.0	(0.4)
Total	\$ 1,067.7	\$ (35.7)	\$ —	\$ —	\$ 1,067.7	\$ (35.7)

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	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2020						
<i>Available-for-Sale</i>						
State, county, and municipal securities	\$ 148.1	\$ (1.0)	\$ —	\$ —	\$ 148.1	\$ (1.0)
Obligations of U.S. government agencies	\$ 235.6	\$ (2.0)	\$ —	\$ —	\$ 235.6	\$ (2.0)
U.S. agency residential & commercial mortgage-backed securities & collateralized mortgage obligations	434.0	(2.4)	12.3	(0.1)	446.3	(2.5)
Private mortgage-backed securities	—	—	4.3	(0.1)	4.3	(0.1)
Corporate securities	20.9	(0.1)	—	—	20.9	(0.1)
<b>Total</b>	<b>\$ 838.6</b>	<b>\$ (5.5)</b>	<b>\$ 16.6</b>	<b>\$ (0.2)</b>	<b>\$ 855.2</b>	<b>\$ (5.7)</b>

The available-for-sale securities portfolio contains securities that are guaranteed by a sovereign entity or are generally considered to have non-credit related risks, such as interest rate risk or prepayment and liquidity factors. The Company considers whether the securities are issued by the federal government or its agencies and whether downgrades by bond rating agencies have occurred. The unrealized losses are due to changes in interest rates and other market conditions.

The Company had 285 and 181 individual investment securities as of December 31, 2021 and 2020, respectively, that were in an unrealized loss position, related primarily to fluctuations in the current interest rates. As of December 31, 2021, the Company had the intent and ability to hold these investment securities for a period of time sufficient to allow for an anticipated recovery. Furthermore, the Company does not intend to sell any of the available-for-sale securities in the above table and the Company does not anticipate it will have to sell any securities before a recovery in cost. There were no material allowances for credit loss as of December 31, 2021 or 2020 and no impairment losses were recorded during 2019 for investment securities.

Maturities of securities do not reflect rate repricing opportunities present in adjustable-rate mortgage-backed securities. In the table below, the Company had variable rate mortgage-backed securities and corporate securities which had an amortized costs of \$84.8 million and \$220.7 million, as of December 31, 2021 and 2020, respectively. Maturities of mortgage-backed securities have been adjusted to reflect shorter maturities based upon estimated prepayments of principal. All other investment securities maturities are shown at contractual maturity dates.

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
December 31, 2021				
Within one year	\$ 647.4	\$ 742.8	\$ 696.4	\$ 687.2
After one year but within five years	1,482.4	1,577.4	374.5	363.6
After five years but within ten years	1,313.4	1,165.6	275.6	276.2
After ten years	1,416.1	1,334.7	341.1	340.5
<b>Total</b>	<b>\$ 4,859.3</b>	<b>\$ 4,820.5</b>	<b>\$ 1,687.6</b>	<b>\$ 1,667.5</b>

As of December 31, 2021, the Company held investment securities callable within one year with amortized costs and estimated fair values of \$236.1 million and \$235.7 million, respectively. These investment securities are primarily classified as available-for-sale and included in the “after ten years category” in the table above. As of December 31, 2021, the Company had no callable structured notes.

There were no significant concentrations of investments at December 31, 2021, (greater than 10 percent of stockholders’ equity) in any individual security issuer, except for U.S. government or agency-backed securities.

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As of December 31, 2021 and 2020, the Company recorded amortized costs of \$2,617.8 million and \$2,323.0 million, respectively, for investment securities pledged to secure public deposits and securities sold under repurchase agreements and had approximate fair values as of December 31, 2021 and 2020 of \$2,610.8 million and \$2,383.6 million, respectively. All securities sold under repurchase agreements are with clients and mature on the next banking day. The Company retains possession of the underlying securities sold under repurchase agreements.

**(4) LOANS HELD FOR SALE**

Mortgage loans held for immediate sale in the secondary market were \$30.1 million as of December 31, 2021, compared to \$74.0 million as of December 31, 2020. Residential loans that the Company originated with the intent to sell are recorded at fair value. Conforming agency mortgage production is sold on a servicing retained basis. Certain loans, such as government guaranteed mortgage loans, are sold on a servicing released basis.

**(5) LOANS HELD FOR INVESTMENT**

The following table presents loans by segment as of the dates indicated:

	2021	2020
Real estate loans:		
Commercial	\$ 3,971.5	\$ 3,743.2
Construction loans:		
Land acquisition & development	247.8	265.0
Residential	262.0	250.9
Commercial	498.0	523.5
Total construction loans	1,007.8	1,039.4
Residential	1,538.2	1,396.3
Agricultural	213.9	220.6
Total real estate loans	6,731.4	6,399.5
Consumer loans:		
Indirect	737.6	805.1
Direct and advance lines	129.2	150.6
Credit card	64.9	70.2
Total consumer loans	931.7	1,025.9
Commercial	1,475.5	2,153.9
Agricultural	203.9	247.6
Other, including overdrafts	1.5	1.6
Loans held for investment	9,344.0	9,828.5
Deferred loan fees and costs	(12.3)	(21.0)
Loans held for investment, net of deferred fees and costs	9,331.7	9,807.5
Allowance for credit losses	(122.3)	(144.3)
Net loans held for investment	\$ 9,209.4	\$ 9,663.2

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**Allowance for Credit Losses**

The following tables represent, by loan portfolio segment, the activity in the allowance for credit losses for loans held for investment:

<i>December 31, 2021</i>	Beginning Balance	Provision for (reversal of) Credit Loss	Loans Charged-Off	Recoveries Collected	Ending Balance
<b>Allowance for credit losses<sup>(1)</sup></b>					
<b>Real estate:</b>					
<b>Commercial real estate:</b>					
Non-owner occupied	\$ 25.5	\$ (8.3)	\$ —	\$ 0.1	\$ 17.3
Owner occupied	18.3	(2.7)	(2.3)	—	13.3
Multi-family	11.0	2.3	—	—	13.3
Total commercial real estate	54.8	(8.7)	(2.3)	0.1	43.9
<b>Construction:</b>					
Land acquisition & development	1.3	(0.1)	(1.2)	0.5	0.5
Residential construction	1.6	0.9	(0.1)	—	2.4
Commercial construction	7.3	(1.3)	(0.1)	0.1	6.0
Total construction	10.2	(0.5)	(1.4)	0.6	8.9
<b>Residential real estate:</b>					
Residential 1-4 family	11.4	2.0	—	—	13.4
Home equity and HELOC	1.4	(0.4)	(0.1)	0.3	1.2
Total residential real estate	12.8	1.6	(0.1)	0.3	14.6
Agricultural real estate	2.7	(0.1)	(0.7)	—	1.9
Total real estate	80.5	(7.7)	(4.5)	1.0	69.3
<b>Consumer:</b>					
Indirect	16.7	(1.4)	(3.5)	2.5	14.3
Direct and advance lines	4.6	1.7	(2.9)	1.2	4.6
Credit card	2.6	0.6	(1.8)	0.8	2.2
Total consumer	23.9	0.9	(8.2)	4.5	21.1
<b>Commercial:</b>					
Commercial and floor plans	34.2	(7.3)	(3.0)	3.2	27.1
Commercial purpose secured by 1-4 family	4.7	(0.5)	(0.3)	0.5	4.4
Credit card	0.3	0.1	(0.4)	0.1	0.1
Total commercial	39.2	(7.7)	(3.7)	3.8	31.6
<b>Agricultural:</b>					
Agricultural	0.7	(0.2)	(0.2)	—	0.3
Total agricultural	0.7	(0.2)	(0.2)	—	0.3
<b>Total allowance for credit losses</b>	<b>\$ 144.3</b>	<b>\$ (14.7)</b>	<b>\$ (16.6)</b>	<b>\$ 9.3</b>	<b>\$ 122.3</b>

<sup>(1)</sup> Amounts presented are exclusive of the allowance for credit losses related to unfunded commitments which are included in Note "Financial Instruments with Off-Balance Sheet Risk" included in this report.

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<i>December 31, 2020</i>	Beginning Balance	Initial Impact of Adopting ASC 326	Provision for (reversal of) Credit Loss	Loans Charged-Off	Recoveries Collected	Ending Balance
Allowance for credit losses <sup>(1)</sup>						
Real estate:						
Commercial real estate:						
Non-owner occupied	\$ 8.8	\$ 4.9	\$ 11.7	\$ —	\$ 0.1	\$ 25.5
Owner occupied	10.0	3.5	5.0	(0.4)	0.2	18.3
Multi-family	0.7	6.9	3.4	—	—	11.0
Total commercial real estate	19.5	15.3	20.1	(0.4)	0.3	54.8
Construction:						
Land acquisition & development	1.9	(0.1)	(0.4)	(0.5)	0.4	1.3
Residential construction	1.5	(0.9)	1.0	—	—	1.6
Commercial construction	2.7	1.3	3.3	—	—	7.3
Total construction	6.1	0.3	3.9	(0.5)	0.4	10.2
Residential real estate:						
Residential 1-4 family	1.8	10.6	(1.1)	—	0.1	11.4
Home equity and HELOC	1.0	0.5	(0.4)	—	0.3	1.4
Total residential real estate	2.8	11.1	(1.5)	—	0.4	12.8
Agricultural real estate	0.5	1.8	0.4	—	—	2.7
Total real estate	28.9	28.5	22.9	(0.9)	1.1	80.5
Consumer:						
Indirect	4.5	8.8	5.4	(4.1)	2.1	16.7
Direct and advance lines	2.9	3.0	1.6	(3.9)	1.0	4.6
Credit card	2.5	0.3	1.8	(2.8)	0.8	2.6
Total consumer	9.9	12.1	8.8	(10.8)	3.9	23.9
Commercial:						
Commercial and floor plans	25.5	(5.1)	20.4	(8.0)	1.4	34.2
Commercial purpose secured by 1-4 family	5.9	(3.8)	2.5	(0.1)	0.2	4.7
Credit card	1.2	(1.1)	1.1	(1.0)	0.1	0.3
Total commercial	32.6	(10.0)	24.0	(9.1)	1.7	39.2
Agricultural:						
Agricultural	1.6	(0.6)	(0.2)	(0.1)	—	0.7
Total agricultural	1.6	(0.6)	(0.2)	(0.1)	—	0.7
Total allowance for credit losses	\$ 73.0	\$ 30.0	\$ 55.5	\$ (20.9)	\$ 6.7	\$ 144.3

<sup>(1)</sup> Amounts presented are exclusive of the allowance for credit losses related to unfunded commitments which are included in Note "Financial Instruments with Off-Balance Sheet Risk" included in this report.

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The following tables represent activity in the allowance for credit losses for loans held for investment under historical GAAP:

Year Ended December 31, 2019	Real Estate	Consumer	Commercial	Agriculture	Other	Total
<b>Allowance for loan losses:</b>						
Beginning balance	\$ 31.0	\$ 8.7	\$ 31.3	\$ 2.0	\$ —	\$ 73.0
Provision charged (credited) to operating expense	(1.3)	10.6	4.5	0.1	—	13.9
Less loans charged-off	(3.5)	(13.0)	(6.6)	(0.5)	—	(23.6)
Add back recoveries of loans previously charged-off	2.7	3.6	3.4	—	—	9.7
<b>Ending balance</b>	<b>\$ 28.9</b>	<b>\$ 9.9</b>	<b>\$ 32.6</b>	<b>\$ 1.6</b>	<b>\$ —</b>	<b>\$ 73.0</b>
<b>Individually evaluated for impairment</b>						
	\$ 1.7	\$ —	\$ 1.7	\$ 0.2	\$ —	\$ 3.6
<b>Collectively evaluated for impairment</b>						
	27.2	9.9	30.9	1.4	—	69.4
<b>Ending balance</b>	<b>\$ 28.9</b>	<b>\$ 9.9</b>	<b>\$ 32.6</b>	<b>\$ 1.6</b>	<b>\$ —</b>	<b>\$ 73.0</b>
<b>Total loans:</b>						
Individually evaluated for impairment	\$ 41.1	\$ —	\$ 17.3	\$ 6.3	\$ —	\$ 64.7
Collectively evaluated for impairment	5,897.1	1,045.2	1,656.4	272.8	—	8,871.5
<b>Loans held for investment</b>	<b>\$ 5,938.2</b>	<b>\$ 1,045.2</b>	<b>\$ 1,673.7</b>	<b>\$ 279.1</b>	<b>\$ —</b>	<b>\$ 8,936.2</b>

**Collateral-Dependent Financial Loans**

A collateral-dependent financial loan relies solely on the operation or sale of the collateral for repayment. In evaluating the overall risk associated with a loan, the Company considers (1) character, overall financial condition and resources, and payment record of the borrower; (2) the prospects for support from any financially responsible guarantors; and (3) the nature and degree of protection provided by the cash flow and value of any underlying collateral. The loan may become collateral-dependent when the borrower is experiencing financial difficulty and, as sources of repayment become inadequate over time, the Company develops an expectation that repayment will be provided substantially through the operation or sale of the collateral.

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of the dates indicated:

Collateral Type	As of December 31, 2021				As of December 31, 2020			
	Business Assets	Real Property	Other	Total	Business Assets	Real Property	Other	Total
Real estate	\$ 1.2	\$ 7.0	\$ —	\$ 8.2	\$ 1.3	\$ 6.5	\$ 1.1	\$ 8.9
Commercial	1.8	1.0	—	2.8	6.1	1.3	0.4	7.8
Agricultural	—	0.7	—	0.7	—	0.8	—	0.8
<b>Total collateral-dependent</b>	<b>\$ 3.0</b>	<b>\$ 8.7</b>	<b>\$ —</b>	<b>\$ 11.7</b>	<b>\$ 7.4</b>	<b>\$ 8.6</b>	<b>\$ 1.5</b>	<b>\$ 17.5</b>

**Impaired Loans**

Prior to the adoption of ASC 326 on January 1, 2020, loans were reported as impaired when, based on then current information and events, it was probable we would be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. The amount of the impairment was measured using cash flows discounted at the loan's effective interest rate, except when it was determined that the primary source of repayment for the loan was the operation or liquidation of the underlying collateral. In such cases, the current fair value of the collateral, reduced by anticipated selling costs, was used to measure impairment. The Company considered impaired loans to include all loans, except consumer loans, that were risk rated as doubtful or for which interest accrual had been discontinued or that would have been renegotiated in a troubled debt restructuring. Interest payments received on impaired loans were applied based on whether they were on accrual or non-accrual status.



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Interest income recognized by the Company on impaired loans primarily related to loans modified in troubled debt restructurings that remained on accrual status. Interest payments received on non-accrual impaired loans were applied to principal. Interest income was subsequently recognized only to the extent cash payments were received in excess of the principal due. The following tables present information on the Company's recorded investment of impaired loans as of the date indicated:

December 31, 2019						
	Unpaid Total Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	
<b>Real estate:</b>						
Commercial	\$ 29.2	\$ 12.9	\$ 10.8	\$ 23.7	\$ 0.7	
<b>Construction:</b>						
Land acquisition & development	9.2	0.4	2.6	3.0	0.5	
Residential	0.1	—	—	—	—	
Commercial	1.0	0.5	—	0.5	0.1	
Total construction loans	10.3	0.9	2.6	3.5	0.6	
Residential	6.9	3.9	1.8	5.7	0.2	
Agricultural	8.6	5.2	3.0	8.2	0.2	
Total real estate loans	55.0	22.9	18.2	41.1	1.7	
Commercial	25.5	12.0	5.3	17.3	1.7	
Agricultural	6.9	2.3	4.0	6.3	0.2	
<b>Total</b>	<b>\$ 87.4</b>	<b>\$ 37.2</b>	<b>\$ 27.5</b>	<b>\$ 64.7</b>	<b>\$ 3.6</b>	

The following table presents the average recorded investment in and income recognized on impaired loans for the periods indicated:

	Year Ended December 31, 2019	
	Average Recorded Investment	Income Recognized
Real estate	\$ 41.4	\$ 0.1
Commercial	18.7	0.2
Agricultural	4.6	—
<b>Total</b>	<b>\$ 64.7</b>	<b>\$ 0.3</b>

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Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans classified in the following table as greater than 90 days past due continue to accrue interest. The following tables present the contractual aging of the Company's recorded amortized cost basis in loans by portfolio as of the dates indicated.

<i>As of December 31, 2021</i>	30 - 59	60 - 89	> 90	Total Loans	Current	Non-accrual	Total
	Days	Days	Days	30 or More			
	Past Due	Past Due	Past Due	Past Due	Loans	Loans <sup>(1)</sup>	Loans
<b>Real estate</b>							
Commercial	\$ 1.1	\$ 1.0	\$ 0.6	\$ 2.7	\$ 3,960.8	\$ 8.0	\$ 3,971.5
<b>Construction:</b>							
Land acquisition & development	0.2	—	—	0.2	246.9	0.7	247.8
Residential	4.2	—	—	4.2	257.8	—	262.0
Commercial	—	—	—	—	498.0	—	498.0
Total construction loans	4.4	—	—	4.4	1,002.7	0.7	1,007.8
Residential	3.0	0.8	0.1	3.9	1,531.4	2.9	1,538.2
Agricultural	1.9	0.2	—	2.1	206.9	4.9	213.9
Total real estate loans	10.4	2.0	0.7	13.1	6,701.8	16.5	6,731.4
<b>Consumer:</b>							
Indirect consumer	5.1	1.4	0.4	6.9	729.0	1.7	737.6
Other consumer	0.5	0.2	0.1	0.8	128.3	0.1	129.2
Credit card	0.6	0.2	0.5	1.3	63.6	—	64.9
Total consumer loans	6.2	1.8	1.0	9.0	920.9	1.8	931.7
Commercial	4.9	0.7	1.1	6.7	1,463.8	5.0	1,475.5
Agricultural	0.7	—	—	0.7	201.6	1.6	203.9
Other, including overdrafts	—	—	—	—	1.5	—	1.5
Loans held for investment	\$ 22.2	\$ 4.5	\$ 2.8	\$ 29.5	\$ 9,289.6	\$ 24.9	\$ 9,344.0

<i>As of December 31, 2020</i>	30 - 59	60 - 89	> 90	Total Loans	Current	Non-accrual	Total
	Days	Days	Days	30 or More			
	Past Due	Past Due	Past Due	Past Due	Loans	Loans <sup>(1)</sup>	Loans
<b>Real estate</b>							
Commercial	\$ 7.6	\$ 1.2	\$ 4.0	\$ 12.8	\$ 3,720.8	\$ 9.6	\$ 3,743.2
<b>Construction:</b>							
Land acquisition & development	2.5	1.1	0.1	3.7	260.6	0.7	265.0
Residential	1.5	0.4	—	1.9	247.9	1.1	250.9
Commercial	12.2	—	—	12.2	511.2	0.1	523.5
Total construction loans	16.2	1.5	0.1	17.8	1,019.7	1.9	1,039.4
Residential	4.7	1.6	0.5	6.8	1,384.9	4.6	1,396.3
Agricultural	2.0	—	—	2.0	212.4	6.2	220.6
Total real estate loans	30.5	4.3	4.6	39.4	6,337.8	22.3	6,399.5
<b>Consumer:</b>							
Indirect consumer	6.4	2.0	0.5	8.9	794.3	1.9	805.1
Other consumer	0.8	0.2	0.2	1.2	149.0	0.4	150.6
Credit card	0.6	0.4	0.6	1.6	68.6	—	70.2
Total consumer loans	7.8	2.6	1.3	11.7	1,011.9	2.3	1,025.9
Commercial	6.2	1.8	1.2	9.2	2,132.9	11.8	2,153.9
Agricultural	0.4	0.6	1.4	2.4	242.1	3.1	247.6
Other, including overdrafts	—	—	—	—	1.6	—	1.6
Loans held for investment	\$ 44.9	\$ 9.3	\$ 8.5	\$ 62.7	\$ 9,726.3	\$ 39.5	\$ 9,828.5

<sup>(1)</sup> As of December 31, 2021 and December 31, 2020, none of our non-accrual loans were earning interest income. Additionally, no material interest income was recognized on non-accrual loans at December 31, 2021 and 2020, respectively and no material accrued interest was reversed at December 31, 2021.

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**Troubled Debt Restructurings**

Modifications of performing loans are made in the ordinary course of business and are completed on a case-by-case basis as negotiated with the borrower in connection with the ongoing loan collection processes. Loan modifications typically include interest rate changes, interest only periods of less than twelve months, short-term payment deferrals and extension of amortization periods to provide payment relief. A loan modification is considered a troubled debt restructuring if the borrower is experiencing financial difficulties and the Company, for economic or legal reasons, grants a concession to the borrower that it would not otherwise consider. Certain troubled debt restructurings are on non-accrual status at the time of restructuring and may be returned to accrual status if the borrower has sustained repayment performance in accordance with the restructuring agreement for a period of at least six months and management is reasonably assured of the borrower's future performance. If the troubled debt restructuring meets these performance criteria, and the interest rate granted at the modification is equal to or greater than the rate that the Company was willing to accept at the time of the restructuring for a new loan with comparable risk, then the loan will return to performing status and the accrual of interest will resume. Any such loan will continue to be individually evaluated for credit deterioration and disclosed as collateral dependent loans.

The 2020 Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") provided financial institutions with options on the treatment of troubled debt restructurings, and the Company elected to apply these options at the individual loan level. Under the CARES Act, the Company can elect: (1) to suspend the requirements under GAAP for loan modifications related to the Coronavirus Disease 2019 ("COVID-19") pandemic that would otherwise be categorized as a troubled debt restructuring; and/or (2) to suspend any determination of a loan modified as being a troubled debt restructuring as a result of the effects of the COVID-19 pandemic, including impairment for accounting purposes. If the Company elects a suspension noted above, the suspension (a) will be effective for the term of the loan modification, but solely with respect to any modification, including a forbearance arrangement, an interest rate modification, a repayment plan, and any other similar arrangement that defers or delays the payment of principal or interest, occurring for a loan that was not more than 30 days past due as of December 31, 2019; and (b) will not apply to any adverse impact on the credit of a borrower that is not related to the COVID-19 pandemic. These suspensions ended on January 2, 2022.

The Company renegotiated loans in troubled debt restructurings in the amount of \$6.2 million as of December 31, 2021, of which \$3.9 million were included in non-accrual loans and \$2.3 million were on accrual status. As of December 31, 2021, the Company allocated \$0.1 million of allowance for credit losses to those loans and the Company had no material commitments to lend additional funds to borrowers whose existing loans have been renegotiated or are classified as non-accrual.

The Company renegotiated loans in troubled debt restructurings in the amount of \$14.5 million as of December 31, 2020, of which \$11.3 million were included in non-accrual loans and \$3.2 million were on accrual status. As of December 31, 2020, the Company allocated \$2.9 million of allowance for credit losses to those loans and the Company had no material commitments to lend additional funds to borrowers whose existing loans have been renegotiated or are classified as non-accrual.

The Company had no material new troubled debt restructurings during the periods ended December 31, 2021 and 2020. The following table presents information of the Company's troubled debt restructurings that occurred for the period indicated:

<i>December 31, 2019</i>	Number of Notes	Interest only period	Extension of term or amortization schedule	Interest rate adjustment	Other <sup>(1)</sup>	Principal Balance at Restructure
Commercial real estate	4	\$ 0.2	\$ 0.2	\$ —	\$ 2.9	\$ 3.3
Commercial	1	—	—	—	5.0	\$ 5.0
Agriculture	6	—	—	—	2.1	2.1
<b>Total loans restructured during period</b>	<b>11</b>	<b>\$ 0.2</b>	<b>\$ 0.2</b>	<b>\$ —</b>	<b>\$ 10.0</b>	<b>\$ 10.4</b>

(1) Other includes concessions that reduce or defer payments for a specified period of time and/or concessions that do not fit into other designated categories.

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For troubled debt restructurings that were on non-accrual status or otherwise deemed collateral-dependent before the modification, a specific reserve may already be recorded. In periods subsequent to modification, the Company continues to evaluate all troubled debt restructurings for possible credit deterioration and recognizes credit loss through the allowance. Additionally, these loans continue to work through the credit cycle through charge-off, pay-off, or foreclosure. Financial effects of modifications of troubled debt restructurings may include principal loan forgiveness or other charge-offs directly related to the restructuring. The Company had no charge-offs directly related to modifying troubled debt restructurings during December 31, 2021, 2020, and 2019.

The Company had no material troubled debt restructurings during the previous 12 months for which there was a payment default during December 31, 2021, 2020, and 2019. The Company considers a payment default to occur on troubled debt restructurings when the loan is 90 days or more past due or is placed on non-accrual status after the modification.

The terms of certain other loans were modified during the quarter ended December 31, 2021 that did not meet the definition of a troubled debt restructuring. These loans have a total recorded investment of \$43.5 million as of December 31, 2021. The modification of these loans involved either a modification of the terms of a loan to borrowers who were not experiencing financial difficulties or a delay in a payment that was considered to be insignificant.

In order to determine whether a borrower is experiencing financial difficulty, the Company evaluates the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company's internal underwriting policy.

**Credit Quality Indicators**

As part of the on-going and continuous monitoring of the credit quality of the Company's loan portfolio, management tracks internally assigned risk classifications of loans based on relevant information about the ability of borrowers to service their debt including, among other factors, current financial information, historical payment experience, credit documentation, public information, and current economic trends. The Company analyzes loans individually to classify the credit risk of the loans. This analysis generally includes loans with an outstanding balance greater than \$1.0 million, which are generally considered non-homogeneous loans, such as commercial and commercial real estate loans. This analysis is performed no less than on an annual basis, dependent upon the size of exposure and the financial reporting frequency to which the borrower is contractually obligated. Homogeneous loans, including small business loans are typically managed by payment performance. The Company risk rates its loans internally in accordance with a Uniform Classification System developed jointly by the various bank regulatory agencies to internally risk rate loans, which defines three broad categories of criticized assets the Company uses as credit quality indicators in addition to the 6 Pass ratings in its 10-point rating scale:

*Special Mention* — includes loans that exhibit a potential weakness in financial condition, loan structure, or documentation that warrants management's close attention. If not promptly corrected, the potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

*Substandard* — includes loans that are inadequately protected by the current net worth and paying capacity of the borrower which have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Although the primary source of repayment for a substandard loan may not currently be sufficient, collateral or other sources of repayment are sufficient to satisfy the debt. Continuance of a substandard loan is not warranted unless positive steps are taken to improve the worthiness of the credit.

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

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass-rated loans.

The Company evaluates the credit quality and loan performance for the allowance for credit loan losses of the following segments based on the aforementioned risk scale:

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Risk by Collateral	December 31, 2021						Revolving Loans Amortized Cost Basis	Total
	Term Loans Amortized Cost Basis by Origination Year							
	2021	2020	2019	2018	2017	Prior		
Commercial real estate non-owner occupied:								
Pass	\$ 507.9	\$ 452.2	\$ 237.9	\$ 150.4	\$ 76.3	\$ 409.0	\$ 15.3	\$ 1,849.0
Special mention	0.2	3.1	2.1	—	—	3.6	—	9.0
Substandard	3.9	15.3	2.3	0.7	1.0	12.4	—	35.6
Total	\$ 512.0	\$ 470.6	\$ 242.3	\$ 151.1	\$ 77.3	\$ 425.0	\$ 15.3	\$ 1,893.6
Commercial real estate owner occupied:								
Pass	\$ 452.7	\$ 314.9	\$ 235.0	\$ 151.0	\$ 94.5	\$ 322.5	\$ 14.2	\$ 1,584.8
Special mention	1.3	3.2	1.5	7.4	3.5	13.8	—	30.7
Substandard	3.8	4.3	4.7	5.4	2.7	20.3	—	41.2
Total	\$ 457.8	\$ 322.4	\$ 241.2	\$ 163.8	\$ 100.7	\$ 356.6	\$ 14.2	\$ 1,656.7
Commercial multi-family:								
Pass	\$ 129.1	\$ 118.6	\$ 43.9	\$ 15.4	\$ 36.0	\$ 76.7	\$ 1.5	\$ 421.2
Total	\$ 129.1	\$ 118.6	\$ 43.9	\$ 15.4	\$ 36.0	\$ 76.7	\$ 1.5	\$ 421.2
Land, acquisition and development:								
Pass	\$ 113.0	\$ 41.5	\$ 34.2	\$ 14.8	\$ 19.8	\$ 20.8	\$ 1.2	\$ 245.3
Special mention	—	0.1	—	—	0.1	0.3	—	0.5
Substandard	0.8	0.2	—	0.6	0.3	0.1	—	2.0
Total	\$ 113.8	\$ 41.8	\$ 34.2	\$ 15.4	\$ 20.2	\$ 21.2	\$ 1.2	\$ 247.8
Residential construction:								
Pass	\$ 112.4	\$ 7.0	\$ 13.7	\$ 0.9	\$ —	\$ —	\$ 127.2	\$ 261.2
Substandard	—	0.4	—	—	0.4	—	—	0.8
Total	\$ 112.4	\$ 7.4	\$ 13.7	\$ 0.9	\$ 0.4	\$ —	\$ 127.2	\$ 262.0
Commercial construction:								
Pass	\$ 209.7	\$ 141.4	\$ 118.8	\$ 27.6	\$ —	\$ 0.5	\$ —	\$ 498.0
Total	\$ 209.7	\$ 141.4	\$ 118.8	\$ 27.6	\$ —	\$ 0.5	\$ —	\$ 498.0
Agricultural real estate:								
Pass	\$ 58.3	\$ 36.9	\$ 35.1	\$ 22.6	\$ 11.8	\$ 28.1	\$ 4.9	\$ 197.7
Special mention	0.1	1.3	1.2	0.1	0.1	0.9	0.9	4.6
Substandard	4.0	0.4	1.0	0.6	1.3	4.3	—	11.6
Total	\$ 62.4	\$ 38.6	\$ 37.3	\$ 23.3	\$ 13.2	\$ 33.3	\$ 5.8	\$ 213.9
Commercial and floor plans:								
Pass	\$ 394.2	\$ 165.7	\$ 94.5	\$ 73.5	\$ 47.1	\$ 91.3	\$ 224.7	\$ 1,091.0
Special mention	0.8	11.4	0.8	0.8	3.0	2.3	7.0	26.1
Substandard	1.3	2.8	1.6	2.6	0.6	4.1	2.6	15.6
Total	\$ 396.3	\$ 179.9	\$ 96.9	\$ 76.9	\$ 50.7	\$ 97.7	\$ 234.3	\$ 1,132.7
Commercial purpose secured by 1-4 family:								
Pass	\$ 94.9	\$ 55.0	\$ 27.8	\$ 23.1	\$ 15.3	\$ 32.2	\$ 14.4	\$ 262.7
Special mention	—	0.2	0.2	0.5	0.1	0.6	—	1.6
Substandard	1.3	1.2	0.6	0.6	0.2	1.3	0.1	5.3
Total	\$ 96.2	\$ 56.4	\$ 28.6	\$ 24.2	\$ 15.6	\$ 34.1	\$ 14.5	\$ 269.6
Agricultural:								
Pass	\$ 35.1	\$ 16.2	\$ 9.0	\$ 5.4	\$ 2.1	\$ 1.6	\$ 108.9	\$ 178.3
Special mention	0.2	4.1	0.1	0.4	0.6	0.3	7.0	12.7
Substandard	4.9	0.7	0.6	2.5	—	0.1	2.6	11.4
Total	\$ 40.2	\$ 21.0	\$ 9.7	\$ 8.3	\$ 2.7	\$ 2.0	\$ 118.5	\$ 202.4

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Risk by Collateral	December 31, 2020						Revolving Loans Amortized Cost Basis	Total
	Term Loans Amortized Cost Basis by Origination Year							
	2020	2019	2018	2017	2016	Prior		
Commercial real estate non-owner occupied:								
Pass	\$ 495.9	\$ 304.9	\$ 216.0	\$ 105.3	\$ 139.7	\$ 336.5	\$ 13.8	\$ 1,612.1
Special mention	0.3	2.3	0.9	0.1	6.4	13.7	—	23.7
Substandard	15.7	2.7	1.0	4.1	1.1	13.9	—	38.5
Doubtful	—	—	0.2	—	—	—	—	0.2
Total	\$ 511.9	\$ 309.9	\$ 218.1	\$ 109.5	\$ 147.2	\$ 364.1	\$ 13.8	\$ 1,674.5
Commercial real estate owner occupied:								
Pass	\$ 416.3	\$ 312.5	\$ 211.2	\$ 122.4	\$ 153.7	\$ 357.9	\$ 8.9	\$ 1,582.9
Special mention	7.1	9.6	4.8	3.1	18.6	20.0	—	63.2
Substandard	8.9	6.5	11.5	5.0	15.1	11.1	0.3	58.4
Doubtful	0.2	—	—	0.2	—	0.1	—	0.5
Total	\$ 432.5	\$ 328.6	\$ 227.5	\$ 130.7	\$ 187.4	\$ 389.1	\$ 9.2	\$ 1,705.0
Commercial multi-family:								
Pass	\$ 132.5	\$ 58.9	\$ 23.5	\$ 41.6	\$ 25.8	\$ 80.5	\$ 0.8	\$ 363.6
Special mention	—	—	—	—	—	0.1	—	0.1
Total	\$ 132.5	\$ 58.9	\$ 23.5	\$ 41.6	\$ 25.8	\$ 80.6	\$ 0.8	\$ 363.7
Land, acquisition and development:								
Pass	\$ 104.6	\$ 58.8	\$ 26.4	\$ 30.7	\$ 7.6	\$ 26.3	\$ 5.8	\$ 260.2
Special mention	0.2	0.1	—	0.9	—	1.2	0.5	2.9
Substandard	0.3	—	1.2	0.1	—	0.1	0.1	1.8
Doubtful	—	—	—	—	—	0.1	—	0.1
Total	\$ 105.1	\$ 58.9	\$ 27.6	\$ 31.7	\$ 7.6	\$ 27.7	\$ 6.4	\$ 265.0
Residential construction:								
Pass	\$ 80.4	\$ 64.7	\$ 16.7	\$ 5.6	\$ —	\$ 0.1	\$ 82.1	\$ 249.6
Substandard	0.2	—	—	—	—	—	1.1	1.3
Total	\$ 80.6	\$ 64.7	\$ 16.7	\$ 5.6	\$ —	\$ 0.1	\$ 83.2	\$ 250.9
Commercial construction:								
Pass	\$ 236.1	\$ 195.4	\$ 61.2	\$ 11.9	\$ 6.0	\$ (0.3)	\$ 11.6	\$ 521.9
Special mention	—	—	1.5	—	—	—	—	1.5
Substandard	—	—	—	—	—	0.1	—	0.1
Total	\$ 236.1	\$ 195.4	\$ 62.7	\$ 11.9	\$ 6.0	\$ (0.2)	\$ 11.6	\$ 523.5
Agricultural real estate:								
Pass	\$ 50.0	\$ 45.3	\$ 28.2	\$ 17.2	\$ 12.7	\$ 27.2	\$ 5.3	\$ 185.9
Special mention	2.8	6.7	1.0	1.5	0.9	1.0	0.5	14.4
Substandard	1.4	5.9	3.4	0.9	3.4	4.4	0.6	20.0
Doubtful	—	0.3	—	—	—	—	—	0.3
Total	\$ 54.2	\$ 58.2	\$ 32.6	\$ 19.6	\$ 17.0	\$ 32.6	\$ 6.4	\$ 220.6
Commercial and floor plans:								
Pass	\$ 1,029.4	\$ 153.0	\$ 136.0	\$ 69.8	\$ 43.0	\$ 92.3	\$ 233.1	\$ 1,756.6
Special mention	5.6	1.0	1.9	7.0	3.9	0.5	2.4	22.3
Substandard	8.8	1.8	4.3	0.4	4.1	1.1	11.5	32.0
Doubtful	0.3	0.4	—	—	0.1	2.6	0.2	3.6
Total	\$ 1,044.1	\$ 156.2	\$ 142.2	\$ 77.2	\$ 51.1	\$ 96.5	\$ 247.2	\$ 1,814.5

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		December 31, 2020								
		Term Loans Amortized Cost Basis by Origination Year								
Risk by Collateral		2020	2019	2018	2017	2016	Prior	Revolving Loans Amortized Cost Basis	Total	
Commercial purpose secured by 1-4 family:										
Pass		\$ 82.3	\$ 53.7	\$ 33.7	\$ 20.7	\$ 15.5	\$ 34.9	\$ 17.5	\$ 258.3	
Special mention		0.5	0.5	0.3	0.1	0.5	0.8	0.8	3.5	
Substandard		2.4	1.0	4.8	0.3	1.4	1.0	0.1	11.0	
Total		\$ 85.2	\$ 55.2	\$ 38.8	\$ 21.1	\$ 17.4	\$ 36.7	\$ 18.4	\$ 272.8	
Agricultural:										
Pass		\$ 47.4	\$ 18.1	\$ 10.7	\$ 4.2	\$ 3.0	\$ 1.3	\$ 130.9	\$ 215.6	
Special mention		1.5	0.7	0.4	—	0.1	0.3	13.4	16.4	
Substandard		3.7	1.5	4.2	0.6	0.1	0.4	3.6	14.1	
Total		\$ 52.6	\$ 20.3	\$ 15.3	\$ 4.8	\$ 3.2	\$ 2.0	\$ 147.9	\$ 246.1	

The Company evaluates the credit quality, loan performance, and the allowance for credit loan losses of its residential and consumer loan portfolios, based primarily on the aging status of the loan and borrower payment activity. Accordingly, loans on nonaccrual status, loans past due 90 days or more and still accruing interest, and loans modified under troubled debt restructurings are considered to be nonperforming for purposes of credit quality evaluation. The following tables present the recorded investment of our other loan portfolios based on the credit risk profile of loans that are performing and loans that are nonperforming as of the periods indicated:

		December 31, 2021								
		Term Loans Amortized Cost Basis by Origination Year								
Risk by Collateral		2021	2020	2019	2018	2017	Prior	Revolving Loans Amortized Cost Basis	Total	
Residential 1-4 family:										
Performing		\$ 360.9	\$ 477.0	\$ 74.7	\$ 27.5	\$ 25.7	\$ 176.5	\$ —	\$ 1,142.3	
Nonperforming		—	0.3	—	—	0.2	0.8	—	1.3	
Total		\$ 360.9	\$ 477.3	\$ 74.7	\$ 27.5	\$ 25.9	\$ 177.3	\$ —	\$ 1,143.6	
Consumer home equity and HELOC:										
Performing		\$ 11.1	\$ 7.0	\$ 3.7	\$ 4.8	\$ 3.6	\$ 12.0	\$ 350.7	\$ 392.9	
Nonperforming		0.3	—	0.3	—	0.6	0.5	—	1.7	
Total		\$ 11.4	\$ 7.0	\$ 4.0	\$ 4.8	\$ 4.2	\$ 12.5	\$ 350.7	\$ 394.6	
Consumer indirect:										
Performing		\$ 272.6	\$ 208.6	\$ 108.3	\$ 64.0	\$ 37.0	\$ 45.0	\$ —	\$ 735.5	
Nonperforming		0.5	0.5	0.4	0.2	0.1	0.4	—	2.1	
Total		\$ 273.1	\$ 209.1	\$ 108.7	\$ 64.2	\$ 37.1	\$ 45.4	\$ —	\$ 737.6	
Consumer direct and advance line:										
Performing		\$ 42.5	\$ 27.9	\$ 15.0	\$ 13.3	\$ 5.8	\$ 7.6	\$ 16.9	\$ 129.0	
Nonperforming		0.1	—	—	0.1	—	—	—	0.2	
Total		\$ 42.6	\$ 27.9	\$ 15.0	\$ 13.4	\$ 5.8	\$ 7.6	\$ 16.9	\$ 129.2	

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Risk by Collateral	December 31, 2020						Revolving Loans Amortized Cost Basis	Total
	Term Loans Amortized Cost Basis by Origination Year							
	2020	2019	2018	2017	2016	Prior		
Residential 1-4 family:								
Performing	\$ 491.1	\$ 113.9	\$ 57.2	\$ 47.8	\$ 65.7	\$ 234.6	\$ —	\$ 1,010.3
Nonperforming	0.1	0.7	—	—	—	1.2	—	2.0
Total	\$ 491.2	\$ 114.6	\$ 57.2	\$ 47.8	\$ 65.7	\$ 235.8	\$ —	\$ 1,012.3
Consumer home equity and HELOC:								
Performing	\$ 12.0	\$ 7.1	\$ 7.1	\$ 9.7	\$ 4.7	\$ 14.4	\$ 328.1	\$ 383.1
Nonperforming	0.1	0.2	—	—	0.1	0.4	0.1	0.9
Total	\$ 12.1	\$ 7.3	\$ 7.1	\$ 9.7	\$ 4.8	\$ 14.8	\$ 328.2	\$ 384.0
Consumer indirect:								
Performing	\$ 334.5	\$ 187.9	\$ 117.9	\$ 73.8	\$ 47.6	\$ 42.6	\$ —	\$ 804.3
Nonperforming	0.1	0.2	0.1	0.2	0.1	0.1	—	0.8
Total	\$ 334.6	\$ 188.1	\$ 118.0	\$ 74.0	\$ 47.7	\$ 42.7	\$ —	\$ 805.1
Consumer direct and advance line:								
Performing	\$ 47.1	\$ 29.4	\$ 28.1	\$ 11.9	\$ 5.3	\$ 8.6	\$ 19.9	\$ 150.3
Nonperforming	0.1	—	0.1	—	—	—	0.1	0.3
Total	\$ 47.2	\$ 29.4	\$ 28.2	\$ 11.9	\$ 5.3	\$ 8.6	\$ 20.0	\$ 150.6

The Company considers the performance of the loan portfolio and its impact on the allowance for credit loan losses. For certain credit card loan classes, the Company also evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the recorded investment in credit card loans based on payment activity for the periods indicated:

	As of December 31, 2021				As of December 31, 2020			
	Consumer	Commercial	Agricultural	Total	Consumer	Commercial	Agricultural	Total
Credit Card:								
Performing	\$ 64.4	\$ 73.1	\$ 1.5	\$ 139.0	\$ 69.6	\$ 66.3	\$ 1.5	\$ 137.4
Nonperforming	0.5	0.1	—	0.6	0.6	0.3	—	0.9
Total credit card	\$ 64.9	\$ 73.2	\$ 1.5	\$ 139.6	\$ 70.2	\$ 66.6	\$ 1.5	\$ 138.3

There were no material purchases of portfolio loans and no material sales of loans held for investment during the periods ended December 31, 2021 or 2020.

**(6) PREMISES AND EQUIPMENT**

Premises and equipment and related accumulated depreciation are as follows:

December 31,	2021	2020
Land	\$ 52.0	\$ 52.9
Buildings and improvements	346.8	349.5
Furniture and equipment	97.0	88.9
Total premises and equipment	495.8	491.3
Less accumulated depreciation	(196.2)	(179.0)
Premises and equipment, net	\$ 299.6	\$ 312.3

Depreciation expense was \$28.0 million, \$25.8 million, and \$23.3 million for the years ended December 31, 2021, 2020, and 2019, respectively.

The Parent Company and a FIB branch office lease premises from an affiliated entity. See Note —Commitments and Contingencies.



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**(7) COMPANY-OWNED LIFE INSURANCE**

Company-owned life insurance consists of the following:

December 31,	2021	2020
Key executive, principal shareholder	\$ 3.2	\$ 3.1
Key executive split dollar	7.1	7.0
Group life	291.2	286.3
Total	\$ 301.5	\$ 296.4

The Company maintains key executive life insurance policies on certain principal shareholders. Under these policies, the Company receives benefits payable upon the death of the insured. The net cash surrender value of key executive, principal shareholder insurance policies was \$3.2 million and \$3.1 million at December 31, 2021 and 2020, respectively.

The Company also has life insurance policies covering selected other key officers. The net cash surrender value of these policies was \$7.1 million and \$7.0 million at December 31, 2021 and 2020, respectively. Under these policies, the Company receives benefits payable upon death of the insured. An endorsement split dollar agreement has been executed with the selected key officers whereby a portion of the policy death benefit is payable to their designated beneficiaries. The endorsement split dollar agreement will provide post-retirement coverage for those selected key officers meeting specified retirement qualifications. The Company expenses the earned portion of the post-employment benefit through the vesting period.

The Company has group life insurance policies covering selected officers of FIB. The net cash surrender value of these policies was \$291.2 million and \$286.3 million at December 31, 2021 and 2020, respectively. Under these policies, the Company receives benefits payable upon death of the insured. The Company has entered into either an endorsement split dollar agreement or a survivor income benefit agreement at the election of each insured officer. Under the endorsement split dollar agreements, a portion of the policy death benefit is payable to the insured's designated beneficiary if the insured is employed by the Company at the time of death. Under the survivor income benefit agreements, the Company makes a lump-sum payment to the insured's designated beneficiary if the insured is employed by the Company at the time of death.

**(8) OTHER REAL ESTATE OWNED**

Information with respect to the Company's other real estate owned follows:

Year Ended December 31,	2021	2020	2019
Balance at beginning of year	\$ 2.5	\$ 8.5	\$ 14.4
OREO acquired through acquisitions	—	—	2.4
Additions	0.9	3.3	14.1
Capitalized improvements	—	—	0.3
Valuation adjustments	—	(0.1)	(0.9)
Dispositions	(1.4)	(9.2)	(21.8)
Balance at end of year	\$ 2.0	\$ 2.5	\$ 8.5

There were no write-downs during 2021. Write-downs of \$0.1 million and \$0.9 million during 2020 and 2019, respectively, were adjustments based on internal evaluations and other sources, including management estimates of the current fair value of properties, and adjustments directly related to receipt of updated appraisals.

The carrying value of foreclosed residential real estate properties included in other real estate owned was \$0.2 million as of December 31, 2021 and zero as of December 31, 2020. The Company had recorded investments in consumer mortgage loans secured by residential real estate for which formal foreclosure proceedings were in process of foreclosure of \$0.2 million and \$0.2 million as of December 31, 2021 and December 31, 2020, respectively.

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The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through the management of its business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and through the use of derivative financial instruments. The Company enters into derivative financial instruments, such as interest rate swap contracts to manage or hedge exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates and interest rate exposures. The Company does not enter into interest rate swap agreements for trading or speculative purposes.

In the normal course of business, the Company enters into interest rate lock commitments to finance residential mortgage loans that are not designated as accounting hedges. These commitments, which contain fixed expiration dates, offer the borrower an interest rate guarantee, provided the loan meets underwriting guidelines and closes within the timeframe established by the Company. Interest rate risk arises on these commitments and subsequently closed loans if interest rates change between the time of the interest rate lock and the delivery of the loan to the investor. Loan commitments related to residential mortgage loans intended to be sold are considered derivatives and are marked to market through earnings. In addition to the effects of the change in market interest rate, the fair value measurement of the derivative also contemplates the expected cash flows to be received from the counterparty from the future sale of the loan.

The Company sells residential mortgage loans on either a best efforts or mandatory delivery basis. The Company mitigates the effect of the interest rate risk inherent in providing interest rate lock commitments by entering into forward loan sales contracts. The forward loan sales contracts are marked to market through earnings and are not designated as accounting hedges during the interest rate lock commitment period and through the duration of the forward loan sales contracts. Exclusive of the fair value component associated with the projected cash flows from the loan delivery to the investor, the changes in fair value related to movements in market rates of the interest rate lock commitments and the forward loan sales contracts generally move in opposite directions, and the net impact of changes in these valuations on net income during the loan commitment period is generally inconsequential. When the loan is funded to the borrower, the interest rate lock commitment derivative expires, and the Company records a loan held for sale. The forward loan sales contract acts as a hedge against the variability in cash to be received from the loan sale. The changes in measurement of the estimated fair values of the interest rate lock commitments and forward loan sales contracts are included in mortgage banking revenues in the accompanying consolidated statements of income.

The Company also enters into certain interest rate swap contracts that are not designated as hedging instruments. These derivative contracts relate to transactions in which the Company enters into an interest rate swap with a client while at the same time entering into an offsetting interest rate swap with a third-party financial institution. Because the Company acts as an intermediary for the client, changes in the fair value of the underlying derivative contracts for the most part offset each other and do not significantly impact the Company's results of operations.

**Cash Flow Hedges of Interest Rate Risk**

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

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On May 1, 2020, the Company entered into three interest rate swap contracts that were designated as cash flow hedges. The contracts included a notional amount of \$46.4 million, \$36.1 million, and \$5.1 million. The Company pays a fixed interest rate of 0.40%, 0.34%, and 0.40%, respectively, and the counterparty pays to the Company a variable interest rate equal to the three-month LIBOR under the terms of the interest rate swap contracts. No cash was exchanged until the effective date, which began on May 1, 2020 and ends on April 1, 2022, March 15, 2022, and March 30, 2022, respectively. The Company designated the interest payments related to the trust preferred securities as the cash flow hedge. The hedge was fully effective during the current period. The Company expects the hedge to remain highly effective during the remaining term of the interest rate swap.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in accumulated other comprehensive income and subsequently reclassified into interest expense in the same period(s) during which the hedged transaction affects earnings. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate liabilities. During the next twelve months, the Company estimates no material amounts will be reclassified as an increase to interest expense.

**Fair Value Hedges of Interest Rate Risk**

The Company is exposed to changes in the fair value of fixed-rate assets due to changes in benchmark interest rates. The Company uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate. Interest rate swaps designated as fair value hedges involve the payment of fixed-rate amounts to a counterparty in exchange for the Company receiving variable-rate payments over the life of the agreements without the exchange of the underlying notional amount.

On June 17, 2021, the Company invested \$500.0 million in five-year U.S. Treasuries at 87 basis points, while simultaneously entering into a two-year forward starting, three-year pay-fixed interest rate swap on \$500.0 million notional. Beginning on June 30, 2023, the Company will begin receiving effective federal funds, and will pay 1.19% interest on such funds. The interest rate swap was designated as a fair value hedge.

On August 2, 2021, the Company invested \$200.0 million in seven-year U.S. Treasuries at 99 basis points, while simultaneously entering into a three-year forward starting, four-year pay-fixed interest rate swap on \$200.0 million notional amount. Beginning on August 31, 2024, the Company will begin receiving effective federal funds, and will pay 1.22% interest on such funds. The interest rate swap was designated as a fair value hedge.

The Company assesses the hedge effectiveness both at the onset of the hedge and at regular intervals throughout the life of the derivatives. The Company has determined at the onset of the hedge that the derivative instruments will be highly effective hedges throughout the term of the contracts, any portion of derivative instruments subsequently determined to be ineffective will be recognized in earnings.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in interest income.

The following amounts were recorded on the balance sheet related to cumulative basis adjustment for fair value hedges for the periods indicated:

	December 31, 2021		December 31, 2020	
	Carrying Amount of the Hedged Assets/ (Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment	Carrying Amount of the Hedged Assets/ (Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment
Available-for-sale securities	\$ 695.6	\$ (4.4)	\$ —	\$ —

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**Non-designated Hedges**

Derivatives not designated as hedges are not speculative and result from a service the Company provides to certain customers. The Company executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting derivatives that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate derivatives associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings.

The table below presents the fair value of the Company's derivative financial instruments and classification on the balance sheet for the periods indicated:

	December 31, 2021			December 31, 2020		
	Notional Amount	Balance Sheet Location	Estimated Fair Value	Notional Amount	Balance Sheet Location	Estimated Fair Value
<i>Derivatives designated as hedges:</i>						
Interest rate swap contracts	\$ 700.0		\$ 4.1	\$ —		\$ —
<i>Derivatives not designated as hedges:</i>						
Interest rate swap contracts	913.9		22.2	799.7		52.0
Interest rate lock commitments	77.3		1.8	101.9		3.3
<b>Derivative assets in the balance sheet</b>	<b>\$ 1,691.2</b>	<b>Other Assets</b>	<b>\$ 28.1</b>	<b>\$ 901.6</b>	<b>Other Assets</b>	<b>\$ 55.3</b>
<i>Derivatives designated as hedges:</i>						
Interest rate swap contracts	\$ 87.6		\$ 0.1	\$ 87.6		\$ 0.2
<i>Derivatives not designated as hedges:</i>						
Interest rate swap contracts	913.9		18.1	799.7		16.6
Forward loan sales contracts	102.4		—	126.8		1.1
<b>Derivative liabilities in the balance sheet</b>	<b>\$ 1,103.9</b>	<b>Accrued Expenses</b>	<b>\$ 18.2</b>	<b>\$ 1,014.1</b>	<b>Accrued Expenses</b>	<b>\$ 17.9</b>

There were no material effects of derivative instruments in fair value or cash flow hedge accounting on accumulated other comprehensive income during the periods ended December 31, 2021 or 2020.

There were no material effects from the Company's fair value or cash flow hedged derivative financial instruments on the income statement during the periods ended December 31, 2021 or 2020.

The table below presents the effect of the Company's derivative financial instruments that are not designated as hedging instruments on the income statement for the periods indicated:

	Location of Gain or (Loss) Recognized in Income on Derivative	December 31,	
		2021	2020
Interest rate lock commitments	Mortgage banking revenues	\$ (0.5)	\$ 1.2

The Company recorded fee revenues of \$3.1 million and \$7.7 million for the periods ended December 31, 2021 and December 31, 2020, respectively. The Company includes swap fee revenues in other service charges, commissions, and fees.

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The tables below present the gross presentation, the effects of offsetting, and a net presentation of the Company's derivatives as of the periods indicated:

December 31, 2021						
	Gross Assets Recognized	Gross Assets Offset in the Balance Sheet	Net Assets in the Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
Interest rate swap contracts	\$ 26.3	\$ —	\$ 26.3	\$ —	\$ 8.0	\$ 18.3
Mortgage related derivatives	1.8	—	1.8	—	—	1.8
Total derivatives	28.1	—	28.1	—	8.0	20.1
Total assets	\$ 28.1	\$ —	\$ 28.1	\$ —	\$ 8.0	\$ 20.1

	Gross Liabilities Recognized	Gross Liabilities Offset in the Balance Sheet	Net Liabilities in the Balance Sheet	Financial Instruments	Cash Collateral Posted	Net Amount
Interest rate swap contracts	\$ 18.2	\$ —	\$ 18.2	\$ —	\$ —	\$ 18.2
Total derivatives	18.2	—	18.2	—	—	18.2
Repurchase agreements	1,051.1	—	1,051.1	—	1,051.1	—
Total liabilities	\$ 1,069.3	\$ —	\$ 1,069.3	\$ —	\$ 1,051.1	\$ 18.2

December 31, 2020						
	Gross Assets Recognized	Gross Assets Offset in the Balance Sheet	Net Assets in the Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
Interest rate swap contracts	\$ 52.0	\$ —	\$ 52.0	\$ —	\$ 17.2	\$ 34.8
Mortgage related derivatives	3.3	—	3.3	—	—	3.3
Total derivatives	55.3	—	55.3	—	17.2	38.1
Total assets	\$ 55.3	\$ —	\$ 55.3	\$ —	\$ 17.2	\$ 38.1

	Gross Liabilities Recognized	Gross Liabilities Offset in the Balance Sheet	Net Liabilities in the Balance Sheet	Financial Instruments	Cash Collateral Posted	Net Amount
Interest rate swap contracts	\$ 16.8	\$ —	\$ 16.8	\$ —	\$ —	\$ 16.8
Mortgage related derivatives	1.1	—	1.1	—	—	1.1
Total derivatives	17.9	—	17.9	—	—	17.9
Repurchase agreements	1,091.4	—	1,091.4	—	1,091.4	—
Total liabilities	\$ 1,109.3	\$ —	\$ 1,109.3	\$ —	\$ 1,091.4	\$ 17.9

**Credit-risk-related Contingent Feature**

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations.

The Company has agreements with certain of its derivative counterparties that contain a provision where if the Company fails to maintain its status as a well / adequately capitalized institution, then in certain instances the Company could be required to post additional capital and in certain instances the counterparty would have the right to terminate the derivative positions and the Company would be required to settle its obligations under the agreements.

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As of December 31, 2021, the fair value of derivatives in a net liability position includes accrued interest but excludes any adjustment for nonperformance risk, which was \$7.8 million related to these agreements. As of December 31, 2021, the Company has minimum collateral posting thresholds with certain of its derivative counterparties and has posted excess collateral of \$0.2 million. If the Company had breached any of these provisions at December 31, 2021, it could have been required to settle its obligations under the agreements at their termination value of \$7.8 million.

**(10) MORTGAGE SERVICING RIGHTS**

Information with respect to the Company's mortgage servicing rights follows:

Year Ended December 31,	2021	2020	2019
Balance at beginning of year	\$ 34.3	\$ 30.6	\$ 27.7
Originations of mortgage servicing rights	3.7	11.7	7.3
Amortization expense	(6.4)	(8.0)	(4.4)
Balance at end of year	31.6	34.3	30.6
Less valuation reserve	(3.4)	(10.3)	(0.4)
Balance at end of year, net of valuation reserve	\$ 28.2	\$ 24.0	\$ 30.2
Principal balance of serviced loans underlying mortgage servicing rights	\$ 3,203.7	\$ 3,585.5	\$ 3,710.1
Mortgage servicing rights as a percentage of serviced loans	0.88 %	0.67 %	0.81 %

At December 31, 2021, the estimated fair value and weighted average remaining life of the Company's mortgage servicing rights were \$28.2 million and 5.9 years, respectively. The fair value of mortgage servicing rights was determined using discount rates ranging from 8.6% to 10.4% and monthly prepayment speeds ranging from 0.7% to 2.0% depending upon the risk characteristics of the underlying loans. At December 31, 2020, the estimated fair value and weighted average remaining life of the Company's mortgage servicing rights were \$24.0 million and 3.9 years, respectively. The fair value of mortgage servicing rights was determined using discount rates ranging from 8.3% to 10.0% and monthly prepayment speeds ranging from 1.2% to 2.5% depending upon the risk characteristics of the underlying loans. There were \$6.9 million of impairments reversed in 2021, compared to a valuation impairment charge of \$9.9 million and \$0.4 million in 2020 and 2019, respectively. No permanent impairment was recorded in 2021, 2020, or 2019.

**(11) DEPOSITS**

Deposits are summarized as follows:

December 31,	2021	2020
Non-interest bearing demand	\$ 5,568.3	\$ 4,633.5
Interest bearing:		
Demand	4,753.2	4,118.9
Savings	4,981.6	4,405.9
Time, \$250 and over	186.7	193.0
Time, other	779.8	865.7
Total interest bearing	10,701.3	9,583.5
Total deposits	\$ 16,269.6	\$ 14,217.0

Other time deposits include time deposits under \$250,000, brokered deposits, and deposits obtained through the Company's participation in the Certificate of Deposit Account Registry Service ("CDARS"). CDARS deposits totaled \$104.5 million and \$97.3 million as of December 31, 2021 and 2020, respectively. The Company had no brokered deposits as of December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the Company had time deposits of \$186.7 million and \$193.0 million, respectively, that met or exceeded the FDIC insurance limit of \$250,000.

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Maturities of time deposits at December 31, 2021 are as follows:

	Time, \$250 and Over	Total Time
Due within 3 months or less	\$ 38.8	\$ 272.7
Due after 3 months and within 6 months	47.2	209.7
Due after 6 months and within 12 months	70.6	293.7
Due within 2023	18.1	100.6
Due within 2024	4.5	43.7
Due within 2025	4.4	28.7
Due within 2026 and thereafter	3.1	17.4
<b>Total</b>	<b>\$ 186.7</b>	<b>\$ 966.5</b>

Interest expense on time deposits of \$250,000 and over was \$0.9 million, \$2.7 million, and \$4.6 million for the years ended December 31, 2021, 2020, and 2019, respectively.

**(12) LONG-TERM DEBT AND OTHER BORROWED FUNDS**

A summary of long-term debt follows:

December 31,	2021	2020
<b>Parent Company:</b>		
Fixed to floating subordinated notes, 5.25% fixed rate effective May 2020 through May 2025	\$ 98.7	\$ 98.6
<b>Subsidiaries:</b>		
8.00% finance lease obligation with term ending October 25, 2029	1.0	1.1
2.28% note payable maturing July 29, 2022, principal due at maturity, interest payable monthly	5.0	5.0
1.00% note payable maturing December 31, 2041, interest only payable quarterly until December 31, 2025 and then principal and interest until maturity	5.1	5.1
Note payable maturing March 31, 2038, interest only payable at 1.30% monthly until March 31, 2025 and then principal and interest at 3.25% until maturity	2.0	2.0
1.30% note payable maturing June 1, 2034, interest only payable monthly until March 31, 2025 and then principal and interest until maturity	0.6	0.6
<b>Total long-term debt</b>	<b>\$ 112.4</b>	<b>\$ 112.4</b>

Maturities of long-term debt at December 31, 2021 were as follows:

2022	\$ 5.2
2023	0.1
2024	0.1
2025	0.1
2026	0.1
Thereafter	106.8
<b>Total</b>	<b>\$ 112.4</b>

The Company has available lines of credit with the FHLB of approximately \$2,065.6 million, subject to collateral availability. As of December 31, 2021 and 2020, there were no long or short-term advances outstanding with the FHLB.

The Company has a financing lease obligation on a banking office. Assets acquired under the financing lease, consist solely of a building and leasehold improvements, and are included in premises and equipment subject to depreciation.

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On May 15, 2020, the Company completed a public offering of \$100.0 million fixed-to-floating rate subordinated notes due May 15, 2030 (the “Notes”). The debt is included in Tier 2 capital for the Company. The Company may elect to redeem the Notes, in whole or in part, on any early redemption date which is any interest payment date on or after May 15, 2025 at a redemption price equal to 100% of the principal amount plus any accrued and unpaid interest. The Company may also redeem the Notes, in whole but not in part, upon certain conditions as defined in the indenture agreement. Any early redemption of the Notes will be subject to regulatory approval.

From and including the date of issuance to, but excluding, May 15, 2025, or earlier redemption date, the Notes bear interest at an initial fixed rate of 5.25% per annum, payable semi-annually in arrears on May 15 and November 15 of each year, which commenced on November 15, 2020. From and including May 15, 2025 to, but excluding, May 15, 2025, or earlier redemption date, the Notes will bear interest at a floating rate per annum equal to a benchmark rate, which is expected to be Three-Month Term SOFR (as defined in the Indenture Agreement), plus 518.0 basis points, payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on August 15, 2025.

Unamortized debt issuance costs of \$1.3 million, as of December 31, 2021, are being amortized to maturity. Subordinated debt is presented net of issuance costs on the consolidated balance sheet.

The Notes are unsecured, subordinated obligations of the Company and: (i) rank junior to all of the Company’s existing and future senior indebtedness; (ii) rank equal in right of payment with any of the Company’s existing and future subordinated indebtedness; (iii) rank senior to the Company’s obligations relating to any junior subordinated debt securities issued to its capital trust subsidiaries; (iv) are effectively subordinated to all of the Company’s secured indebtedness to the extent of the value of the assets securing such indebtedness; and (v) are structurally subordinated to all of the existing and future liabilities and obligations of the Company’s subsidiaries, including deposit liabilities and claims of other creditors of the Company’s bank subsidiary, First Interstate Bank.

Proceeds from the private placement of subordinated notes were used for general corporate purposes.

Additionally, the Company borrowed or assumed through acquisitions \$12.7 million as of December 31, 2021 and 2020, related to New Market Tax Credits. The long-term debt obligations consists of fixed rate note payables with various interest rates from 1.00% to 3.25% and maturities from July 29, 2022 through December 31, 2041, collateralized by the Company’s equity interest in various CDEs, which are 99.9% owned by the Company.

As of December 31, 2021 and 2020, the Company had no material other borrowed funds.

The Company has federal funds lines of credit with third parties amounting to \$205.0 million, subject to funds availability. These lines are subject to cancellation without notice. The Company also has a line of credit with the Federal Reserve Bank for borrowings up to \$436.7 million secured by a blanket pledge of indirect consumer loans, and has an unused \$50.0 million revolving line of credit with U.S. Bank National Association.

**(13) SUBORDINATED DEBENTURES HELD BY SUBSIDIARY TRUSTS**

The Company sponsors seven wholly-owned business trusts, Trust I, Trust II, Trust III, Trust IV, Trust V, Trust VI, and Trust VII (collectively, the “Trusts”). The Trusts were formed for the exclusive purpose of issuing an aggregate of \$84.2 million of 30-year floating rate mandatorily redeemable capital trust preferred securities (“Trust Preferred Securities”) to third-party investors. The Trusts also issued, in aggregate, \$2.8 million of common equity securities to the Parent Company. Proceeds from the issuance of the Trust Preferred Securities and common equity securities were invested in 30-year junior subordinated deferrable interest debentures (“Subordinated Debentures”) issued by the Parent Company.



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A summary of Subordinated Debenture issuances follows:

Issuance	Maturity Date	Principal Amount Outstanding as of December 31,	
		2021	2020
October 2007	January 1, 2038	\$ 10.3	\$ 10.3
November 2007	December 15, 2037	15.5	15.5
December 2007	December 15, 2037	20.6	20.6
December 2007	April 1, 2038	15.5	15.5
January 2008	April 1, 2038	10.3	10.3
January 2008	April 1, 2038	10.3	10.3
June 2005	June 30, 2035	4.5	4.5
Total subordinated debentures held by subsidiary trusts		\$ 87.0	\$ 87.0

In October 2007, the Company issued \$10.3 million of Subordinated Debentures to Trust II. The Subordinated Debentures bear a cumulative floating interest rate equal to LIBOR plus 2.25% per annum. As of December 31, 2021, the interest rate on the Subordinated Debentures was 2.38%.

In November 2007, the Company issued \$15.5 million of Subordinated Debentures to Trust I. The Subordinated Debentures bore interest at a fixed rate of 7.50% for five years after issuance until December 16, 2012, and thereafter at a variable rate equal to LIBOR plus 2.75% per annum. As of December 31, 2021, the interest rate on the Subordinated Debentures was 2.95%.

In December 2007, the Company issued \$20.6 million of Subordinated Debentures to Trust III. The Subordinated Debentures bore interest at a fixed rate of 6.88% for five years after issuance until December 15, 2012, and thereafter at a variable rate equal to LIBOR plus 2.40% per annum. As of December 31, 2021, the interest rate on the Subordinated Debentures was 2.60%.

In December 2007, the Company issued \$15.5 million of Subordinated Debentures to Trust IV. The Subordinated Debentures bear a cumulative floating interest rate equal to LIBOR plus 2.70% per annum. As of December 31, 2021 the interest rate on the Subordinated Debentures was 2.83%.

In January 2008, the Company issued \$10.3 million of Subordinated Debentures to Trust V. The Subordinated Debentures bore interest at a fixed rate of 6.78% for five years after issuance until April 1, 2013, and thereafter at a variable rate equal to LIBOR plus 2.75% per annum. As of December 31, 2021 the interest rate on the Subordinated Debentures was 2.88%.

In January 2008, the Company issued \$10.3 million of Subordinated Debentures to Trust VI. The Subordinated Debentures bear a cumulative floating interest rate equal to LIBOR plus 2.75% per annum. As of December 31, 2021, the interest rate on the Subordinated Debentures was 2.88%.

In conjunction with the acquisition of Northwest in August 2018, the Company acquired Northwest Bancorporation Capital Trust I (“Trust VII”). The Northwest Trust was formed for the exclusive purpose of issuing an aggregate of \$5.0 million of 30-year floating rate mandatorily redeemable capital trust preferred securities (“Northwest Trust Preferred Securities”) to third-party investors. The Trusts also issued, in aggregate, \$0.2 million of common equity securities to Northwest. Proceeds from the issuance of the Trust Preferred Securities and common equity securities were invested in 30-year junior subordinated deferrable interest debentures (“Northwest Subordinated Debentures”) issued by Northwest. The Subordinated Debentures bore interest at a fixed rate of 5.95% for five years after issuance until June 30, 2010, and thereafter at a variable rate equal to LIBOR plus 1.70% per annum. As of December 31, 2021 the interest rate on the Subordinated Debentures was 1.92%.

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The Subordinated Debentures are unsecured with interest distributions payable quarterly. The Company may defer the payment of interest at any time provided that the deferral period does not extend past the stated maturity. During any such deferral period, distributions on the Trust Preferred Securities will also be deferred and the Company's ability to pay dividends on its common and preferred shares is restricted. The Subordinated Debentures may be redeemed, subject to approval by the Federal Reserve Bank, at the Company's option on or after five years from the date of issue, or at any time in the event of unfavorable changes in laws or regulations. Debt issuance costs consisting primarily of underwriting discounts and professional fees were capitalized and are being amortized through maturity to interest expense using the straight-line method, which approximates level yield.

The terms of the Trust Preferred Securities are identical to those of the Subordinated Debentures. The Trust Preferred Securities are subject to mandatory redemption upon repayment of the Subordinated Debentures at their stated maturity dates or earlier redemption in an amount equal to their liquidation amount plus accumulated and unpaid distributions to the date of redemption. The Company guarantees the payment of distributions and payments for redemption or liquidation of the Trust Preferred Securities to the extent of funds held by the Trusts.

As of December 31, 2021, the Trust Preferred Securities qualified as tier 1 capital of the Parent Company under the Federal Reserve Board's capital adequacy guidelines. In conjunction with the merger of Great Western, effective February 1, 2022, our trust preferred securities will qualify as tier 2 capital. Proceeds from the issuance of the Trust Preferred Securities were used to fund acquisitions.

**(14) CAPITAL STOCK AND DIVIDEND RESTRICTIONS**

As of December 31, 2021, the Company's authorized common stock consists of 200,000,000 shares, of which, 100,000,000 shares are designated as Class A common stock and 100,000,000 are designated as Class B common stock. The Class A common stock has one vote per share. The Class B common stock has five votes per share and is convertible to Class A common stock on a share-for-share basis at any time.

The Company had 41,699,409 shares of Class A common stock and 20,501,047 shares of Class B common stock outstanding as of December 31, 2021. The Company had 40,335,113 shares of Class A common stock and 21,760,686 shares of Class B common stock outstanding as of December 31, 2020.

During 2021, the Company issued 19,081 shares of its Class A common stock with an aggregate value of \$0.9 million to directors for their service on the Company's board of directors during 2021. During 2020, the Company issued 19,491 shares of its Class A common stock with an aggregate value of \$0.6 million to directors for their service on the Company's board of directors during 2020. The aggregate value of the shares issued to directors is included in stock-based compensation expense in the accompanying consolidated statements of changes in stockholders' equity.

On June 11, 2019, the Company's board of directors adopted a stock repurchase program permitting the Company to repurchase up to 2.5 million of its outstanding shares of Class A common stock. On March 23, 2020, the Company's board of directors suspended stock repurchases in response to the COVID-19 pandemic. Effective August 24, 2020, the Company's board of directors lifted the temporary suspension of the Company's stock repurchase program. On September 12, 2020, the Company's board of directors increased the number of shares of Class A common stock authorized to be repurchased by the Company under the stock repurchase program by an additional 3.0 million shares bringing the total number of shares authorized under the program to 5.5 million shares. During 2021, the Company repurchased and retired 72,700 shares of Class A common stock under the stock repurchase program.

All other stock repurchases during 2021 and 2020 were redemptions of vested restricted shares tendered in lieu of cash for payment of income tax withholding amounts by participants in the Company's equity compensation plans.

On November 4, 2021, the Company filed a registration statement on Form S-4, as amended on December 14, 2021 with registration statement on Form S-4/A, to register 47,158,390 shares of Class A common stock to be issued as consideration for our acquisition of Great Western.

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On March 16, 2020, the Company filed a universal shelf registration statement on Form S-3, which was subsequently declared effective by the SEC. The shelf registration statement allows the Company to raise additional capital from time to time through offers and sales of registered securities consisting of debt securities, preferred stock, depository shares, common stock, warrants, purchase contracts, and units or units consisting of any combination of the foregoing securities. The Company may sell these securities using the prospectus in the shelf registration statement, together with applicable prospectus supplements, from time to time, in one or more offerings.

The payment of dividends by subsidiary banks is subject to various federal and state regulatory limitations. In general, a bank is limited, without the prior consent of its regulators, to paying dividends that do not exceed current year net profits together with retained earnings from the two preceding calendar years. The Company's debt instruments also include limitations on the payment of dividends.

**(15) EARNINGS PER COMMON SHARE**

Basic earnings per common share is calculated by dividing net income by the weighted average number of common shares outstanding during the period presented, excluding unvested restricted stock. Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares determined for the basic earnings per share computation plus the dilutive effects of stock-based compensation using the treasury stock method.

The following table sets forth the computation of basic and diluted earnings per common share:

Year Ended December 31,	2021	2020	2019
Net income, basic and diluted	\$ 192.1	\$ 161.2	\$ 181.0
Weighted average common shares outstanding for basic earnings per share computation	61,650,312	63,611,891	63,645,029
Dilutive effects of stock-based compensation	91,516	117,579	239,839
Weighted average common shares outstanding for diluted earnings per common share computation	61,741,828	63,729,470	63,884,868
Basic earnings per common share	\$ 3.12	\$ 2.53	\$ 2.84
Diluted earnings per common share	3.11	2.53	2.83

The Company had 83,952, 3,094, and 150 unvested time restricted stock outstanding as of December 31, 2021, 2020, and 2019 respectively, that were not included in the computation of diluted earnings per common share because their effect would be anti-dilutive. The Company had 333,767, 291,540, and 138,298 shares of unvested restricted stock as of December 31, 2021, 2020, and 2019, respectively, that were not included in the computation of diluted earnings per common share because performance conditions for vesting had not been met.

**(16) REGULATORY CAPITAL**

The Company and the Bank are subject to various regulatory capital requirements administered by federal banking regulators and the Federal Reserve. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's and Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Parent Company, like all bank holding companies, is not subject to the prompt corrective action provisions. The Company's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios of total and tier 1 capital to risk-weighted assets, and of tier 1 capital to average assets, as defined in the regulations. As of December 31, 2021, the Company exceeded all capital adequacy requirements to which it is subject.

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As of December 31, 2021, the most recent notification from the regulatory agencies categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the institution must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the following table. There are no conditions or events since the most recent notification that management believes have changed the Bank's categories.

As an approved mortgage seller, the Bank is required to maintain a minimum level of capital specified by the United States Department of Housing and Urban Development. At December 31, 2021 and 2020, the Bank met these requirements.

The Company's actual capital amounts and ratios and selected minimum regulatory thresholds and prompt corrective action provisions as of December 31, 2021 and 2020 are presented in the following tables:

December 31, 2021	Actual		Minimum Required for Capital Adequacy Purposes		For Capital Adequacy Purposes Plus Capital Conservation Buffer		Minimum to Be Well Capitalized Under Prompt Corrective Action Requirements (1)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>Total risk-based capital:</b>								
Consolidated	\$ 1,659.3	14.11	\$ 940.9	8.00 %	\$ 1,235.0	10.50 %	\$ 1,176.2	10.00 %
FIB	1,472.5	12.56	938.0	8.00	1,231.1	10.50	1,172.5	10.00
<b>Tier 1 risk-based capital:</b>								
Consolidated	1,469.0	12.49	705.7	6.00	999.7	8.50	940.9	8.00
FIB	1,382.2	11.79	703.5	6.00	996.6	8.50	938.0	8.00
<b>Common equity tier 1 risk-based capital:</b>								
Consolidated	1,384.8	11.77	529.3	4.50	823.3	7.00	764.5	6.50
FIB	1,382.2	11.79	527.6	4.50	820.8	7.00	762.1	6.50
<b>Leverage capital ratio:</b>								
Consolidated	1,469.0	7.68	765.5	4.00	765.5	4.00	956.9	5.00
FIB	1,382.2	7.24	764.1	4.00	764.1	4.00	955.1	5.00

December 31, 2020	Actual		Minimum Required for Capital Adequacy Purposes		For Capital Adequacy Purposes Plus Capital Conservation Buffer		Minimum to Be Well Capitalized Under Prompt Corrective Action Requirements (1)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>Total risk-based capital:</b>								
Consolidated	\$ 1,575.7	14.19 %	\$ 888.3	8.00 %	\$ 1,165.8	10.50 %	\$ 1,110.3	10.00 %
FIB	1,426.8	12.89	885.6	8.00	1,162.3	10.50	1,107.0	10.00
<b>Tier 1 risk-based capital:</b>								
Consolidated	1,369.0	12.33	666.2	6.00	943.8	8.50	888.3	8.00
FIB	1,320.1	11.93	664.2	6.00	940.9	8.50	885.6	8.00
<b>Common equity tier 1 risk-based capital:</b>								
Consolidated	1,284.9	11.57	499.6	4.50	777.2	7.00	721.7	6.50
FIB	1,320.1	11.93	498.1	4.50	774.9	7.00	719.5	6.50
<b>Leverage capital ratio:</b>								
Consolidated	1,369.0	8.16	671.0	4.00	671.0	4.00	838.7	5.00
FIB	1,320.1	7.88	669.7	4.00	669.7	4.00	837.2	5.00

- (1) The ratios for the well capitalized requirement are only applicable to FIB. However, the Company manages its capital position as if the requirement applies to the consolidated entity and has presented the ratios as if they also applied on a consolidated basis.

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In connection with the adoption of CECL, or ASC 326, on January 1, 2020, the Company recognized an after-tax cumulative effect reduction to retained earnings totaling \$24.1 million. In March 2020, the Office of the Comptroller of Currency, the Board of Governors of the Federal Reserve System, and the FDIC issued an interim final rule that allowed banking organizations to mitigate the effects of ASC 326 on their regulatory capital computations. This interim rule is in addition to the three-year transition period under the capital transition rule issued in February 2019. Banking organizations could elect to mitigate the estimated cumulative regulatory capital effects for an additional two years. This rule allowed an institution to defer transitioning the impact of ASC 326 into its regulatory capital calculation, including ratios, over an extended period. Additionally, the interim rule extended the transition period whereby an institution could defer the impact from ASC 326 on the current period, determined based on the difference between the ASC 326 allowance for credit losses and the allowance for loan losses under the incurred loss method from previous GAAP, for up to two years. The total impact related to ASC 326 would then be transitioned into regulatory capital and the associated ratios over a three-year transition period, beginning after the initial two-year deferral period, for a total transition period of five years. The Company elected to opt into the transition election and adopted the transition relief over the permissible five-year period.

**(17) COMMITMENTS AND CONTINGENCIES**

The Company had commitments under construction contracts of \$2.5 million as of December 31, 2021.

The Parent Company and the Billings office of FIB are the anchor tenants in a building owned by an entity in which FIB has a 50.0% ownership interest.

The Company leases certain premises and equipment from third parties under operating leases. Total rental expense to third parties was \$4.3 million, \$5.1 million, and \$4.8 million, in 2021, 2020, and 2019, respectively.

The total future minimum rental commitments, exclusive of maintenance and operating costs, required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2021, are as follows:

	Third Parties	Related Entity	Total
For the year ending December 31:			
2022	\$ 4.8	\$ 1.3	\$ 6.1
2023	4.5	1.1	5.6
2024	4.0	1.1	5.1
2025	3.7	1.2	4.9
2026	3.5	0.7	4.2
Thereafter	11.4	—	11.4
<b>Total</b>	<b>\$ 31.9</b>	<b>\$ 5.4</b>	<b>\$ 37.3</b>

Residential mortgage loans sold to investors in the secondary market are sold with varying recourse provisions. Essentially all the loan sales agreements require the repurchase of a mortgage loan by the seller in situations such as breach of representation, warranty, or covenant; untimely document delivery; false or misleading statements; failure to obtain certain certificates or insurance; or unmarketability. Certain loan sales agreements contain repurchase requirements based on payment-related defects that are defined in terms of the number of days or months since the purchase, the sequence number of the payment, and/or the number of days of payment delinquency. Based on the specific terms stated in the agreements, the Company had \$0.4 million and \$0.6 million of sold residential mortgage loans with recourse provisions still in effect as of December 31, 2021 and 2020, respectively.

The Company did not repurchase any significant amount of loans from secondary market investors under the terms of loan sales agreements during the years ended December 31, 2021, 2020 and 2019. In the opinion of management, the risk of recourse and the subsequent requirement of loan repurchase to the Company is not significant, and accordingly no liabilities have been established related to such. In addition, the Company made various representations and warranties associated with the sale of loans. The Company has not incurred significant losses resulting from these provisions.

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A substantial portion of the Company's clients' ability to honor their contracts is dependent on the economy in Idaho, Montana, Oregon, South Dakota, Washington, and Wyoming. The Company's loan portfolio is diversified and assigned to risk classifications by industry concentrations and the current economic conditions. These industry concentrations of credit are taken into consideration by management in determining the allowance for credit losses.

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

**(18) FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK**

In the normal course of business, the Company is a party to financial instruments with off-balance sheet risk to meet the financing needs of its clients. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recorded in the consolidated balance sheets. Commitments to extend credit are agreements to lend to a client as long as there is no violation of any condition established in the commitment contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a client to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients. The Company's policy for obtaining collateral, and determining the nature of such collateral, is essentially the same as in the Company's policies for making commitments to extend credit. The estimated fair value of the obligation undertaken by the Company in issuing standby letters of credit is included in accounts payable and accrued expenses in the Company's consolidated balance sheets.

The following table presents our financial instruments with off-balance sheet risk, as well as the activity in the allowance for off-balance sheet credit losses related to those financial instruments:

	December 31, 2021	December 31, 2020
Beginning balance	\$ 3.7	\$ —
Initial impact of adopting ASC 326	—	2.3
Provision for credit loss expense	0.1	1.4
Ending balance of allowance for off-balance sheet credit losses	\$ 3.8	\$ 3.7
	December 31, 2021	December 31, 2020
Unused credit card lines	\$ 681.6	\$ 682.8
Commitments to extend credit	2,539.8	2,280.0
Standby letter of credit	57.5	59.0

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**(19) INCOME TAXES**

Income tax expense consists of the following:

Year ended December 31,	2021	2020	2019
<b>Current:</b>			
Federal	\$ 39.4	\$ 42.4	\$ 40.5
State	11.3	12.3	8.2
Total current	50.7	54.7	48.7
<b>Deferred:</b>			
Federal	3.7	(5.7)	3.7
State	1.3	(0.9)	1.7
Total deferred	5.0	(6.6)	5.4
<b>Total income tax expense</b>	<b>\$ 55.7</b>	<b>\$ 48.1</b>	<b>\$ 54.1</b>

Total income tax provision differs from the amount of income tax determined by applying the statutory federal income tax rate of 21% for the periods presented to income before income taxes due to the following:

Year ended December 31,	2021	2020	2019
Tax expense at the statutory tax rate	\$ 52.0	\$ 44.0	\$ 49.4
Increase (decrease) in tax resulting from:			
Tax-exempt income	(2.8)	(2.1)	(2.8)
State income tax, net of federal income tax benefit	9.9	9.0	9.9
Benefit of stock-based compensation plans	(0.5)	(0.4)	(1.2)
Nondeductible transaction costs	0.8	—	0.2
Federal tax credits	(4.3)	(2.3)	(2.0)
Other, net	0.6	(0.1)	0.6
<b>Tax expense at effective tax rate</b>	<b>\$ 55.7</b>	<b>\$ 48.1</b>	<b>\$ 54.1</b>

The tax effects of temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities that give rise to significant portions of the net deferred tax asset (liability) relate to the following:

December 31,	2021	2020
<b>Deferred tax assets:</b>		
Loans, principally due to allowance for credit losses	\$ 30.7	\$ 36.5
Loan discount	1.6	4.0
Investment securities, unrealized losses	4.6	—
Deferred compensation	19.3	19.5
Non-performing loan interest	1.0	1.2
Net operating loss carryforwards <sup>(1)</sup>	1.7	2.0
Lease liabilities	8.7	9.5
Other	3.5	3.2
<b>Deferred tax assets</b>	<b>71.1</b>	<b>75.9</b>

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December 31,	2021	2020
<b>Deferred tax liabilities:</b>		
Fixed assets, principally differences in bases and depreciation	(7.7)	(10.9)
Deferred loan costs	(1.9)	(4.4)
Investment securities, unrealized gains	—	(19.2)
Derivatives, unrealized gains	(1.0)	—
Investment in joint venture partnership, principally due to differences in depreciation of partnership assets	(0.9)	(0.9)
Right of use assets	(8.3)	(9.2)
Prepaid amounts	(0.7)	(0.5)
Government agency stock dividends	(1.2)	(1.2)
Goodwill and core deposit intangibles	(51.2)	(50.3)
Mortgage servicing rights	(6.8)	(5.6)
Other	(0.7)	(0.9)
Deferred tax liabilities	(80.4)	(103.1)
Net deferred tax assets (liabilities)	\$ (9.3)	\$ (27.2)

<sup>(1)</sup> As of December 31, 2021, we had remaining federal net operating loss carryforwards of \$3.1 million from acquired companies, which is available to offset federal taxable income and state net operating loss carryforwards in amounts which vary by state. The federal net operating losses will expire beginning in 2030 and ending in 2036 and the state net operating losses will expire beginning in 2023 and ending in 2034. The use of these carryforwards is subject to annual limitations.

The Company had current net income tax receivables of \$16.1 million and \$8.1 million at December 31, 2021 and 2020, respectively.

**(20) STOCK-BASED COMPENSATION**

The Company has equity awards outstanding under two stock-based compensation plans; the 2015 Equity Incentive Plan (the “2015 Plan”) and the 2006 Equity Compensation Plan, as amended and restated (the “2006 Plan”). These plans were primarily established to enhance the Company’s ability to attract, retain, and motivate employees. The Company’s Board of Directors or, upon delegation, the Compensation Committee of the Board of Directors (“Compensation Committee”) has exclusive authority to select employees, advisors and others, including directors, to receive awards and to establish the terms and conditions of each award made pursuant to the Company’s stock-based compensation plans.

The 2015 Plan, approved by the Company’s shareholders in May 2015, was established to provide the Company with flexibility to select from various equity-based performance compensation methods, and to be able to address changing accounting and tax rules and corporate governance practices by optimally utilizing performance based compensation. The 2015 Plan did not increase the number of shares of common stock available for awards under the 2006 Plan.

The 2006 Plan, approved by the Company’s shareholders in May 2006 and May 2014, was established to consolidate into one plan the benefits available under all other than existing share-based award plans. The 2006 Plan continues with respect to awards made prior to June 2015. All shares of common stock available for future grant under the 2006 Plan were transferred into the 2015 Plan. At December 31, 2021, there were 880,798 common shares available for future grant under the 2015 Plan.

**Stock Options.** All options granted have an exercise price equal to fair market value, which is currently defined as the closing sales price for the stock as quoted on the NASDAQ Stock Market for the last market trading day preceding the date that the Company’s Board of Directors awards the benefit. Options may be subject to vesting as determined by the Company’s Board of Directors or Compensation Committee, and can be exercised for periods of up to ten years from the date of grant.



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No stock option awards were granted in 2021 or 2020. All outstanding stock option awards were fully vested as of December 31, 2016. As such, there was no compensation expense or related income tax benefits recognized related to stock option awards in 2021 or 2020. Compensation expense related to stock option awards and the related income tax benefits for the year ended December 31, 2016 were not considered material.

The following table summarizes Class A and Class B stock option activity under the Company's active stock option plans:

Year Ended December 31, 2021	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contract Life
Outstanding options, beginning of year	79,318	\$ 14.49	
Granted	—	—	
Exercised	(52,466)	14.29	
Forfeited	(3,600)	14.30	
Expired	—	—	
Outstanding options, end of year	23,252	\$ 14.37	0.13
Outstanding options exercisable, end of year	23,252	\$ 14.37	0.13

The total intrinsic value of fully-vested stock options outstanding as of December 31, 2021 was \$0.6 million. The total intrinsic value of options exercised was \$1.5 million, \$3.1 million, and \$4.9 million during the years ended December 31, 2021, 2020, and 2019, respectively. The actual tax benefit realized for the tax deduction from option exercises totaled \$0.2 million, \$0.5 million, and \$0.9 million for the years ended December 31, 2021, 2020 and 2019, respectively. The Company received cash of \$0.5 million, \$1.1 million, and \$1.0 million from stock option exercises during the years ended December 31, 2021, 2020, and 2019, respectively. The Company redeemed common stock with aggregate values of \$0.3 million, \$1.0 million, and \$2.0 million tendered in payment for stock option exercises during the years ended December 31, 2021, 2020, and 2019, respectively.

**Restricted Stock Awards.** Common stock issued under the Company's restricted stock plan may not be sold or otherwise transferred until restrictions have lapsed or performance objectives have been obtained. During the vesting periods, participants have voting rights and receive dividends on all time restricted shares and vesting performance restricted shares. Upon termination of employment, common shares upon which restrictions have not lapsed must be returned to the Company.

All restricted share awards are classified as equity awards. The fair value of equity-classified restricted stock awards is amortized as compensation expense on a straight-line basis over the period restrictions lapse or performance goals are met. Compensation expense related to restricted stock awards of \$8.9 million, \$7.5 million and \$8.0 million was included in employee benefits on the Company's consolidated statements of income for the years ended December 31, 2021, 2020 and 2019, respectively. Related income tax benefit of \$0.3 million was recognized for the year ended December 31, 2021 and related income tax expense of \$0.1 million and a benefit of \$0.4 million was recognized for the years ended December 31, 2020 and 2019, respectively.

The following table presents information regarding the Company's restricted stock:

As of December 31, 2021	Number of Shares	Weighted-Average Measurement Date Fair Value
Restricted stock, beginning of year	524,829	\$ 33.65
Granted	241,306	48.47
Vested	(172,079)	38.88
Forfeited	(73,044)	38.40
Canceled	—	—
Restricted stock, end of year	521,012	\$ 39.73

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During 2021, the Company issued 241,306 restricted common shares. The 2021 restricted share awards included 14,355 additional shares related to the 2018 performance restricted stock grants and 131,320 performance restricted shares, of which 65,660 vest in varying percentages upon achievement of defined return on equity performance goals, and 65,660 vest in varying percentages upon achievement of defined total return to shareholder goals. Vesting of the 2021 performance restricted shares is also contingent on employment as of March 15, 2024. Additionally, 95,631 time-restricted shares were issued during 2021 that vest one-third on each annual anniversary of the grant date through March 15, 2024, contingent on continued employment through the vesting date.

As of December 31, 2021, there was \$10.5 million of unrecognized compensation cost related to non-vested, restricted stock awards expected to be recognized over a period of 1.20 years.

**(21) EMPLOYEE BENEFIT PLANS**

**Profit Sharing Plan.** The Company had a noncontributory profit sharing plan which was terminated on January 1, 2020. All employees, other than temporary employees, working 20 hours or more per week were eligible to participate in the profit sharing plan. The Company's Board of Directors authorized all contributions to the profit sharing plan. Participants became 100% vested upon the completion of two years of vesting service. Accrued contribution expense for this plan of \$2.1 million in 2019, is included in employee benefits expense in the Company's consolidated statements of income.

**Savings Plan.** In addition, the Company has a contributory employee savings plan. All employees are eligible to participate in the plan. Employee participation in the plan is at the option of the employee. The Company contributed 100% of the first 6% of the participating employee's eligible compensation in 2021 and 2020, respectively and 5% of the participating employee's eligible compensation in 2019. Contribution expense for this plan of \$8.8 million, \$8.9 million, and \$7.0 million in 2021, 2020, and 2019, respectively, is included in employee benefits expense in the Company's consolidated statements of income.

**(22) OTHER COMPREHENSIVE INCOME**

The gross amounts of each component of other comprehensive income and the related tax effects for the periods indicated are as follows:

Year Ended December 31, 2021	Before Tax Amount	Tax Expense (Benefit)	Net of Tax Amount
<b>Investment securities available-for sale:</b>			
Change in net unrealized loss during period	\$ (113.7)	\$ (28.7)	\$ (85.0)
Reclassification adjustment for net gains included in net income	(1.1)	(0.3)	(0.8)
Net change in unamortized gains on available-for-sale securities transferred into held-to-maturity	20.2	5.1	15.1
Change in net unrealized loss on derivatives	4.2	1.1	3.1
<b>Total other comprehensive loss</b>	<b>\$ (90.4)</b>	<b>\$ (22.8)</b>	<b>\$ (67.6)</b>
<b>Year Ended December 31, 2020</b>			
<b>Investment securities available-for sale:</b>			
Change in net unrealized gains during period	\$ 61.8	\$ 15.8	\$ 46.0
Reclassification adjustment for net gains included in net income	(0.3)	(0.1)	(0.2)
Change in net unrealized loss on derivatives	0.2	—	0.2
<b>Defined benefits post-retirement benefit plan:</b>			
Change in net actuarial gains	(0.5)	(0.1)	(0.4)
<b>Total other comprehensive income</b>	<b>\$ 61.2</b>	<b>\$ 15.6</b>	<b>\$ 45.6</b>

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Year Ended December 31, 2019	Before Tax Amount	Tax Expense (Benefit)	Net of Tax Amount
<b>Investment securities available-for sale:</b>			
Change in net unrealized gains during period	\$ 54.9	\$ 14.1	\$ 40.8
Reclassification adjustment for net gains included in net income	(0.1)	—	(0.1)
Reclassification adjustment for securities transferred from held-to-maturity to available-for-sale	(6.0)	(1.6)	(4.4)
<b>Defined benefits post-retirement benefit plan:</b>			
Change in net actuarial gains	(0.8)	(0.1)	(0.7)
<b>Total other comprehensive income</b>	<b>\$ 48.0</b>	<b>\$ 12.4</b>	<b>\$ 35.6</b>

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

Years ended December 31,	2021	2020
Net unrealized (loss) gain on investment securities available-for-sale	\$ (29.0)	\$ 56.8
Net unrealized gain on investment securities transferred to held-to-maturity	15.0	—
Net unrealized gain (loss) on derivatives	3.0	(0.2)
<b>Net accumulated other comprehensive (loss) income</b>	<b>\$ (11.0)</b>	<b>\$ 56.6</b>

**(23) CONDENSED FINANCIAL INFORMATION (PARENT COMPANY ONLY)**

Following is condensed financial information of First Interstate BancSystem, Inc.

December 31,	2021	2020
<b>Condensed balance sheets:</b>		
Cash and cash equivalents	\$ 181.1	\$ 123.2
Investment in bank subsidiary	1,948.9	1,986.6
Advances to subsidiaries, net	5.9	41.0
Other assets	63.2	61.3
<b>Total assets</b>	<b>\$ 2,199.1</b>	<b>\$ 2,212.1</b>
Other liabilities	\$ 26.8	\$ 66.7
Long-term debt	98.7	98.6
Subordinated debentures held by subsidiary trusts	87.0	87.0
<b>Total liabilities</b>	<b>212.5</b>	<b>252.3</b>
Stockholders' equity	1,986.6	1,959.8
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,199.1</b>	<b>\$ 2,212.1</b>

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Years Ended December 31,	2021	2020	2019
<i>Condensed statements of income:</i>			
Dividends from subsidiaries	\$ 160.0	\$ 130.0	\$ 178.0
Other interest income	—	0.1	0.3
Other income, primarily management fees from subsidiaries	41.3	28.7	25.9
<b>Total income</b>	<b>201.3</b>	<b>158.8</b>	<b>204.2</b>
Salaries and benefits	36.4	31.5	34.2
Interest expense	8.2	6.6	4.7
Acquisition related expenses	11.6	—	17.0
Other operating expenses, net	17.6	15.6	14.8
<b>Total expenses</b>	<b>73.8</b>	<b>53.7</b>	<b>70.7</b>
Earnings before income tax benefit	127.5	105.1	133.5
Income tax benefit	(7.6)	(6.1)	(11.9)
Income before undistributed earnings of subsidiaries	135.1	111.2	145.4
Undistributed earnings of subsidiaries	57.0	50.0	35.6
<b>Net income</b>	<b>\$ 192.1</b>	<b>\$ 161.2</b>	<b>\$ 181.0</b>
<i>Condensed statements of cash flows:</i>			
Cash flows from operating activities:			
Net income	\$ 192.1	\$ 161.2	\$ 181.0
Adjustments to reconcile net income to cash provided by operating activities:			
Undistributed earnings of subsidiaries	(57.0)	(50.0)	(35.6)
Stock-based compensation expense	8.9	7.5	8.0
Other, net	(3.2)	(13.6)	8.1
<b>Net cash provided by operating activities</b>	<b>140.8</b>	<b>105.1</b>	<b>161.5</b>
Cash flows from financing activities:			
Net (decrease) increase in advances from subsidiaries	23.7	16.7	(6.6)
Proceeds from issuance of long-term debt	—	98.6	—
Proceeds from issuance of common stock, net of stock issuance costs	0.4	1.1	1.0
Purchase and retirement of common stock	(5.4)	(116.8)	(2.5)
Dividends paid to common stockholders	(101.6)	(128.6)	(79.2)
<b>Net cash used in financing activities</b>	<b>(82.9)</b>	<b>(129.0)</b>	<b>(87.3)</b>
Net change in cash and cash equivalents	57.9	(23.9)	74.2
Cash and cash equivalents, beginning of year	123.2	147.1	72.9
<b>Cash and cash equivalents, end of year</b>	<b>\$ 181.1</b>	<b>\$ 123.2</b>	<b>\$ 147.1</b>

There was \$176.1 million of noncash financing activities for the issuance of common stock related to the CMYF and IIBK acquisitions in 2019.

**(24) FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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The three levels of inputs that may be used to measure fair value are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities
- Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of assets or liabilities

The methodologies used by the Company in determining the fair values of each class of financial instruments are based primarily on the use of independent, market-based data to reflect a value that would be reasonably expected in an orderly transaction between market participants at the measurement date, and therefore are classified within Level 2 of the valuation hierarchy. There have been no significant changes in the valuation techniques during the periods ended December 31, 2021 and 2020.

The Company's policy is to recognize transfers between levels as of the end of the reporting period. Transfers in and out of Level 1, Level 2, and Level 3 are recognized on the actual transfer date. There were no transfers between fair value hierarchy levels during the years ended December 31, 2021 and 2020. Further details on the methods used to estimate the fair value of each class of financial instruments above are discussed below:

*Investment Debt Securities Available-for-Sale.* The Company obtains fair value measurements for investment securities from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the investment's terms and conditions, among other things. Vendors chosen by the Company are widely recognized vendors whose evaluations support the pricing functions of financial institutions, investment and mutual funds, and portfolio managers. If needed, a broker may be utilized to determine the reported fair value of investment securities.

*Loans Held for Sale.* Fair value measurements for loans held for sale are obtained from an independent pricing service. The fair value measurements consider observable data that may include binding contracts or quotes or bids from third party investors as well as loan level pricing adjustments.

*Interest Rate Swap Contracts.* Fair values for derivative interest rate swap contracts are based upon the estimated amounts to settle the contracts considering current interest rates and are calculated using discounted cash flows that are observable or that can be corroborated by observable market data. The inputs used to determine fair value include the three-month LIBOR forward curve to estimate variable rate cash inflows and the federal funds effective swap rate to estimate the discount rate. The estimated variable rate cash inflows are compared to the fixed rate outflows and such difference is discounted to a present value to estimate the fair value of the interest rate swaps. The change in the value of derivative assets attributable to basis risk, or the risk that offsetting investments in a hedging strategy will not experience price changes in entirely opposite directions from each other, was not significant in the reported periods. The Company also obtains and compares the reasonableness of the pricing from an independent third party.

For purposes of potential valuation adjustments to our derivative positions, we evaluate the credit risk of our counterparties as well as ours. Accordingly, we have considered factors such as the likelihood of our default and the default of our counterparties, our net exposures and remaining contractual life, among other things, in determining if any fair value adjustments related to credit risk are required. The change in value of derivative assets and derivative liabilities attributable to credit risk was not significant during the reported periods.

*Interest Rate Lock Commitments.* Fair value measurements for interest rate lock commitments are obtained from an independent pricing service. The fair value measurements consider observable data that may include prices available from secondary market investors taking into consideration various characteristics of the loan, including the loan amount, interest rate, value of the servicing, and loan to value ratio, among other things. Observable data is then adjusted to reflect changes in interest rates, the Company's estimated pull-through rate, and estimated direct costs necessary to complete the commitment into a closed loan net of origination and processing fees collected from the borrower.

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*Forward Loan Sales Contracts.* The fair value measurements for forward loan sales contracts are obtained from an independent pricing service. The fair value measurements consider observable data that includes sales of similar loans.

*Deferred Compensation Plan Assets and Liabilities.* The fair values of deferred compensation plan assets and liabilities are based primarily on the use of independent, market-based data to reflect a value that would be reasonably expected in an orderly transaction between market participants at the measurement date. These investments are in the same funds and purchased in the same amounts as the participants' selected investments, which represent the underlying liabilities to plan participants. Deferred compensation plan liabilities are recorded at amounts due to participants, based on the fair value of participants' selected investments.

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

As of December 31, 2021	Balance	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investment debt securities available-for-sale:</b>				
U.S. Treasury Notes	\$ 684.7	\$ 684.7	\$ —	\$ —
State, county, and municipal securities	427.5	—	427.5	—
Obligations of U.S. government agencies	346.9	—	346.9	—
U.S. agency residential & commercial mortgage-backed securities & collateralized mortgage obligations	2,018.1	—	2,018.1	—
Private mortgage-backed securities	173.4	—	173.4	—
Collateralized loan obligations	899.4	—	899.4	—
Corporate Securities	270.5	—	270.5	—
Loans held for sale	30.1	—	30.1	—
<b>Derivative assets:</b>				
Interest rate swap contracts	26.3	—	26.3	—
Interest rate lock commitments	1.8	—	1.8	—
<b>Derivative liabilities:</b>				
Interest rate swap contracts	18.2	—	18.2	—
Deferred compensation plan assets	21.4	—	21.4	—
Deferred compensation plan liabilities	21.4	—	21.4	—

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As of December 31, 2020	Balance	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investment debt securities available-for-sale:</b>				
State, county, and municipal securities	\$ 465.9	\$ —	\$ 465.9	\$ —
Obligations of U.S. government agencies	331.9	—	331.9	—
U.S. agency residential & commercial mortgage-backed securities & collateralized mortgage obligations	2,897.6	—	2,897.6	—
Private mortgage-backed securities	10.9	—	10.9	—
Corporate securities	302.2	—	302.2	—
Other investments	0.2	—	0.2	—
Loans held for sale	74.0	—	74.0	—
<b>Derivative assets:</b>				
Interest rate swap contracts	52.0	—	52.0	—
Interest rate lock commitments	3.3	—	3.3	—
<b>Derivative liabilities:</b>				
Interest rate swap contracts	16.8	—	16.8	—
Forward loan sales contracts	1.1	—	1.1	—
Deferred compensation plan assets	19.1	—	19.1	—
Deferred compensation plan liabilities	19.1	—	19.1	—

Additionally, from time to time, certain assets are measured at fair value on a non-recurring basis. Adjustments to fair value generally result from the application of lower-of-cost-or-market accounting or write-downs of individual assets due to credit deterioration. The following table presents information about the Company's assets and liabilities measured at fair value on a non-recurring basis:

As of December 31, 2021	Balance	Fair Value Measurements at Reporting Date Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
Collateral-dependent loans	\$ 11.7	\$ —	\$ —	\$ 11.7	\$ —
Other real estate owned	2.0	—	—	2.0	—
Long-lived assets to be disposed of by sale	1.3	—	—	1.3	—

As of December 31, 2020	Balance	Fair Value Measurements at Reporting Date Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
Collateral-dependent loans	\$ 14.7	\$ —	\$ —	\$ 14.7	\$ (2.8)
Other real estate owned	2.5	—	—	2.5	—
Long-lived assets to be disposed of by sale	5.3	—	—	5.3	(0.2)

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*Collateral-dependent Loans.* Collateral-dependent loans are reported at the fair value of the underlying collateral if repayment is expected solely from collateral. The collateral-dependent loans are reported at fair value through specific valuation allowance allocations. In addition, when it is determined that the fair value of a collateral-dependent loan is less than the recorded investment in the loan, the carrying value of the loan is adjusted to fair value through a charge to the allowance for credit losses. Collateral values are estimated using independent appraisals and management estimates of current market conditions. As of December 31, 2021, the Company had collateral-dependent loans with a carrying and fair value of \$11.7 million. As of December 31, 2020, certain collateral-dependent loans with a carrying value of \$17.5 million were reduced by specific valuation allowance allocations of \$2.8 million resulting in a reported fair value of \$14.7 million.

*OREO.* The fair values of OREO are estimated using independent appraisals and management estimates of current market conditions. Upon initial recognition, write-downs based on the foreclosed asset's fair value at foreclosure are reported through charges to the allowance for credit losses. Periodically, the fair value of foreclosed assets is remeasured with any subsequent write-downs charged to OREO expense in the period in which they are identified.

*Long-lived Assets to be Disposed of by Sale.* Long-lived assets to be disposed of by sale are carried at the lower of carrying value or fair value less estimated costs to sell. The fair values of long-lived assets to be disposed of by sale are based upon observable market data and management estimates of current market conditions. As of December 31, 2021, the Company had long-lived assets to be disposed of by sale with carrying and fair values aggregating \$1.3 million, with no write-downs charged to other expense. As of December 31, 2020, the Company had long-lived assets to be disposed of by sale with carrying values of \$5.5 million, reduced by write-downs of \$0.2 million, resulting in a fair value of \$5.3 million.

The following table presents additional quantitative information about assets measured at fair value on a non-recurring basis and for which the Company has utilized Level 3 inputs to determine fair values:

As of December 31, 2021	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)			
Collateral-dependent loans	\$ 11.7	Appraisal	Appraisal adjustment	1.4%	-	18%	(7%)
As of December 31, 2020							
Collateral-dependent loans	\$ 14.7	Appraisal	Appraisal adjustment	0%	-	18%	(9%)
Long-lived assets to be disposed of by sale	5.3	Appraisal	Appraisal adjustment	0%	-	37%	(4%)

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

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



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*Financial Liabilities.* The fair values of demand deposits, savings accounts, securities sold under repurchase agreements, and accrued interest payable are the amounts payable on demand at the reporting date. The fair values of fixed-maturity certificates of deposit are estimated using external market rates currently offered for deposits with similar remaining maturities. The fair values of derivative liabilities are obtained from an independent pricing service, which considers observable data that may include the three-month LIBOR forward curve, the federal funds effective swap rate and cash flows, among other things. The carrying values of the interest-bearing demand notes to the United States Treasury are deemed an approximation of fair values due to the frequent repayment and repricing at market rates. The fixed and floating rate subordinated debentures, floating rate subordinated term loan, notes payable to the FHLB, fixed rate subordinated term debt, and capital lease obligation are estimated by discounting future cash flows using current rates for advances with similar characteristics.

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

The estimated fair values of financial instruments that are reported in the Company's consolidated balance sheets, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value, are as follows:

As of December 31, 2021	Carrying Amount	Estimated Fair Value	Fair Value Measurements at Reporting Date Using		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Financial assets:</b>					
Cash and cash equivalents	\$ 2,344.8	\$ 2,344.8	\$ 2,344.8	\$ —	\$ —
Investment debt securities available-for-sale	4,820.5	4,820.5	684.7	4,135.8	—
Investment debt securities held-to-maturity	1,687.6	1,667.5	—	1,667.5	—
Accrued interest receivable	47.4	47.4	—	47.4	—
Mortgage servicing rights, net	28.2	28.2	—	28.2	—
Loans held for sale	30.1	30.1	—	30.1	—
Net loans held for investment	9,209.4	9,254.3	—	9,242.6	11.7
Derivative assets	28.1	28.1	—	28.1	—
Deferred compensation plan assets	21.4	21.4	—	21.4	—
<b>Total financial assets</b>	<b>\$ 18,217.5</b>	<b>\$ 18,242.3</b>	<b>\$ 3,029.5</b>	<b>\$ 15,201.1</b>	<b>\$ 11.7</b>
<b>Financial liabilities:</b>					
Total deposits, excluding time deposits	\$ 15,303.1	\$ 15,303.1	\$ 15,303.1	\$ —	\$ —
Time deposits	966.5	963.1	—	963.1	—
Securities sold under repurchase agreements	1,051.1	1,051.1	—	1,051.1	—
Accrued interest payable	3.7	3.7	—	3.7	—
Long-term debt	112.4	120.7	—	120.7	—
Subordinated debentures held by subsidiary trusts	87.0	85.5	—	85.5	—
Derivative liabilities	18.2	18.2	—	18.2	—
Deferred compensation plan liabilities	21.4	21.4	—	21.4	—
<b>Total financial liabilities</b>	<b>\$ 17,563.4</b>	<b>\$ 17,566.8</b>	<b>\$ 15,303.1</b>	<b>\$ 2,263.7</b>	<b>\$ —</b>

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As of December 31, 2020	Carrying Amount	Estimated Fair Value	Fair Value Measurements at Reporting Date Using		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Financial assets:</b>					
Cash and cash equivalents	\$ 2,276.8	\$ 2,276.8	\$ 2,276.8	\$ —	\$ —
Investment debt securities available-for-sale	4,008.7	4,008.7	—	4,008.7	—
Investment debt securities held-to-maturity	51.6	55.0	—	55.0	—
Accrued interest receivable	51.1	51.1	—	51.1	—
Mortgage servicing rights, net	24.0	24.0	—	24.0	—
Loans held for sale	74.0	74.0	—	74.0	—
Net loans held for investment	9,663.2	9,785.6	—	9,770.9	14.7
Derivative assets	55.3	55.3	—	55.3	—
Deferred compensation plan assets	19.1	19.1	—	19.1	—
<b>Total financial assets</b>	<b>\$ 16,223.8</b>	<b>\$ 16,349.6</b>	<b>\$ 2,276.8</b>	<b>\$ 14,058.1</b>	<b>\$ 14.7</b>
<b>Financial liabilities:</b>					
Total deposits, excluding time deposits	\$ 13,158.3	\$ 13,158.3	\$ 13,158.3	\$ —	\$ —
Time deposits	1,058.7	1,061.1	—	1,061.1	—
Securities sold under repurchase agreements	1,091.4	1,091.4	—	1,091.4	—
Accrued interest payable	5.8	5.8	—	5.8	—
Long-term debt	112.4	116.5	—	116.5	—
Subordinated debentures held by subsidiary trusts	87.0	81.3	—	81.3	—
Derivative liabilities	17.9	17.9	—	17.9	—
Deferred compensation plan liabilities	19.1	19.1	—	19.1	—
<b>Total financial liabilities</b>	<b>\$ 15,550.6</b>	<b>\$ 15,551.4</b>	<b>\$ 13,158.3</b>	<b>\$ 2,393.1</b>	<b>\$ —</b>

**(25) RELATED PARTY TRANSACTIONS**

Certain executive officers, directors, and greater than 5% shareholders of the Company and certain entities and individuals related to such persons had transactions with the Company in the ordinary course of business. These parties were deposit clients of the Bank and incurred indebtedness in the form of loans, as clients, of \$19.5 million and \$22.4 million at December 31, 2021 and 2020, respectively. During 2021, new loans and advances on existing loans of \$10.4 million were funded and loan repayments totaled \$13.2 million. No loans were removed or added due to changes in related parties during the year. All deposit and loan transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with persons not related to the Company and do not involve more than a normal risk of collectability or present other unfavorable features.

Prior to 2020, the Company leased an aircraft from an entity wholly-owned by a member of the Scott family control group. Under the terms of the lease, the Company paid a fee for each flight hour plus certain third-party operating expenses related to the aircraft. During 2019, the Company paid total fees and operating expenses of \$22 thousand for its use of the aircraft. In addition, we lease a portion of our hanger and provide pilot services to the Scott family control group's related entity. During 2021, 2020, and 2019, the Company received payments from the related entity of \$61 thousand, \$54 thousand, and \$30 thousand, respectively, for hangar use, pilot fees, and reimbursement of certain third-party operating expenses related to the use of the aircraft.

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The Company purchases services from an entity which includes certain members of the Company's control group. Services provided for the Company's benefit include shareholder communication and corporate governance coordination. During 2021, 2020, and 2019, the Company paid \$87 thousand, \$85 thousand, and \$85 thousand, respectively, for these services. In addition, the Company provides human resource services to members of the Company's control group. During 2021, 2020, and 2019, the Company received payments from these related parties of \$0.7 million, \$0.7 million, and \$0.5 million, respectively, for the reimbursement of human resource services provided.

**(26) RECENT AUTHORITATIVE ACCOUNTING GUIDANCE**

**ASU 2018-14, "Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans."** In August 2018, the FASB issued ASU 2018-14, Compensation - Retirement Benefits - Defined Benefit Plans - General: Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans (ASU 2018-14). The amendments in this ASU remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements that have been identified as meeting the requirements. Although narrow in scope, the amendments are considered an important part of the Board's efforts to improve the effectiveness of disclosures in the notes to financial statements by applying the concepts discussed in the Concepts Statement. The amendments in this ASU are effective for public business entities with fiscal years ending after December 15, 2020. The amendments in this ASU became effective for the Company on January 1, 2021 and did not have a significant impact on the Company's consolidated financial statements, results of operations, or liquidity.

**ASU 2020-04, "Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Accounting."** In March 2020, the FASB issued ASU 2020-04, which provides temporary exceptions that are optional for applying GAAP to loan and lease agreements, derivative contracts, and other transactions affected by the anticipated transition away from LIBOR toward new interest rate benchmarks. For transactions that are modified because of reference rate reform and that meet certain scope guidance (i) modifications of loan agreements should be accounted for by prospectively adjusting the effective interest rate, with such modification considered to be "minor" so that any existing unamortized origination fees/costs will carry forward and continue to be amortized and (ii) modifications of lease agreements should be accounted for as a continuation of the existing agreement with no reassessments of the lease classification and the discount rate or remeasurements of lease payments that otherwise would be required for modifications will not be accounted for as separate contracts. ASU 2020-04 is effective March 12, 2020 through December 31, 2022. An entity may elect to apply ASU 2020-04 for contract modifications as of January 1, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. Once elected for a Topic or an Industry Subtopic within the Codification, the amendments in this ASU must be applied prospectively for all eligible contract modifications for that Topic or Industry Subtopic. The Company adopted certain elections related to cash flow hedges which did not have a significant impact on the Company's financial position or results of operations. The Company is currently evaluating the impact of the adoption of other expedients in the standard and does not anticipate it will have a significant impact on the Company's financial position or results of operations.

**ASU 2020-08, "Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs."** In October 2020, the FASB issued ASU 2020-08, Codification Improvements to Subtopic 310-20, Receivables-Nonrefundable Fees and Other Costs, that clarifies when an entity should reevaluate whether a callable debt security is within the scope of paragraph 310-20-35-33 for each reporting period. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The amendments in this ASU became effective for the Company on January 1, 2021 and did not have a significant impact on the Company's consolidated financial statements, results of operations, or liquidity.

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**ASU 2021-01, “Reference Rate Reform (Topic 848)”** In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform Topic 848, that clarifies certain exceptions that are optional in Topic 848 for contract modifications and hedge accounting and apply those exceptions to derivatives that are affected by the discounting transition. An entity may elect to apply the amendments in this ASU on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the issuance of a final ASU. If an entity elects to apply any of the amendments in this ASU for an eligible hedging relationship, any adjustments as a result of those elections must be reflected as of the date the entity applies the election. The amendments in this ASU do not apply to contract modifications made, new hedging relationships entered into, or existing hedging relationships evaluated for effectiveness in periods after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that apply certain exceptions that are optional in which the accounting effects of the hedging activity are recorded through the end of the hedging relationship (including periods after December 31, 2022). The Company is currently evaluating the impact of the standard and does not anticipate it will have a significant impact on the Company’s financial position or results of operations.

**ASU 2021-08, “Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers”** In October 2021, the FASB issued ASU 2021-08, Business Combinations Topic 805, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, to address diversity in practice and inconsistency related to the accounting for revenue contracts with customers acquired in a business combination. The amendments require that an entity recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606 as if it had originated the contracts. The amendments also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination and applies to contract assets and contract liabilities from other contracts to which the provisions of Topic 606 apply. The amendments are effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Entities should apply the amendments prospectively to business combinations that occur after the effective date. Early adoption is permitted, including in any interim period, for public business entities for periods for which financial statements have not yet been issued, and for all other entities for periods for which financial statements have not yet been made available for issuance. The Company is currently evaluating the impact of the standard and does not anticipate it will have a significant impact on the Company’s financial position or results of operations.

**(27) SUBSEQUENT EVENTS**

Subsequent events have been evaluated for potential recognition and disclosure through the date financial statements were filed with the Securities and Exchange Commission. On January 26, 2022, the Company declared a quarterly dividend to common shareholders of \$0.41 per share, which was paid on February 21, 2022 to shareholders of record as of February 10, 2022.

On February 1, 2022, the Company completed its previously announced merger with Great Western, the parent company of GWB, pursuant to Agreement and Plan of Merger, dated September 15, 2021 (the “Merger Agreement”), by and between the Company and Great Western. Pursuant to the Merger Agreement, Great Western merged with and into the Company, with the Company continuing as the surviving corporation (the “Merger”). Immediately following the Merger, Great Western’s wholly owned banking subsidiary, GWB, merged with and into the Company’s wholly owned banking subsidiary, FIB (the “Bank Merger”), with FIB continuing as the surviving bank in the Bank Merger. The total aggregate consideration paid in the Merger to the Great Western stockholders was approximately 46.9 million shares of the Company’s Class A Common Stock, representing approximately \$1.7 billion in value in the aggregate based on the opening price per share of the Company’s Class A common stock on the February 1, 2022 closing date of the Merger.

In conjunction with the Merger, the Company paid \$8.2 million of acquisition-related legal and advisory services incurred by the Scott family and a contribution of \$21.5 million was made by the Company to the First Interstate Foundation.

This transaction will be accounted for as a business combination under the acquisition method of accounting. The Company will record the assets acquired and liabilities assumed at their fair values as of the acquisition date. Due to the limited time since the closing of the acquisition, the valuation efforts and related acquisition accounting are

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incomplete at the time of filing of these consolidated financial statements. As a result, the Company is unable to provide amounts recognized as of the acquisition date for major classes of assets and liabilities acquired, including goodwill and other intangible assets. In addition, because the acquisition accounting is incomplete, the Company is also unable to provide the supplemental pro forma revenue and earnings for the combined entity. The Company expects to file all required financial statements of Great Western and related pro forma financial information through an amendment to its Form 8-K filed with the SEC on February 1, 2022 no later than 71 days following the date that such Form 8-K was required to be filed with the SEC.

No other events requiring recognition or disclosure were identified.

## (a) (2) Financial statement schedules.

All other schedules to the consolidated financial statements of the Registrant are omitted since the required information is either not applicable, deemed immaterial, or is shown in the financial statements filed herewith or in notes thereto.

## (a) (3) Exhibits.

Exhibit Number	Description
2.1	Agreement and Plan of Merger between the Company and Great Western Bancorp, Inc. dated September 15, 2021 (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, File No. 001-34653, filed on September 20, 2021)
3.1	Third Amended and Restated Articles of Incorporation of the Company dated September 10, 2019 (incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, File No. 001-34653, filed for the quarter ended September 30, 2019)
3.2	First Amendment to the Third Amended and Restated Articles of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-34653, filed on January 20, 2022)
3.3	Second Amendment to the Third Amended and Restated Articles of Incorporation of First Interstate BancSystem, Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-34653, filed on February 1, 2022)
3.4	Fourth Amended and Restated Bylaws of the Company (incorporated herein by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K, File No. 001-34653, filed for the year ended December 31, 2020)
3.5	First Amendment to the Fourth Amended and Restated Bylaws of the Company (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, File No. 001-34653, filed on February 1, 2022)
4.1*	Description of the Company's securities registered under Section 12 of the Securities Exchange Act of 1934, as amended
4.2	Indenture, dated May 15, 2020, between the Company and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, File No. 001-34653, filed on May 18, 2020)
4.3	First Supplemental Indenture, dated May 15, 2020, between First Interstate BancSystem, Inc. and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, File No. 001-34653, filed on May 18, 2020)
4.4	Stockholders' Agreement, dated September 15, 2021, between the Company and the individuals and entities listed therein (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, File No. 001-34653, filed on September 20, 2021)
10.1	Lease Agreement, dated September 20, 1985, as amended and with addenda, between Billings 401 LLC and First Interstate Bank Montana, including addendum thereto (incorporated herein by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K, File No. 001-34653, filed for the year ended December 31, 2017)
10.2†	Deferred Compensation Plan of the Company dated December 1, 2006 (incorporated herein by reference to Exhibit 10.9 to the Company's Pre-Effective Amendment No. 3 to Registration Statement on Form S-1, File No. 333-164380, filed on March 23, 2010)
10.3†	First Amendment to the Deferred Compensation Plan of the Company dated October 24, 2008 (incorporated herein by reference to Exhibit 10.10 to the Company's Pre-Effective Amendment No. 3 to Registration Statement on Form S-1, No. 333-164380, filed on March 23, 2010)
10.4†	Amendment to the Deferred Compensation Plan of the Company effective as of January 1, 2017 (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, File No. 001-34653, filed on May 7, 2021)
10.5†	Amendment 2021-1 to the Deferred Compensation Plan of the Company effective as of July 1, 2021 (incorporated herein by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q, File No. 001-34653, filed on November 4, 2021)

10.6†	2006 Equity Compensation Plan of the Company, amended and restated as of November 21, 2013 (incorporated herein by reference to Exhibit 4.3 to the Company’s Registration Statement on Form S-8, No. 333-193543, filed on January 24, 2014)
10.7†	2015 Equity and Incentive Plan of the Company, amended and restated as of January 1, 2019 (incorporated herein by reference to Exhibit 10.8 to the Company’s Annual Report on Form 10-K, File No. 001-34653, filed on February 27, 2019)
10.10†	Letter Agreement, dated September 15, 2021, between the Company and the other parties thereto (incorporated herein by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K, File No. 001-34653, filed on September 20, 2021)
10.11*†	Company Director Compensation Summary
10.12†	Executive Employment Agreement, dated August 19, 2021, between the Company and Kevin P. Riley (incorporated herein by reference to Exhibit 10.1 to the Company’s Report on Form 8-K, File No. 001-34653, filed on August 20, 2021)
10.13*†	Executive Employment Agreement, dated December 14, 2021, between the Company and Marcy D. Mutch
10.14*†	Executive Employment Agreement, dated December 14, 2021, between the Company and Kirk D. Jensen
10.15*†	Executive Employment Agreement, dated December 14, 2021, between the Company and Jodi Delahunt Hubbell
10.16*†	Executive Employment Agreement, dated December 14, 2021, between the Company and Philip G. Gaglia
10.17*†	Executive Employment Agreement, dated February 1, 2022, between the Company and Scott E. Erkonen
10.18*†	Executive Employment Agreement, dated February 1, 2022, between the Company and Karlyn M. Knieriem
10.19*†	Executive Employment Agreement, dated December 14, 2021, between the Company and Russell A. Lee
14.1	Code of Ethics for Chief Executive Officer and Senior Financial Officers (incorporated herein by reference to Exhibit 14.1 to the Company’s Annual Report on Form 10-K, File No. 001-34653, filed for the fiscal year ended December 31, 2010)
21.1*	Subsidiaries of the Company
23.1*	Consent of RSM US LLP Independent Registered Public Accounting Firm
31.1*	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended
31.2*	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended
32**	18 U.S.C. Section 1350 Certifications
101*	Interactive Data File - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document
104*	Cover Page Interactive Data File - The cover page XBRL tags are embedded within the inline XBRL document (included in Exhibit 101)

† Denotes Management contract or compensatory plan or arrangement

\* Filed herewith

\*\* Furnished herewith

(b) The exhibits filed or incorporated herein are as set forth in Item 15(a)3 above.

(c) Financial Statements Schedules

See Item 15(a)(2) above.

### Item 16. Form 10-K Summary

Not applicable.









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