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

## FORM 10-Q

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the quarterly period ended June 30, 2024**

**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)

| | |
|---|---|
| **Delaware** | **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) |

**Registrant's telephone number, including area code: (406) 255-5311**

**N/A**
**(Former name, former address and former fiscal year, if changed since last report)**

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.00001 par value | FIBK | NASDAQ |

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the 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.

| | | | |
|---|---|---|---|
| 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

| | |
|---|---|
| July 31, 2024 – Common stock | 104,548,149 |

## Quarterly Report on Form 10-Q

## FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
## Index
## June 30, 2024

**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
*(In millions, except share data)*
(Unaudited)

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| *Assets* | | |
| Cash and due from banks | $ 390.2 | $ 378.2 |
| Interest-bearing deposits in banks | 568.2 | 199.7 |
| Federal funds sold | 0.1 | 0.1 |
| Total cash and cash equivalents | 958.5 | 578.0 |
| Investment securities: | | |
| Available-for-sale, at fair value | 5,603.1 | 5,841.5 |
| Held-to-maturity (estimated fair values of $2,440.4 at June 30, 2024 and $2,874.0 at December 31, 2023) | 2,798.5 | 3,207.9 |
| Total investment securities | 8,401.6 | 9,049.4 |
| FHLB and FRB stock, at cost | 182.3 | 223.2 |
| Loans held for sale ($3.1 and $0.5 of which is recorded at fair value at June 30, 2024 December 31, 2023) | 22.3 | 47.4 |
| Loans held for investment, net of deferred fees and costs | 18,235.0 | 18,279.6 |
| Allowance for credit losses | (232.8) | (227.7) |
| Net loans held for investment | 18,002.2 | 18,051.9 |
| Goodwill | 1,100.9 | 1,100.9 |
| Company-owned life insurance | 507.6 | 502.4 |
| Premises and equipment, net of accumulated depreciation | 436.5 | 444.3 |
| Other intangibles, net of accumulated amortization | 74.0 | 81.4 |
| Accrued interest receivable | 126.4 | 129.1 |
| Mortgage servicing rights, net of accumulated amortization | 27.0 | 28.3 |
| Other real estate owned | 6.7 | 16.5 |
| Deferred tax asset, net | 154.5 | 150.0 |
| Other assets | 289.0 | 268.4 |
| Total assets | $ 30,289.5 | $ 30,671.2 |
| *Liabilities and Stockholders' Equity* | | |
| Deposits: | | |
| Non-interest bearing | $ 6,174.0 | $ 6,029.6 |
| Interest bearing | 16,696.7 | 17,293.5 |
| Total deposits | 22,870.7 | 23,323.1 |
| Securities sold under repurchase agreements | 741.8 | 782.7 |
| Accounts payable and accrued expenses | 398.3 | 380.4 |
| Accrued interest payable | 71.1 | 52.2 |
| Other borrowed funds | 2,430.0 | 2,603.0 |
| Long-term debt | 383.4 | 120.8 |
| Allowance for credit losses on off-balance sheet credit exposures | 5.8 | 18.4 |
| Subordinated debentures held by subsidiary trusts | 163.1 | 163.1 |
| Total liabilities | 27,064.2 | 27,443.7 |
| Stockholders' equity: | | |
| Preferred stock, no par value; 100,000 shares authorized; none issued and outstanding | — | — |
| Common stock and additional paid-in-capital, $0.00001 par value; 150,000,000 shares authorized; 104,560,618 and 103,941,626 shares were issued and outstanding at June 30, 2024 and December 31, 2023 | 2,453.9 | 2,448.9 |
| Retained earnings | 1,156.9 | 1,135.1 |
| Accumulated other comprehensive loss, net | (385.5) | (356.5) |
| Total stockholders' equity | 3,225.3 | 3,227.5 |
| Total liabilities and stockholders' equity | $ 30,289.5 | $ 30,671.2 |

*See accompanying notes to unaudited consolidated financial statements.*

**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**
*(In millions, except per share data)*
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Interest income: | | | | |
| Interest and fees on loans | $ 252.8 | $ 241.6 | $ 504.9 | $ 477.2 |
| Interest and dividends on investment securities: | | | | |
| Taxable | 62.3 | 66.1 | 126.8 | 138.3 |
| Exempt from federal taxes | 0.7 | 0.8 | 1.4 | 1.7 |
| Interest and dividends on FHLB and FRB stock | 3.3 | 3.4 | 6.6 | 6.4 |
| Interest on deposits in banks | 4.9 | 5.4 | 9.0 | 9.6 |
| Total interest income | 324.0 | 317.3 | 648.7 | 633.2 |
| Interest expense: | | | | |
| Interest on deposits | 80.9 | 53.6 | 160.0 | 93.9 |
| Interest on securities sold under repurchase agreements | 1.9 | 1.5 | 4.2 | 2.6 |
| Interest on other borrowed funds | 31.8 | 39.3 | 67.4 | 70.5 |
| Interest on long-term debt | 4.4 | 1.4 | 8.7 | 2.9 |
| Interest on subordinated debentures held by subsidiary trusts | 3.3 | 3.1 | 6.6 | 6.0 |
| Total interest expense | 122.3 | 98.9 | 246.9 | 175.9 |
| Net interest income | 201.7 | 218.4 | 401.8 | 457.3 |
| Provision for credit losses | 9.0 | 11.7 | 14.3 | 26.9 |
| Net interest income after provision for credit losses | 192.7 | 206.7 | 387.5 | 430.4 |
| Non-interest income: | | | | |
| Payment services revenues | 18.6 | 20.1 | 37.0 | 38.8 |
| Mortgage banking revenues | 1.7 | 2.6 | 3.4 | 4.9 |
| Wealth management revenues | 9.4 | 8.8 | 18.6 | 17.8 |
| Service charges on deposit accounts | 6.4 | 5.8 | 12.4 | 11.0 |
| Other service charges, commissions, and fees | 2.1 | 2.4 | 4.3 | 4.8 |
| Investment securities losses, net | — | (0.1) | — | (23.5) |
| Other income | 4.4 | 4.5 | 9.0 | 6.7 |
| Total non-interest income | 42.6 | 44.1 | 84.7 | 60.5 |
| Non-interest expense: | | | | |
| Salaries and wages | 66.3 | 68.1 | 131.5 | 133.7 |
| Employee benefits | 16.9 | 19.3 | 36.2 | 42.1 |
| Outsourced technology services | 14.0 | 15.3 | 27.6 | 30.0 |
| Occupancy, net | 11.7 | 11.7 | 24.0 | 24.2 |
| Furniture and equipment | 5.2 | 5.6 | 10.2 | 11.5 |
| OREO expense, net of income | 2.0 | 0.6 | 4.0 | 0.8 |
| Professional fees | 5.1 | 5.3 | 11.9 | 9.8 |
| FDIC insurance premiums | 6.6 | 4.7 | 14.0 | 10.4 |
| Other intangibles amortization | 3.7 | 3.9 | 7.4 | 7.9 |
| Other expenses | 25.4 | 29.4 | 50.3 | 59.3 |
| Total non-interest expense | 156.9 | 163.9 | 317.1 | 329.7 |
| Income before income tax | 78.4 | 86.9 | 155.1 | 161.2 |
| Provision for income tax | 18.4 | 19.9 | 36.7 | 37.9 |
| Net income | $ 60.0 | $ 67.0 | $ 118.4 | $ 123.3 |
| Earnings per common share (Basic) | $ 0.58 | $ 0.65 | $ 1.15 | $ 1.19 |
| Earnings per common share (Diluted) | $ 0.58 | $ 0.65 | $ 1.15 | $ 1.19 |

*See accompanying notes to unaudited consolidated financial statements.*

**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
*(In millions)*
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net income | $ 60.0 | $ 67.0 | $ 118.4 | $ 123.3 |
| Other comprehensive income (loss), before tax: | | | | |
| Investment securities available for sale: | | | | |
| Change in net unrealized gains (losses) during the period | 2.5 | (57.5) | (23.9) | 20.7 |
| Reclassification adjustment for net losses included in income | — | 0.1 | — | 23.5 |
| Reclassification adjustment for securities transferred from held-to-maturity to available-for-sale | — | — | — | (7.2) |
| Net change in unamortized losses on available-for-sale investment securities transferred into held-to-maturity | (0.1) | (0.4) | (0.3) | (0.8) |
| Cash flow hedges: | | | | |
| Change in unrealized gains on derivatives | (5.1) | (23.6) | (22.5) | (14.1) |
| Reclassification adjustment for derivatives net losses included in income | 4.6 | 1.5 | 8.1 | 2.0 |
| Other comprehensive income (loss), before tax | 1.9 | (79.9) | (38.6) | 24.1 |
| Deferred tax (expense) benefit related to other comprehensive (loss) income | (0.5) | 20.0 | 9.6 | (6.0) |
| Other comprehensive income (loss), net of tax | 1.4 | (59.9) | (29.0) | 18.1 |
| Comprehensive income, net of tax | $ 61.4 | $ 7.1 | $ 89.4 | $ 141.4 |

*See accompanying notes to unaudited consolidated financial statements.*

**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**
*(In millions, except share and per share data)*
(Unaudited)

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | Common stock | Retained earnings | Accumulated other comprehensive loss | Total stockholders' equity |
| Balance at March 31, 2024 | $ 2,450.7 | $ 1,145.9 | $ (386.9) | $ 3,209.7 |
| Net income | — | 60.0 | — | 60.0 |
| Other comprehensive loss, net of tax expense | — | — | 1.4 | 1.4 |
| Common stock transactions: | | | | |
| 1,758 common shares purchased and retired | — | — | — | — |
| 52,735 non-vested common shares issued | — | — | — | — |
| 61,982 non-vested common shares forfeited or canceled | — | — | — | — |
| Stock-based compensation expense | 3.2 | — | — | 3.2 |
| Common stock cash dividends declared ($0.47 per share) | — | (49.0) | — | (49.0) |
| Balance at June 30, 2024 | $ 2,453.9 | $ 1,156.9 | $ (385.5) | $ 3,225.3 |

| | Common stock | Retained earnings | Accumulated other comprehensive loss | Total stockholders' equity |
|---|---|---|---|---|
| Balance at March 31, 2023 | $ 2,478.7 | $ 1,080.7 | $ (399.1) | $ 3,160.3 |
| Net income | — | 67.0 | — | 67.0 |
| Other comprehensive loss, net of tax expense | — | — | (59.9) | (59.9) |
| Common stock transactions: | | | | |
| 348 common shares purchased and retired | — | — | — | — |
| 660,048 non-vested common shares issued | — | — | — | — |
| 21,035 non-vested common shares forfeited or canceled | — | — | — | — |
| Stock-based compensation expense | 2.7 | — | — | 2.7 |
| Common stock cash dividends declared ($0.47 per share) | — | (48.9) | — | (48.9) |
| Balance at June 30, 2023 | $ 2,481.4 | $ 1,098.8 | $ (459.0) | $ 3,121.2 |

*See accompanying notes to unaudited consolidated financial statements.*

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**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (continued)**
*(In millions, except share and per share data)*
(Unaudited)

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | Common stock | Retained earnings | Accumulated other comprehensive loss | Total stockholders' equity |
| Balance at December 31, 2023 | $ 2,448.9 | $ 1,135.1 | $ (356.5) | $ 3,227.5 |
| Cumulative change related to the adoption of ASU 2023-02 | — | 1.2 | — | 1.2 |
| Adjusted balance at January 1, 2024 | 2,448.9 | 1,136.3 | (356.5) | 3,228.7 |
| Net income | — | 118.4 | — | 118.4 |
| Other comprehensive loss, net of tax expense | — | — | (29.0) | (29.0) |
| Common stock transactions: | | | | |
| 45,448 common shares purchased and retired | (1.1) | — | — | (1.1) |
| 738,098 non-vested common shares issued | — | — | — | — |
| 73,658 non-vested common shares forfeited or canceled | — | — | — | — |
| Stock-based compensation expense | 6.1 | — | — | 6.1 |
| Common cash dividends declared ($0.94 per share) | — | (97.8) | — | (97.8) |
| Balance at June 30, 2024 | $ 2,453.9 | $ 1,156.9 | $ (385.5) | $ 3,225.3 |

| | Common stock | Retained earnings | Accumulated other comprehensive loss | Total stockholders' equity |
|---|---|---|---|---|
| Balance at December 31, 2022 | $ 2,478.2 | $ 1,072.7 | $ (477.1) | $ 3,073.8 |
| Net income | — | 123.3 | — | 123.3 |
| Other comprehensive income, net of tax expense | — | — | 18.1 | 18.1 |
| Common stock transactions: | | | | |
| 55,428 common shares purchased and retired | (1.8) | — | — | (1.8) |
| 670,911 non-vested common shares issued | — | — | — | — |
| 36,823 non-vested common shares forfeited or canceled | — | — | — | — |
| Stock-based compensation expense | 5.0 | — | — | 5.0 |
| Common cash dividends declared ($0.94 per share) | — | (97.2) | — | (97.2) |
| Balance at June 30, 2023 | $ 2,481.4 | $ 1,098.8 | $ (459.0) | $ 3,121.2 |

*See accompanying notes to unaudited consolidated financial statements.*

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

| *(In millions)* (Unaudited) | Six Months Ended June 30, 2024 | 2023 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 118.4 | $ 123.3 |
| Adjustments to reconcile net income from operations to net cash provided by operating activities: | | |
| Provision for credit losses | 14.3 | 26.9 |
| Net loss (gain) on disposal of premises and equipment | 1.1 | (0.3) |
| Depreciation and amortization | 26.0 | 27.2 |
| Net premium (discount) amortization on investment securities | 0.7 | 0.6 |
| Net loss on investment securities transactions | — | 23.5 |
| Realized and unrealized net gains on mortgage banking activities | (1.0) | (1.6) |
| Net gain on sale of OREO | (0.3) | — |
| Write-downs of OREO and other assets pending disposal | 4.2 | 0.8 |
| Deferred taxes | 6.4 | 10.8 |
| Net increase in cash surrender value of company-owned life insurance | (7.3) | (6.4) |
| Stock-based compensation expense | 6.1 | 5.0 |
| Originations of mortgage loans held for sale | (107.3) | (173.3) |
| Proceeds from sales of mortgage loans held for sale | 105.4 | 170.2 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in accrued interest receivable | 2.7 | (0.8) |
| (Increase) decrease in other assets | (21.1) | 41.9 |
| Increase in accrued interest payable | 18.9 | 31.3 |
| Increase (decrease) in accounts payable and accrued expenses | 2.7 | (49.5) |
| Net cash provided by operating activities | 169.9 | 229.6 |
| Cash flows from investing activities: | | |
| Purchases of investment securities: | | |
| Available-for-sale | (77.2) | — |
| Proceeds from sales, maturities, and pay-downs of investment securities: | | |
| Held-to-maturity | 411.8 | 114.6 |
| Available-for-sale | 288.5 | 1,119.7 |
| Purchases of FHLB and FRB stock | (40.5) | (132.8) |
| Proceeds from sales of FHLB and FRB stock | 81.4 | 121.0 |
| Proceeds from bank-owned life insurance settlements | 2.1 | 2.3 |
| Extensions of credit to clients, net of repayments | 46.5 | (176.7) |
| Proceeds from sale of OREO | 9.6 | — |
| Capital expenditures, net of sales | (8.9) | (13.2) |
| Net cash provided by investing activities | 713.3 | 1,034.9 |
| Cash flows from financing activities: | | |
| Net decrease in deposits | (452.4) | (1,494.4) |
| Net decrease in securities sold under repurchase agreements | (40.9) | (123.0) |
| Net (decrease) increase in other borrowed funds | (173.0) | 262.0 |
| Repayments of long-term debt | (0.1) | (0.1) |
| Advances on long-term debt | 262.6 | — |
| Purchase and retirement of common stock | (1.1) | (1.8) |
| Dividends paid to common stockholders | (97.8) | (97.2) |
| Net cash used in financing activities | (502.7) | (1,454.5) |
| Net increase (decrease) in cash and cash equivalents | 380.5 | (190.0) |
| Cash and cash equivalents at beginning of period | 578.0 | 870.5 |
| Cash and cash equivalents at end of period | $ 958.5 | $ 680.5 |

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

| *(In millions)* | Six Months Ended June 30, | |
|---|---|---|
| (Unaudited) | 2024 | 2023 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for income taxes | $ 12.1 | $ 30.5 |
| Cash paid during the period for interest expense | 228.0 | 144.6 |
| Supplemental disclosures of noncash investing and financing activities: | | |
| Right-of-use assets obtained in exchange for operating lease liabilities | $ 0.8 | $ 2.8 |
| Transfer of held-to-maturity to available-for sale securities | — | 23.0 |
| Transfer of held for investment loans to held-for-sale | — | 3.1 |
| Transfer of loans to OREO | 3.7 | 2.5 |
| Capitalization of internally originated mortgage servicing rights | 0.3 | 0.6 |

*See accompanying notes to unaudited consolidated financial statements.*

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

## (1) Basis of Presentation

The accompanying unaudited consolidated financial statements of First Interstate BancSystem, Inc., and its consolidated subsidiaries, including its wholly-owned subsidiary, First Interstate Bank ("FIB") (collectively, the "Company") contain all adjustments (all of which are of a normal recurring nature) necessary to present fairly the financial position of the Company at June 30, 2024 and December 31, 2023, the results of operations, changes in stockholders' equity, and cash flows for each of the three and the six months ended June 30, 2024 and 2023, in conformity with U.S. generally accepted accounting principles ("GAAP"). The balance sheet information at December 31, 2023 is derived from audited consolidated financial statements. The unaudited consolidated financial statements have been prepared in conformity with the required interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X; and therefore, do not include all of the information and footnotes required by GAAP for a complete set of financial statements. Certain reclassifications, none of which were material, have been made to conform the Company's prior year financial statements to the June 30, 2024 presentation. These reclassifications did not change previously reported net income, financial condition, cash flows, or stockholders' equity.

These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, which includes a description of significant accounting policies. Operating results for the three and the six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024.

## (2) Investment Securities

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

| *June 30, 2024* | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| *Available-for-Sale:* | | | | |
| U.S. Treasury notes | $ 250.2 | $ — | $ (27.3) | $ 222.9 |
| State, county, and municipal securities | 253.9 | — | (40.9) | 213.0 |
| Obligations of U.S. government agencies | 174.5 | — | (11.6) | 162.9 |
| U.S. agency commercial mortgage-backed securities | 1,199.6 | 0.3 | (92.2) | 1,107.7 |
| U.S. agency residential mortgage-backed securities | 1,408.1 | 0.4 | (141.3) | 1,267.2 |
| Collateralized mortgage obligations | 1,250.0 | 0.7 | (126.1) | 1,124.6 |
| Private mortgage-backed securities | 230.0 | — | (31.6) | 198.4 |
| Collateralized loan obligations | 1,066.8 | 1.8 | — | 1,068.6 |
| Corporate securities | 260.2 | — | (22.4) | 237.8 |
| Total | $ 6,093.3 | $ 3.2 | $ (493.4) | $ 5,603.1 |

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

| *June 30, 2024* | Amortized Cost[1] | Allowance for Credit Losses | Net Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|---|---|
| *Held-to-Maturity:* | | | | | | |
| U.S. Treasury notes | $ 99.5 | $ — | $ 99.5 | $ — | $ (1.6) | $ 97.9 |
| State, county, and municipal securities | 178.2 | — | 178.2 | 0.1 | (26.7) | 151.6 |
| Obligations of U.S. government agencies | 356.0 | — | 356.0 | — | (44.9) | 311.1 |
| U.S. agency commercial mortgage-backed securities | 496.2 | — | 496.2 | — | (57.9) | 438.3 |
| U.S. agency residential mortgage-backed securities | 1,159.6 | — | 1,159.6 | — | (148.7) | 1,010.9 |
| Collateralized mortgage obligations | 452.7 | — | 452.7 | — | (72.0) | 380.7 |
| Corporate securities | 57.0 | (0.7) | 56.3 | — | (6.4) | 49.9 |
| Total | $ 2,799.2 | $ (0.7) | $ 2,798.5 | $ 0.1 | $ (358.2) | $ 2,440.4 |

(1) Amortized cost presented above includes $9.3 million of unamortized gains in U.S. agency residential and commercial mortgage-backed securities and collateralized mortgage obligations related to the 2021 transfer of securities from available-for-sale to held-to-maturity, and $17.0 million of unamortized losses in state, county, and municipal, obligations of U.S. government agencies and collateralized loan obligations related to the 2022 transfer of securities from available-for-sale to held-to-maturity.

| *December 31, 2023* | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| *Available-for-Sale:* | | | | |
| U.S. Treasury notes | $ 250.2 | $ — | $ (25.5) | $ 224.7 |
| State, county, and municipal securities | 256.7 | — | (36.9) | 219.8 |
| Obligations of U.S. government agencies | 179.4 | — | (10.9) | 168.5 |
| U.S. agency commercial mortgage-backed securities | 1,192.7 | 0.6 | (87.7) | 1,105.6 |
| U.S. agency residential mortgage-backed securities | 1,496.3 | 1.2 | (130.6) | 1,366.9 |
| Collateralized mortgage obligations | 1,308.5 | 1.3 | (120.3) | 1,189.5 |
| Private mortgage-backed securities | 241.3 | — | (30.9) | 210.4 |
| Collateralized loan obligations | 1,121.9 | 0.1 | (2.3) | 1,119.7 |
| Corporate securities | 260.8 | — | (24.4) | 236.4 |
| Total | $ 6,307.8 | $ 3.2 | $ (469.5) | $ 5,841.5 |

| *December 31, 2023* | Amortized Cost[1] | Allowance for Credit Losses | Net Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|---|---|
| *Held-to-Maturity:* | | | | | | |
| U.S. Treasury notes | $ 399.0 | $ — | $ 399.0 | $ — | $ (2.8) | $ 396.2 |
| State, county, and municipal securities | 179.2 | — | 179.2 | 0.2 | (24.2) | 155.2 |
| Obligations of U.S. government agencies | 354.5 | — | 354.5 | — | (42.4) | 312.1 |
| U.S. agency commercial mortgage-backed securities | 510.5 | — | 510.5 | — | (52.9) | 457.6 |
| U.S. agency residential mortgage-backed securities | 1,232.6 | — | 1,232.6 | — | (137.0) | 1,095.6 |
| Collateralized mortgage obligations | 475.9 | — | 475.9 | 0.2 | (69.0) | 407.1 |
| Corporate securities | 57.0 | (0.8) | 56.2 | — | (6.0) | 50.2 |
| Total | $ 3,208.7 | $ (0.8) | $ 3,207.9 | $ 0.4 | $ (334.3) | $ 2,874.0 |

(1) Amortized cost presented above includes $10.7 million of unamortized gains and $18.1 million of unamortized losses related to the 2021 and 2022 transfer of securities from available-for-sale to held-to-maturity.

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

The following tables show the gross unrealized losses and fair values of available-for-sale investment securities and the length of time individual investment securities have been in an unrealized loss position as of June 30, 2024 and December 31, 2023.

| | Less than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| *June 30, 2024* | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| *Available-for-Sale:* | | | | | | |
| U.S. Treasury notes | $ — | $ — | $ 222.9 | $ (27.3) | $ 222.9 | $ (27.3) |
| State, county, and municipal securities | 1.0 | — | 210.3 | (40.9) | 211.3 | (40.9) |
| Obligations of U.S. government agencies | — | — | 162.6 | (11.6) | 162.6 | (11.6) |
| U.S. agency commercial mortgage-backed securities | 34.2 | (0.4) | 1,052.1 | (91.8) | 1,086.3 | (92.2) |
| U.S. agency residential mortgage-backed securities | 61.6 | (1.3) | 1,176.3 | (140.0) | 1,237.9 | (141.3) |
| Collateralized mortgage obligations | 34.6 | (0.6) | 1,056.1 | (125.5) | 1,090.7 | (126.1) |
| Private mortgage-backed securities | — | — | 198.4 | (31.6) | 198.4 | (31.6) |
| Corporate securities | — | — | 237.9 | (22.4) | 237.9 | (22.4) |
| Total | $ 131.4 | $ (2.3) | $ 4,316.6 | $ (491.1) | $ 4,448.0 | $ (493.4) |

| | Less than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| *December 31, 2023* | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| *Available-for-Sale:* | | | | | | |
| U.S. Treasury notes | $ — | $ — | $ 224.7 | $ (25.5) | $ 224.7 | $ (25.5) |
| State, county, and municipal securities | — | — | 217.1 | (36.9) | 217.1 | (36.9) |
| Obligations of U.S. government agencies | — | — | 168.0 | (10.9) | 168.0 | (10.9) |
| U.S. agency commercial mortgage-backed securities | 0.2 | — | 1,083.1 | (87.7) | 1,083.3 | (87.7) |
| U.S. agency residential mortgage-backed securities | 0.7 | — | 1,287.5 | (130.6) | 1,288.2 | (130.6) |
| Collateralized mortgage obligations | — | — | 1,142.4 | (120.3) | 1,142.4 | (120.3) |
| Private mortgage-backed securities | — | — | 210.5 | (30.9) | 210.5 | (30.9) |
| Collateralized loan obligations | — | — | 935.7 | (2.3) | 935.7 | (2.3) |
| Corporate securities | — | — | 236.5 | (24.4) | 236.5 | (24.4) |
| Total | $ 0.9 | $ — | $ 5,505.5 | $ (469.5) | $ 5,506.4 | $ (469.5) |

As of June 30, 2024 and December 31, 2023, there were no holdings of securities of any issuer, other than the U.S. government and its agencies, in an amount greater than 10% of stockholders' equity.

The Company determines the allowance for credit losses on both available-for-sale and held-to-maturity investment securities by a discounted cash flow approach using each security's effective interest rate at the time of purchase or upon acquisition. The allowance for credit losses is measured as the amount by which an investment security's amortized cost exceeds the net present value of expected future cash flows. However, the amount of credit losses for available-for-sale investment securities is limited to the amount of a security's unrealized loss. The allowance for credit loss on held-to-maturity investment securities is representative of current expected credit losses that management expects to be incurred over the life of the investment and established through a charge to provision for credit losses in current period earnings. For held-to-maturity investment securities, the Company has the intent and ability to hold these investment securities to maturity.

The investment securities portfolio primarily 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 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.

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

As of June 30, 2024 and December 31, 2023, the Company had 676 and 704 individual available-for-sale investment securities, respectively, that were in an unrealized loss position, which was related primarily to fluctuations in current interest rates. 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.

The following table presents the activity in the allowance for credit losses related to available-for-sale investment securities:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Beginning balance | $ — | $ 2.6 | $ — | $ — |
| (Reduction of) provision for credit losses | — | (1.2) | — | 1.4 |
| Ending balance | $ — | $ 1.4 | $ — | $ 1.4 |

The following table presents the activity in the allowance for credit losses related to held-to-maturity investment securities:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Beginning balance | $ 0.7 | $ 0.7 | $ 0.8 | $ 1.9 |
| Reduction of credit losses | — | — | (0.1) | (1.2) |
| Ending balance | $ 0.7 | $ 0.7 | $ 0.7 | $ 0.7 |

On a quarterly basis, the Company refreshes the credit quality indicator of each held-to-maturity security. The following table summarizes the credit quality indicators of held-to-maturity securities at amortized cost for the periods indicated:

| *June 30, 2024* | AAA | AA | A | BBB | BB | Not Rated | Total |
|---|---|---|---|---|---|---|---|
| U.S. Treasury notes | $ 99.5 | $ — | $ — | $ — | $ — | $ — | $ 99.5 |
| State, county, and municipal securities | 68.9 | 91.1 | 10.2 | — | — | 8.0 | 178.2 |
| Obligations of U.S. government agencies | 356.0 | — | — | — | — | — | 356.0 |
| U.S. agency commercial mortgage-backed securities | | | | | | | |
| FNMA/FHLMC | 350.9 | — | — | — | — | — | 350.9 |
| GNMA | 145.3 | — | — | — | — | — | 145.3 |
| U.S. agency residential mortgage-backed securities | | | | | | | |
| FNMA/FHLMC | 1,119.4 | — | — | — | — | — | 1,119.4 |
| GNMA | 40.2 | — | — | — | — | — | 40.2 |
| Collateralized mortgage obligations | | | | | | | |
| FNMA/FHLMC | 317.2 | — | — | — | — | — | 317.2 |
| GNMA | 135.5 | — | — | — | — | — | 135.5 |
| Corporate securities | — | — | — | 47.0 | 5.0 | 5.0 | 57.0 |
| Total | $ 2,632.9 | $ 91.1 | $ 10.2 | $ 47.0 | $ 5.0 | $ 13.0 | $ 2,799.2 |

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

| *December 31, 2023* | AAA | AA | A | BBB | BB | Not Rated | Total |
|---|---|---|---|---|---|---|---|
| U.S. Treasury notes | $ 399.0 | $ — | $ — | $ — | $ — | $ — | $ 399.0 |
| State, county, and municipal securities | 69.0 | 92.3 | 10.6 | — | — | 7.3 | 179.2 |
| Obligations of U.S. government agencies | 354.5 | — | — | — | — | — | 354.5 |
| U.S. agency commercial mortgage-backed securities | | | | | | | |
| FNMA/FHLMC | 359.7 | — | — | — | — | — | 359.7 |
| GNMA | 150.8 | — | — | — | — | — | 150.8 |
| U.S. agency residential mortgage-backed securities | | | | | | | |
| FNMA/FHLMC | 1,189.8 | — | — | — | — | — | 1,189.8 |
| GNMA | 42.8 | — | — | — | — | — | 42.8 |
| Collateralized mortgage obligations | | | | | | | |
| FNMA/FHLMC | 334.1 | — | — | — | — | — | 334.1 |
| GNMA | 141.8 | — | — | — | — | — | 141.8 |
| Corporate securities | — | — | — | 47.0 | 5.0 | 5.0 | 57.0 |
| Total | $ 3,041.5 | $ 92.3 | $ 10.6 | $ 47.0 | $ 5.0 | $ 12.3 | $ 3,208.7 |

As of June 30, 2024 and December 31, 2023, the Company had $35.4 million and $38.5 million, respectively, of accrued interest receivable from investment securities on the consolidated balance sheets. Accrued interest receivable is presented as a separate line item on the consolidated balance sheets and the Company does not include accrued interest receivable in the carrying amount of financial assets held at the amortized cost basis or in the related allowance for credit losses calculation.

As of June 30, 2024 and December 31, 2023, there were no available-for-sale or held-to-maturity securities on nonaccrual status. All securities in the portfolio were current with their contractual principal and interest payments.

As of June 30, 2024 and December 31, 2023, there were no collateral-dependent available-for-sale or held-to-maturity securities.

There were no material gross realized gains and no material gross realized losses during the three and the six month periods ended June 30, 2024. During the three months ended June 30, 2023, there were no material gross realized gains and no material gross realized losses, and during the six months ended June 30, 2023 there were no material gross realized gains and $23.5 million in gross realized losses on the disposition of available-for-sale investment securities, resulting from the sale of $853.0 million of investment securities.

The following schedule represents the amortized cost of debt securities by contractual maturity except for maturities of mortgage-backed securities, which have been adjusted to reflect shorter maturities based upon estimated prepayments of principal.

| | Available-for-Sale | | Held-to-Maturity | |
|---|---|---|---|---|
| *June 30, 2024* | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
| Within one year | $ 63.7 | $ 62.7 | $ 2.5 | $ 2.5 |
| After one year but within five years | 1,307.6 | 1,213.5 | 430.7 | 404.0 |
| After five years but within ten years | 1,148.0 | 1,044.3 | 557.3 | 487.0 |
| After ten years | 3,574.0 | 3,282.6 | 1,808.7 | 1,546.9 |
| Total | $ 6,093.3 | $ 5,603.1 | $ 2,799.2 | $ 2,440.4 |

As of June 30, 2024, the Company held investment securities callable within one year having amortized costs and estimated fair values of $1,595.1 million and $1,541.6 million, respectively. These investment securities are primarily included in the "after ten years" category in the table above. As of June 30, 2024, the Company had no callable structured notes.

As of June 30, 2024 and December 31, 2023, the Company had amortized costs of $4,391.6 million and $3,858.6 million, respectively, for investment securities pledged to secure public deposits, derivatives, and securities sold under repurchase agreements that had estimated fair values of $3,902.1 million and $3,462.2 million, as of June 30, 2024 and December 31, 2023, 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.

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

As of June 30, 2024 and December 31, 2023, the Company held $182.3 million and $223.2 million, respectively, in equity securities in a combination of Federal Reserve Bank and Federal Home Loan Bank stocks, which are restricted nonmarketable securities acquired to meet regulatory requirements. These securities are carried at cost.

## (3) Loans Held for Sale

The following table presents loans held for sale by class of receivable for the dates indicated:

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Loans held for sale: | | |
| Agricultural, at lower of cost or market | $ 19.2 | $ 19.6 |
| Commercial real estate, at lower of cost or market | — | 27.3 |
| Residential mortgage, at fair value | 3.1 | 0.5 |
| Total loans held for sale | $ 22.3 | $ 47.4 |

The table below presents the non-residential mortgage loans held for sale activity for the 2024 period:

| | Agricultural | Commercial Real Estate |
|---|---|---|
| Beginning balance as of December 31, 2023 | $ 19.6 | $ 27.3 |
| Repayments | (0.4) | — |
| Loan disposals | — | (27.3) |
| Ending balance as of June 30, 2024 | $ 19.2 | $ — |

As of June 30, 2024, loans held for sale included nonaccrual agricultural loans of $19.2 million. As of December 31, 2023, loans held for sale included a nonaccrual commercial real estate loan of $27.3 million.

## (4) Loans Held for Investment

The following table presents loans by class of receivable and portfolio segment as of the dates indicated:

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Real estate: | | |
| Commercial | $ 9,054.5 | $ 8,869.2 |
| Construction | 1,519.9 | 1,826.5 |
| Residential | 2,246.4 | 2,244.3 |
| Agricultural | 723.5 | 716.8 |
| Total real estate | 13,544.3 | 13,656.8 |
| Consumer: | | |
| Indirect | 733.7 | 740.9 |
| Direct and advance lines | 139.0 | 141.6 |
| Credit card | 76.1 | 76.5 |
| Total consumer | 948.8 | 959.0 |
| Commercial | 3,052.9 | 2,906.8 |
| Agricultural | 698.2 | 769.4 |
| Other, including overdrafts | 3.1 | 0.1 |
| Loans held for investment | 18,247.3 | 18,292.1 |
| Deferred loan fees and costs | (12.3) | (12.5) |
| Loans held for investment, net of deferred fees and costs | 18,235.0 | 18,279.6 |
| Allowance for credit losses | (232.8) | (227.7) |
| Net loans held for investment | $ 18,002.2 | $ 18,051.9 |

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

**Allowance for Credit Losses**

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

| *Three Months Ended June 30, 2024* | Beginning Balance | Provision for (reversal of) Credit Losses | Loans Charged-Off[2] | Recoveries Collected | Ending Balance |
|---|---|---|---|---|---|
| Allowance for credit losses [1] | | | | | |
| Real estate | $ 152.9 | $ (3.3) | $ (10.1) | $ 0.2 | $ 139.7 |
| Consumer | 12.6 | 8.6 | (4.0) | 1.3 | 18.5 |
| Commercial | 58.0 | 12.1 | (2.2) | 1.3 | 69.2 |
| Agricultural | 4.2 | 1.2 | — | — | 5.4 |
| Total allowance for credit losses | $ 227.7 | $ 18.6 | $ (16.3) | $ 2.8 | $ 232.8 |

| *Six Months Ended June 30, 2024* | Beginning Balance | Provision for (reversal of) Credit Losses | Loans Charged-Off[2] | Recoveries Collected | Ending Balance |
|---|---|---|---|---|---|
| Allowance for credit losses [1] | | | | | |
| Real estate | $ 160.1 | $ (8.0) | $ (13.3) | $ 0.9 | $ 139.7 |
| Consumer | 13.0 | 11.0 | (7.8) | 2.3 | 18.5 |
| Commercial | 50.2 | 23.3 | (6.2) | 1.9 | 69.2 |
| Agricultural | 4.4 | 0.7 | — | 0.3 | 5.4 |
| Total allowance for credit losses | $ 227.7 | $ 27.0 | $ (27.3) | $ 5.4 | $ 232.8 |

| *Three Months Ended June 30, 2023* | Beginning Balance | Provision for (reversal of) Credit Losses | Loans Charged-Off[2] | Recoveries Collected | Ending Balance |
|---|---|---|---|---|---|
| Allowance for credit losses [1] | | | | | |
| Real estate | $ 147.5 | $ 20.4 | $ (10.0) | $ 0.8 | $ 158.7 |
| Consumer | 21.8 | (6.2) | (3.3) | 1.4 | 13.7 |
| Commercial | 54.4 | (4.5) | (0.8) | 0.4 | 49.5 |
| Agricultural | 2.4 | 0.2 | — | 0.1 | 2.7 |
| Total allowance for credit losses | $ 226.1 | $ 9.9 | $ (14.1) | $ 2.7 | $ 224.6 |

| *Six Months Ended June 30, 2023* | Beginning Balance | Provision for (reversal of) Credit Losses | Loans Charged-Off[2] | Recoveries Collected | Ending Balance |
|---|---|---|---|---|---|
| Allowance for credit losses [1] | | | | | |
| Real estate | $ 138.7 | $ 33.8 | $ (14.8) | $ 1.0 | $ 158.7 |
| Consumer | 23.3 | (5.5) | (6.7) | 2.6 | 13.7 |
| Commercial | 54.9 | (5.3) | (1.5) | 1.4 | 49.5 |
| Agricultural | 3.2 | (0.9) | — | 0.4 | 2.7 |
| Total allowance for credit losses | $ 220.1 | $ 22.1 | $ (23.0) | $ 5.4 | $ 224.6 |

[1] Amounts presented exclude the allowance for credit losses related to unfunded commitments and investment securities. The allowance for credit losses related to unfunded commitments and investment securities are included in the "Financial Instruments with Off-Balance Sheet Risk" Note and "Investment Securities" Note, respectively.

[2] 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.

**Collateral-Dependent Loans**

A collateral-dependent loan relies substantially on the operation or sale of the collateral securing the loan for repayment. A loan may become collateral-dependent when foreclosure is probable or the borrower is experiencing financial difficulty and its sources of repayment become inadequate over time. At such time, the Company develops an expectation that repayment will be provided substantially through the operation or sale of the collateral.

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

The following tables present the principal balance of collateral-dependent loans by class of receivable as of the dates indicated:

| | Collateral Type | | | |
|---|---|---|---|---|
| *As of June 30, 2024* | Business Assets | Real Property | Other | Total |
| Real estate: | | | | |
| Commercial | $ — | $ 27.4 | $ — | $ 27.4 |
| Construction | — | 9.4 | — | 9.4 |
| Residential | — | 1.9 | — | 1.9 |
| Agricultural | — | 1.0 | — | 1.0 |
| Total real estate | — | 39.7 | — | 39.7 |
| Commercial | 62.4 | 0.1 | 0.7 | 63.2 |
| Agricultural | — | 0.9 | 0.1 | 1.0 |
| Total collateral-dependent loans | $ 62.4 | $ 40.7 | $ 0.8 | $ 103.9 |

| | Collateral Type | | | |
|---|---|---|---|---|
| *As of December 31, 2023* | Business Assets | Real Property | Other | Total |
| Real estate: | | | | |
| Commercial | $ — | $ 26.6 | $ — | $ 26.6 |
| Construction | — | 17.0 | — | 17.0 |
| Residential | — | 0.5 | — | 0.5 |
| Agricultural | — | 1.2 | — | 1.2 |
| Total real estate | — | 45.3 | — | 45.3 |
| Commercial | 4.5 | 1.4 | 0.7 | 6.6 |
| Agricultural | 0.7 | — | — | 0.7 |
| Total collateral-dependent loans | $ 5.2 | $ 46.7 | $ 0.7 | $ 52.6 |

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 90 days or more past due continue to accrue interest. The following tables present the contractual aging of the Company’s recorded principal balance of loans by class of receivable as of the dates indicated:

| *As of June 30, 2024* | 30 - 59 Days Past Due | 60 - 89 Days Past Due | 90 or more Days Past Due | Total Loans 30 or More Days Past Due | Current Loans | Non-accrual Loans [(1)] | Total Loans |
|---|---|---|---|---|---|---|---|
| Real estate: | | | | | | | |
| Commercial | $ 4.1 | $ 2.3 | $ 0.1 | $ 6.5 | $ 9,010.3 | $ 37.7 | $ 9,054.5 |
| Construction | 0.3 | 2.0 | — | 2.3 | 1,508.2 | 9.4 | 1,519.9 |
| Residential | 3.3 | 4.3 | 1.1 | 8.7 | 2,224.4 | 13.3 | 2,246.4 |
| Agricultural | 1.3 | 2.8 | — | 4.1 | 714.6 | 4.8 | 723.5 |
| Total real estate | 9.0 | 11.4 | 1.2 | 21.6 | 13,457.5 | 65.2 | 13,544.3 |
| Consumer: | | | | | | | |
| Indirect | 6.5 | 2.5 | — | 9.0 | 721.5 | 3.2 | 733.7 |
| Direct and advance lines | 0.6 | 0.2 | — | 0.8 | 137.7 | 0.5 | 139.0 |
| Credit card | 0.7 | 0.4 | 0.6 | 1.7 | 74.4 | — | 76.1 |
| Total consumer | 7.8 | 3.1 | 0.6 | 11.5 | 933.6 | 3.7 | 948.8 |
| Commercial | 11.3 | 1.8 | 0.8 | 13.9 | 2,966.4 | 72.6 | 3,052.9 |
| Agricultural | 1.7 | 0.3 | — | 2.0 | 672.1 | 24.1 | 698.2 |
| Other, including overdrafts | — | — | — | — | 3.1 | — | 3.1 |
| Loans held for investment | $ 29.8 | $ 16.6 | $ 2.6 | $ 49.0 | $ 18,032.7 | $ 165.6 | $ 18,247.3 |

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

| *As of December 31, 2023* | 30 - 59 Days Past Due | 60 - 89 Days Past Due | 90 or more Days Past Due | Total Loans 30 or More Days Past Due | Current Loans | Non-accrual Loans [1] | Total Loans |
|---|---|---|---|---|---|---|---|
| Real estate: | | | | | | | |
| Commercial | $ 12.7 | $ 6.1 | $ — | $ 18.8 | $ 8,822.2 | $ 28.2 | $ 8,869.2 |
| Construction | 3.1 | 0.4 | — | 3.5 | 1,805.8 | 17.2 | 1,826.5 |
| Residential | 11.9 | 3.1 | 0.6 | 15.6 | 2,218.0 | 10.7 | 2,244.3 |
| Agricultural | 1.8 | — | — | 1.8 | 709.6 | 5.4 | 716.8 |
| Total real estate | 29.5 | 9.6 | 0.6 | 39.7 | 13,555.6 | 61.5 | 13,656.8 |
| Consumer: | | | | | | | |
| Indirect | 8.0 | 2.2 | 0.4 | 10.6 | 727.6 | 2.7 | 740.9 |
| Direct and advance lines | 0.9 | 0.2 | — | 1.1 | 140.2 | 0.3 | 141.6 |
| Credit card | 0.7 | 0.5 | 0.6 | 1.8 | 74.7 | — | 76.5 |
| Total consumer | 9.6 | 2.9 | 1.0 | 13.5 | 942.5 | 3.0 | 959.0 |
| Commercial | 14.5 | 1.1 | 0.3 | 15.9 | 2,879.4 | 11.5 | 2,906.8 |
| Agricultural | 0.1 | — | 3.0 | 3.1 | 735.9 | 30.4 | 769.4 |
| Other, including overdrafts | — | — | — | — | 0.1 | — | 0.1 |
| Loans held for investment | $ 53.7 | $ 13.6 | $ 4.9 | $ 72.2 | $ 18,113.5 | $ 106.4 | $ 18,292.1 |

[1] As of June 30, 2024 and December 31, 2023, none of our non-accrual loans were earning interest income. Additionally, no material interest income was recognized on non-accrual loans during the three and the six months ended June 30, 2024 and 2023, respectively. There were \$0.2 million and \$2.0 million in reversals of accrued interest during the three and the six months ended June 30, 2024 and no material reversals of accrued interest during the three and the six months ended June 30, 2023.

**Modifications to Borrowers Experiencing Financial Difficulty**

Modifications of loans are made in the ordinary course of business and are completed on a case-by-case basis through negotiation with the borrower in connection with the ongoing loan collection processes. Loan modifications are made to provide payment relief to borrowers experiencing financial difficulty.

From time to time, we may modify certain loans to borrowers who are experiencing financial difficulty. In some cases, these modifications may result in new loans. Loan modifications to borrowers experiencing financial difficulty may be in the form of principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, a term extension, or a combination thereof, among other things.

The following table presents the amortized cost basis of loans, by class and by type of modification, at June 30, 2024 and 2023 that were both experiencing financial difficulty and modified during the periods indicated. The percentage of the principal balance of loans that were modified to borrowers in financial distress as compared to the principal balance of each class of receivable is also presented below:

**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES**
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**
*(Dollars in millions, except share and per share data)*

| *Three Months Ended June 30, 2024* | Principal Forgiveness | Term Extension | Term Extension and Interest Rate Reduction | Total | % of Total Class of Loans Held for Investment [1] |
|---|---|---|---|---|---|
| Real estate: | | | | | |
| Commercial | $ — | $ 6.3 | $ — | $ 6.3 | 0.07 % |
| Residential | — | — | 0.3 | 0.3 | 0.01 |
| Agricultural | — | 5.7 | — | 5.7 | 0.79 |
| Total real estate | — | 12.0 | 0.3 | 12.3 | 0.09 |
| Commercial | — | 11.7 | — | 11.7 | 0.38 |
| Agricultural | — | 22.8 | 22.8 | 45.6 | 6.53 |
| Loans held for investment [2] | $ — | $ 46.5 | $ 23.1 | $ 69.6 | 0.38 |
| *Six Months Ended June 30, 2024* | | | | | |
| Real estate: | | | | | |
| Commercial | $ — | $ 17.5 | $ — | $ 17.5 | 0.19 % |
| Residential | — | 0.1 | 0.3 | 0.4 | 0.02 |
| Agricultural | — | 11.7 | — | 11.7 | 1.62 |
| Total real estate | — | 29.3 | 0.3 | 29.6 | 0.22 |
| Consumer: | | | | | |
| Direct and advance lines | — | 0.1 | — | 0.1 | 0.07 |
| Total consumer | — | 0.1 | — | 0.1 | |
| Commercial | — | 16.0 | 5.9 | 21.9 | 0.72 |
| Agricultural | — | 23.5 | 22.8 | 46.3 | 6.63 |
| Loans held for investment [2] | $ — | $ 68.9 | $ 29.0 | $ 97.9 | 0.54 |

| *Three Months Ended June 30, 2023* | Principal Forgiveness | Term Extension | Term Extension and Interest Rate Reduction | Total | % of Total Class of Loans Held for Investment [1] |
|---|---|---|---|---|---|
| Real estate: | | | | | |
| Commercial | $ — | $ 13.9 | $ — | $ 13.9 | 0.16 % |
| Residential | — | 0.1 | — | 0.1 | — |
| Total real estate | — | 14.0 | — | 14.0 | 0.10 |
| Commercial | — | 6.4 | — | 6.4 | 0.21 |
| Agricultural | — | 19.6 | — | 19.6 | 2.85 |
| Loans held for investment [2] | $ — | $ 40.0 | $ — | $ 40.0 | 0.22 |
| *Six Months Ended June 30, 2023* | | | | | |
| Real estate: | | | | | |
| Commercial | $ 1.6 | $ 17.4 | $ — | $ 19.0 | 0.22 % |
| Construction | — | 0.1 | — | 0.1 | 0.01 |
| Residential | 0.1 | 0.2 | — | 0.3 | 0.01 |
| Agricultural | — | 1.1 | — | 1.1 | 0.15 |
| Total real estate | 1.7 | 18.8 | — | 20.5 | 0.15 |
| Commercial | — | 8.8 | — | 8.8 | 0.29 |
| Agricultural | — | 36.6 | — | 36.6 | 5.32 |
| Loans held for investment [2] | $ 1.7 | $ 64.2 | $ — | $ 65.9 | 0.36 |

[1] Based on the principal balance as of period end, divided by the period end principal balance of the corresponding class of receivables.

[2] As of June 30, 2024 and 2023, the Company excluded $0.8 million and $0.9 million, respectively, in accrued interest from the amortized cost of the identified loans.

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

The following tables present the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty during the periods indicated:

| | | | Term Extension and Interest Rate Reduction | |
|---|---|---|---|---|
| *Three Months Ended June 30, 2024* | Principal Forgiveness | Weighted-Average Months of Term Extension | Weighted-Average Months of Term Extension | Weighted-Average Interest Rate Reduction |
| Real estate: | | | | |
| Commercial | $ — | 11.6 | 0.0 | — % |
| Residential | — | 0.0 | 31.2 | 3.4 |
| Agricultural | — | 7.1 | 0.0 | — |
| Total real estate | — | | | |
| Commercial | — | 7.8 | 0.0 | — |
| Agricultural | — | 4.1 | 55.2 | 1.2 |
| Loans held for investment (1) | $ — | | | |
| *Six Months Ended June 30, 2024* | | | | |
| Real estate: | | | | |
| Commercial | $ — | 7.2 | 0.0 | — % |
| Residential | — | 11.0 | 31.2 | 3.4 |
| Agricultural | — | 7.0 | 0.0 | — |
| Total real estate | — | | | |
| Consumer: | | | | |
| Direct and advance lines | — | 10.1 | 0.0 | — |
| Total consumer | — | | | |
| Commercial | — | 7.8 | 5.0 | 1.0 |
| Agricultural | — | 4.1 | 55.2 | 1.2 |
| Loans held for investment (1) | $ — | | | |

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

| | | | Term Extension and Interest Rate Reduction | |
|---|---|---|---|---|
| *Three Months Ended June 30, 2023* | Principal Forgiveness | Weighted-Average Months of Term Extension | Weighted-Average Months of Term Extension | Weighted-Average Interest Rate Reduction |
| Real estate: | | | | |
| Commercial | $ — | 6.4 | 0.0 | — % |
| Residential | — | 16.2 | 0.0 | — |
| Total real estate | — | | | |
| Commercial | — | 8.3 | 0.0 | — |
| Agricultural | — | 8.9 | 0.0 | — |
| Loans held for investment [1] | $ — | | | |
| *Six Months Ended June 30, 2023* | | | | |
| Real estate: | | | | |
| Commercial | $ 1.3 | 6.4 | 0.0 | — % |
| Construction | — | 12.4 | 0.0 | — |
| Residential | 0.3 | 19.5 | 0.0 | — |
| Agricultural | — | 7.2 | 0.0 | — |
| Total real estate | 1.6 | | | |
| Commercial | — | 9.0 | 0.0 | — |
| Agricultural | — | 9.2 | 0.0 | — |
| Loans held for investment [1] | $ 1.6 | | | |

[1] Balances based on loan original contractual terms.

The Company monitors the performance of loan modifications to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. Of the loans that were modified during the twelve-months ended June 30, 2024, there were $1.2 million of loans classified as past due 30 days or more, with the remaining loans performing in accordance with the modified terms and classified as current at June 30, 2024.

There were no commitments to lend additional funds to borrowers experiencing financial difficulty whose terms were modified during the three months ended June 30, 2024 through either principal forgiveness, interest rate reduction, term extension, or other than insignificant payment delay.

There were $2.4 million of payment defaults on these loans subsequent to their modifications during the twelve-months ended June 30, 2024. The Company considers a payment default to occur when the loan is 90 days or more past due or the loan is placed on non-accrual status after the modification. The Company monitors the performance of modified loans on an ongoing basis. In the event of subsequent default, the allowance for credit losses continues to be reassessed based on an individual evaluation of each loan. The modifications made during the periods presented did not significantly impact the Company's determination of the allowance for credit losses.

**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. The factors considered by the Company include, among other factors, the borrower’s 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 loans and commercial real estate loans. This analysis is performed no less than on an annual basis, depending upon the size of exposure and the contractual obligations governing the borrower’s financial reporting frequency. Homogeneous loans, including small business loans, are typically monitored by payment performance. The Company internally risk rates its loans in accordance with a Uniform Classification System developed jointly by the various bank regulatory agencies. The Uniform Classification System defines three broad categories of criticized assets, which 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 well-defined 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 based on 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 pass-rated loans.

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

The Company evaluates the credit quality and loan performance for the allowance for credit losses of the following class of receivables by origination year using the origination date or the loan's subsequent renewal or modification date based on the aforementioned risk scale as of and for the periods ended:

| | As of and for the six months ended June 30, 2024 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Term Loans Amortized Cost Basis by Origination Year | | | | | | | | |
| Risk by Collateral | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Revolving Loans Amortized Cost Basis | Revolving Loans Converted To Term | Total |
| Commercial real estate: | | | | | | | | | |
| Pass | $ 599.5 | $ 1,360.8 | $ 1,985.1 | $ 1,482.6 | $ 1,171.9 | $ 2,114.2 | $ 51.6 | $ 40.9 | $ 8,806.6 |
| Special mention | 6.2 | 6.6 | 19.2 | 17.8 | 3.4 | 29.3 | 0.1 | — | 82.6 |
| Substandard | 17.5 | 18.2 | 4.4 | 55.5 | 9.5 | 51.1 | — | 9.1 | 165.3 |
| Total | $ 623.2 | $ 1,385.6 | $ 2,008.7 | $ 1,555.9 | $ 1,184.8 | $ 2,194.6 | $ 51.7 | $ 50.0 | $ 9,054.5 |
| Current-period gross charge-offs | — | 5.6 | — | — | — | 0.1 | — | — | 5.7 |
| Construction real estate: | | | | | | | | | |
| Pass | $ 206.3 | $ 369.0 | $ 604.8 | $ 121.8 | $ 20.2 | $ 27.0 | $ 121.1 | $ 28.3 | $ 1,498.5 |
| Special mention | 1.9 | 0.9 | 6.5 | — | — | 0.2 | — | — | 9.5 |
| Substandard | 1.9 | 3.4 | 6.2 | — | — | 0.4 | — | — | 11.9 |
| Total | $ 210.1 | $ 373.3 | $ 617.5 | $ 121.8 | $ 20.2 | $ 27.6 | $ 121.1 | $ 28.3 | $ 1,519.9 |
| Current-period gross charge-offs | — | — | 6.9 | — | 0.1 | — | — | — | 7.0 |
| Agricultural real estate: | | | | | | | | | |
| Pass | $ 64.4 | $ 70.1 | $ 117.6 | $ 124.7 | $ 84.3 | $ 172.4 | $ 26.2 | $ — | $ 659.7 |
| Special mention | 1.1 | 6.6 | 4.5 | 3.2 | 5.0 | 1.3 | — | — | 21.7 |
| Substandard | 12.1 | 4.4 | 19.6 | 3.7 | 1.4 | 0.9 | — | — | 42.1 |
| Total | $ 77.6 | $ 81.1 | $ 141.7 | $ 131.6 | $ 90.7 | $ 174.6 | $ 26.2 | $ — | $ 723.5 |
| Current-period gross charge-offs | — | — | — | — | — | — | — | — | — |
| Commercial: | | | | | | | | | |
| Pass | $ 320.3 | $ 424.5 | $ 439.9 | $ 356.4 | $ 190.8 | $ 316.9 | $ 847.3 | $ 1.9 | $ 2,898.0 |
| Special mention | 1.4 | 7.9 | 8.6 | 2.9 | 1.2 | 1.3 | 16.1 | — | 39.4 |
| Substandard | 29.3 | 5.9 | 9.4 | 4.9 | 8.5 | 3.0 | 7.5 | 1.5 | 70.0 |
| Doubtful | 1.2 | 1.7 | 0.9 | 0.6 | — | — | 41.1 | — | 45.5 |
| Total | $ 352.2 | $ 440.0 | $ 458.8 | $ 364.8 | $ 200.5 | $ 321.2 | $ 912.0 | $ 3.4 | $ 3,052.9 |
| Current-period gross charge-offs | — | 0.8 | 0.8 | 0.2 | 0.1 | — | 1.4 | 2.9 | 6.2 |
| Agricultural: | | | | | | | | | |
| Pass | $ 64.7 | $ 60.1 | $ 45.7 | $ 21.7 | $ 18.4 | $ 11.6 | $ 364.6 | $ 0.1 | $ 586.9 |
| Special mention | 0.4 | 3.4 | 0.7 | 0.1 | 0.1 | 0.2 | 4.2 | — | 9.1 |
| Substandard | 52.5 | 24.8 | 0.2 | 0.1 | 0.6 | — | 23.5 | — | 101.7 |
| Doubtful | — | — | — | 0.5 | — | — | — | — | 0.5 |
| Total | $ 117.6 | $ 88.3 | $ 46.6 | $ 22.4 | $ 19.1 | $ 11.8 | $ 392.3 | $ 0.1 | $ 698.2 |
| Current-period gross charge-offs | — | — | — | — | — | — | — | — | — |

| | December 31, 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Term Loans Amortized Cost Basis by Origination Year | | | | | | | | |
| Risk by Collateral | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Revolving Loans Amortized Cost Basis | Revolving Loans Converted To Term | Total |
| Commercial real estate: | | | | | | | | | |
| Pass | $ 1,268.0 | $ 2,065.0 | $ 1,612.2 | $ 1,200.1 | $ 716.5 | $ 1,660.5 | $ 46.5 | $ 28.1 | $ 8,596.9 |
| Special mention | 4.2 | 9.1 | 42.6 | 12.9 | 27.5 | 17.1 | 0.3 | — | 113.7 |
| Substandard | 65.4 | 11.8 | 18.9 | 2.4 | 30.1 | 28.5 | 0.2 | — | 157.3 |
| Doubtful | — | — | 1.3 | — | — | — | — | — | 1.3 |
| Total | $ 1,337.6 | $ 2,085.9 | $ 1,675.0 | $ 1,215.4 | $ 774.1 | $ 1,706.1 | $ 47.0 | $ 28.1 | $ 8,869.2 |
| Current-period gross charge-offs | 1.7 | 0.3 | 1.7 | 2.6 | — | 1.3 | — | — | 7.6 |
| Construction: | | | | | | | | | |
| Pass | $ 493.7 | $ 735.3 | $ 331.2 | $ 36.7 | $ 16.8 | $ 36.2 | $ 104.4 | $ 13.7 | $ 1,768.0 |
| Special mention | 0.5 | 6.6 | 1.3 | — | — | 0.2 | — | 0.9 | 9.5 |
| Substandard | 7.0 | 4.0 | 24.4 | 0.2 | — | 0.4 | — | — | 36.0 |
| Doubtful | — | 13.0 | — | — | — | — | — | — | 13.0 |
| Total | $ 501.2 | $ 758.9 | $ 356.9 | $ 36.9 | $ 16.8 | $ 36.8 | $ 104.4 | $ 14.6 | $ 1,826.5 |
| Current-period gross charge-offs | — | — | 0.1 | — | 0.6 | — | — | 9.6 | 10.3 |
| Agricultural real estate: | | | | | | | | | |
| Pass | $ 86.2 | $ 123.7 | $ 126.2 | $ 93.5 | $ 56.7 | $ 124.3 | $ 31.8 | $ 7.0 | $ 649.4 |
| Special mention | 2.6 | 9.5 | 3.5 | 1.9 | 1.5 | 11.3 | 0.5 | — | 30.8 |
| Substandard | 8.1 | 20.8 | 3.6 | 2.6 | 0.4 | 1.1 | — | — | 36.6 |
| Total | $ 96.9 | $ 154.0 | $ 133.3 | $ 98.0 | $ 58.6 | $ 136.7 | $ 32.3 | $ 7.0 | $ 716.8 |
| Current-period gross charge-offs | — | — | — | — | — | — | — | — | — |
| Commercial: | | | | | | | | | |
| Pass | $ 481.6 | $ 507.7 | $ 389.8 | $ 215.1 | $ 108.7 | $ 272.9 | $ 762.3 | $ 7.6 | $ 2,745.7 |
| Special mention | 7.3 | 4.7 | 6.6 | 3.1 | 0.9 | 1.9 | 14.8 | 0.2 | 39.5 |
| Substandard | 15.8 | 19.6 | 9.0 | 7.0 | 1.6 | 3.0 | 58.8 | 0.4 | 115.2 |
| Doubtful | 3.3 | 1.3 | 1.6 | — | — | 0.1 | 0.1 | — | 6.4 |
| Total | $ 508.0 | $ 533.3 | $ 407.0 | $ 225.2 | $ 111.2 | $ 277.9 | $ 836.0 | $ 8.2 | $ 2,906.8 |
| Current-period gross charge-offs | 0.2 | 0.4 | 0.5 | 0.5 | 0.2 | 0.1 | 1.4 | 0.1 | 3.4 |
| Agricultural: | | | | | | | | | |
| Pass | $ 105.7 | $ 57.7 | $ 31.6 | $ 22.4 | $ 6.1 | $ 7.2 | $ 421.9 | $ 3.4 | $ 656.0 |
| Special mention | 2.6 | 0.8 | 0.5 | 0.2 | 0.1 | 0.1 | 9.0 | 3.1 | 16.4 |
| Substandard | 43.8 | 0.3 | 2.7 | 0.7 | 28.8 | 2.2 | 18.5 | — | 97.0 |
| Total | $ 152.1 | $ 58.8 | $ 34.8 | $ 23.3 | $ 35.0 | $ 9.5 | $ 449.4 | $ 6.5 | $ 769.4 |
| Current-period gross charge-offs | — | — | — | — | — | — | — | — | — |

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

The Company evaluates the credit quality, loan performance, and the allowance for credit 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 are considered nonperforming for purposes of credit quality evaluation. The following tables present the recorded investment of these loan portfolios based on the credit risk profile of loans that are performing and loans that are nonperforming as of the periods indicated:

| | As of and for the six months ended June 30, 2024 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Term Loans Amortized Cost Basis by Origination Year | | | | | | | | |
| Risk by Collateral | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Revolving Loans Amortized Cost Basis | Revolving Loans Converted To Term | Total |
| Residential: | | | | | | | | | |
| Performing | $ 7.9 | $ 60.6 | $ 415.1 | $ 506.0 | $ 471.8 | $ 278.6 | $ 481.6 | $ 10.4 | $ 2,232.0 |
| Nonperforming | 0.5 | 0.8 | 3.6 | 2.0 | 1.4 | 6.1 | — | — | 14.4 |
| Total | $ 8.4 | $ 61.4 | $ 418.7 | $ 508.0 | $ 473.2 | $ 284.7 | $ 481.6 | $ 10.4 | $ 2,246.4 |
| Current-period gross charge-offs | — | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | — | — | 0.6 |
| Consumer indirect: | | | | | | | | | |
| Performing | $ 130.3 | $ 163.9 | $ 216.4 | $ 93.4 | $ 63.4 | $ 63.1 | $ — | $ — | $ 730.5 |
| Nonperforming | 0.1 | 0.7 | 0.9 | 0.5 | 0.4 | 0.6 | — | — | 3.2 |
| Total | $ 130.4 | $ 164.6 | $ 217.3 | $ 93.9 | $ 63.8 | $ 63.7 | $ — | $ — | $ 733.7 |
| Current-period gross charge-offs | — | 0.7 | 2.3 | 0.6 | 0.2 | 0.7 | — | — | 4.5 |
| Consumer direct and advance lines: | | | | | | | | | |
| Performing | $ 27.2 | $ 34.0 | $ 25.3 | $ 13.8 | $ 6.6 | $ 7.2 | $ 24.3 | $ 0.1 | $ 138.5 |
| Nonperforming | 0.1 | 0.1 | 0.2 | 0.1 | — | — | — | — | 0.5 |
| Total | $ 27.3 | $ 34.1 | $ 25.5 | $ 13.9 | $ 6.6 | $ 7.2 | $ 24.3 | $ 0.1 | $ 139.0 |
| Current-period gross charge-offs | 0.1 | 0.3 | 0.5 | 0.2 | — | 0.8 | — | — | 1.9 |
| Consumer credit card: | | | | | | | | | |
| Performing | $ — | $ — | $ — | $ — | $ — | $ — | $ 75.5 | $ — | $ 75.5 |
| Nonperforming | — | — | — | — | — | — | 0.6 | — | 0.6 |
| Total | $ — | $ — | $ — | $ — | $ — | $ — | $ 76.1 | $ — | $ 76.1 |
| Current-period gross charge-offs | — | — | — | — | — | — | 1.4 | — | 1.4 |

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

| | December 31, 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Term Loans Amortized Cost Basis by Origination Year | | | | | | | | |
| Risk by Collateral | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Revolving Loans Amortized Cost Basis | Revolving Loans Converted To Term | Total |
| Residential: | | | | | | | | | |
| Performing | $ 44.7 | $ 356.9 | $ 521.3 | $ 500.6 | $ 88.5 | $ 217.1 | $ 471.8 | $ 32.1 | $ 2,233.0 |
| Nonperforming | 1.1 | 2.1 | 1.2 | 1.1 | 0.7 | 5.1 | — | — | 11.3 |
| Total | $ 45.8 | $ 359.0 | $ 522.5 | $ 501.7 | $ 89.2 | $ 222.2 | $ 471.8 | $ 32.1 | $ 2,244.3 |
| Current-period gross charge-offs | 0.3 | — | 0.1 | 0.1 | — | 0.1 | — | — | 0.6 |
| Consumer indirect: | | | | | | | | | |
| Performing | $ 194.9 | $ 264.7 | $ 115.4 | $ 81.1 | $ 32.9 | $ 48.8 | $ — | $ — | $ 737.8 |
| Nonperforming | 0.4 | 0.9 | 0.6 | 0.4 | 0.2 | 0.6 | — | — | 3.1 |
| Total | $ 195.3 | $ 265.6 | $ 116.0 | $ 81.5 | $ 33.1 | $ 49.4 | $ — | $ — | $ 740.9 |
| Current-period gross charge-offs | 0.5 | 3.2 | 1.8 | 0.8 | 0.3 | 0.7 | — | — | 7.3 |
| Consumer direct and advance lines: | | | | | | | | | |
| Performing | $ 44.5 | $ 32.9 | $ 18.5 | $ 9.4 | $ 3.6 | $ 6.0 | $ 26.2 | $ 0.2 | $ 141.3 |
| Nonperforming | 0.1 | 0.1 | 0.1 | — | — | — | — | — | 0.3 |
| Total | $ 44.6 | $ 33.0 | $ 18.6 | $ 9.4 | $ 3.6 | $ 6.0 | $ 26.2 | $ 0.2 | $ 141.6 |
| Current-period gross charge-offs | 0.2 | 0.5 | 0.2 | 0.4 | 0.1 | 2.6 | 0.1 | — | 4.1 |
| Consumer credit card: | | | | | | | | | |
| Performing | $ — | $ — | $ — | $ — | $ — | $ — | $ 75.9 | $ — | $ 75.9 |
| Nonperforming | — | — | — | — | — | — | 0.6 | — | 0.6 |
| Total | $ — | $ — | $ — | $ — | $ — | $ — | $ 76.5 | $ — | $ 76.5 |
| Current-period gross charge-offs | — | — | — | — | — | — | 2.6 | — | 2.6 |

In the normal course of business, there were no material purchases of portfolio loans and no material sales of loans held for investment during the three and the six months ended June 30, 2024 or 2023.

## (5) Other Real Estate Owned

Other real estate owned ("OREO") is a category of real estate owned by the Company resulting from a default by the borrower. Information with respect to the Company's OREO is reflected in the following table:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Beginning balance | $ 14.4 | $ 13.4 | $ 16.5 | $ 12.7 |
| Additions | 3.6 | 1.7 | 3.7 | 2.5 |
| Valuation adjustments | (2.1) | (0.7) | (4.2) | (0.8) |
| Dispositions | (9.2) | — | (9.3) | — |
| Ending balance | $ 6.7 | $ 14.4 | $ 6.7 | $ 14.4 |

The carrying value of foreclosed residential real estate properties included in OREO was not material as of June 30, 2024 and December 31, 2023, respectively. The Company had $1.4 million and $0.5 million recorded investments in consumer mortgage loans secured by residential real estate for which formal foreclosure proceedings were in process of foreclosure as of June 30, 2024 and December 31, 2023, respectively.

## (6) Derivatives and Hedging Activities

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 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.

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 recorded at fair value with changes in fair value recorded 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.

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 primarily 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 income (expense) and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps and collars as part of its interest rate risk management strategy.

As part of the Company's overall asset and liability management strategy, the Company entered into two interest rate collars related to variable-rate loans that were designated as cash flow hedges with a total notional amount of $300.0 million and entered into four swaps, two of which were related to variable-rate loans and two that were related to variable-rate securities that were designated as cash flow hedges with a total notional amount of $850.0 million. The collars designated as cash flow hedges synthetically fix the interest income received by the Company when the interest index falls below a floor rate on a rate reset and when the interest index exceeds the cap rate on a rate reset. Each of the swaps designated as cash flow hedges synthetically fixes the interest income received by the Company.

The six cash flow hedges are effective and have a total notional amount of $1.15 billion.

For derivatives that are 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 income (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 as interest income (expense) when interest payments on the Company's hedged items are earned. During the next twelve months, based on implied forward curves, the Company estimates that $13.0 million will be reclassified to interest income.

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

**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. During the third quarter of 2022, the Company terminated the $200.0 million, three-year forward starting, four-year pay fixed interest rate swap, resulting in a $8.5 million gain that will be accreted into income through July 2028. The Company accreted $0.4 million of the gain into interest income during the period ended June 30, 2024.

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 consolidated balance sheets related to cumulative basis adjustment for fair value hedges for the periods indicated:

| | June 30, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | 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 | $ 194.0 | $ 6.0 | $ 193.3 | $ 6.7 |

**Non-designated Hedge Derivatives**

Derivative instruments not designated as accounting 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 economically 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.

*Risk Participation Agreements*

The Company acquired, from Great Western Bank, risk participation agreements under which it assumes credit risk associated with a borrower's performance related to derivative contracts. The Company only entered into these credit risk participation agreements in instances in which the Company was also a party to the related loan participation agreements for such borrowers. The Company manages its credit risk under risk participation agreements by monitoring the creditworthiness of the borrower, based on its normal credit review process.

The following table summarizes the fair values of our derivative instruments on a gross and net basis for the periods indicated. The derivative asset and liability balances are presented on a gross basis, prior to the application of bilateral collateral and master netting agreements, but after the variation margin payments with central clearing organizations have been applied as settlement, as applicable. Total derivative assets and liabilities are adjusted to account for the impact of legally enforceable master netting agreements that allow us to settle all derivative contracts with a single counterparty on a net basis and to offset the net derivative position with the related cash collateral. Securities collateral related to legally enforceable master netting agreements is not offset on the consolidated balance sheets.

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

| | June 30, 2024 | | | December 31, 2023 | | |
|---|---|---|---|---|---|---|
| | Notional Amount | Consolidated Balance Sheet Location | Estimated Fair Value | Notional Amount | Consolidated Balance Sheet Location | Estimated Fair Value |
| *Derivatives designated as accounting hedges:* | | | | | | |
| Interest rate swap contracts | $ — | | $ — | $ 550.0 | | $ 3.0 |
| *Derivatives not designated as accounting hedges:* | | | | | | |
| Interest rate swap contracts | 1,500.0 | | 45.0 | 1,589.0 | | 34.3 |
| Interest rate lock commitments | 10.2 | | — | 5.7 | | 0.1 |
| Derivative assets | $ 1,510.2 | Other assets | $ 45.0 | $ 2,144.7 | Other assets | $ 37.4 |
| *Derivatives designated as accounting hedges:* | | | | | | |
| Interest rate collars | $ 300.0 | | $ 4.0 | $ 300.0 | | $ 3.6 |
| Interest rate swap contracts | 850.0 | | 13.6 | 300.0 | | 2.4 |
| *Derivatives not designated as accounting hedges:* | | | | | | |
| Interest rate swap contracts | 1,500.0 | | 139.6 | 1,589.0 | | 121.1 |
| Risk participation agreements | 98.5 | | — | 101.1 | | 0.1 |
| Forward loan sales contracts | 8.5 | | — | 5.6 | | 0.1 |
| Derivative liabilities | $ 2,757.0 | Accounts payable and accrued expenses | $ 157.2 | $ 2,295.7 | Accounts payable and accrued expenses | $ 127.3 |

There was an unrealized fair value loss on cash flow hedging derivative instruments in accumulated other comprehensive income of $5.1 million and $22.5 million during the three and the six months ended June 30, 2024, and an unrealized fair value loss on cash flow hedging derivative instruments in accumulated other comprehensive income of $23.6 million and $14.1 million during the three and the six months ended June 30, 2023.

There was a loss of $4.6 million and $8.1 million reclassified from accumulated other comprehensive loss into the consolidated statements of income during the three and the six months ended June 30, 2024 from the Company's cash flow hedged derivative financial instruments, and a loss of $1.5 million and $2.0 million reclassified during the comparable 2023 periods.

The table below presents the effect of the Company's derivative financial instruments that are not designated as hedging instruments on the consolidated statements of income for the periods indicated:

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | | 2024 | 2023 | | 2024 | 2023 |
| | Location of Gain (Loss) Recognized in Income on Derivative | Amount of Gain (Loss) Recognized in Income on Derivative | | Location of Gain (Loss) Recognized in Income on Derivative | Amount of Gain (Loss) Recognized in Income on Derivative | |
| Interest rate lock commitments | Mortgage banking revenues | $ — | $ (0.2) | Mortgage banking revenues | $ — | $ (0.2) |

The Company includes swap fee revenues in other service charges, commissions, and fees on the consolidated statements of income. The Company had no material swap fee revenues during the three and the six months ended June 30, 2024 and 2023.

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

The tables below present the gross presentation, the effects of offsetting, and a net presentation of the Company's derivatives as of the dates indicated:

| | June 30, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Gross Assets Recognized | Gross Assets Offset in the Balance Sheet | Net Assets in the Balance Sheet | Financial Instruments | Cash Collateral Received [(1)] | Net Amount |
| Interest rate swap and collar contracts | $ 45.0 | $ — | $ 45.0 | $ — | $ 31.5 | $ 13.5 |
| Total derivatives | 45.0 | — | 45.0 | — | 31.5 | 13.5 |
| Total assets | $ 45.0 | $ — | $ 45.0 | $ — | $ 31.5 | $ 13.5 |

[(1)] Netting adjustments represent the amounts recorded to convert derivatives assets and liabilities from a gross basis to a net basis in accordance with the applicable accounting guidance. The application of the collateral cannot reduce the net derivative position below zero. Therefore, excess collateral, if any, is not reflected above.

| | 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 and collar contracts | $ 157.2 | $ — | $ 157.2 | $ — | $ 2.0 | $ 155.2 |
| Total derivatives | 157.2 | — | 157.2 | — | 2.0 | 155.2 |
| Repurchase agreements | 741.8 | — | 741.8 | — | 741.8 | — |
| Total liabilities | $ 899.0 | $ — | $ 899.0 | $ — | $ 743.8 | $ 155.2 |

| | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | 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 and collar contracts | $ 37.3 | $ — | $ 37.3 | $ — | $ 32.7 | $ 4.6 |
| Interest rate lock commitments | 0.1 | — | 0.1 | — | — | 0.1 |
| Total derivatives | 37.4 | — | 37.4 | — | 32.7 | 4.7 |
| Total assets | $ 37.4 | $ — | $ 37.4 | $ — | $ 32.7 | $ 4.7 |

| | 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 and collar contracts | $ 127.1 | $ — | $ 127.1 | $ — | $ — | $ 127.1 |
| Risk participation agreements | 0.1 | — | 0.1 | — | — | 0.1 |
| Forward loan sales contracts | 0.1 | — | 0.1 | — | — | 0.1 |
| Total derivatives | 127.3 | — | 127.3 | — | — | 127.3 |
| Repurchase agreements | 782.7 | — | 782.7 | — | 782.7 | — |
| Total liabilities | $ 910.0 | $ — | $ 910.0 | $ — | $ 782.7 | $ 127.3 |

**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.

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

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 the counterparty could terminate the derivative positions and the Bank would be required to settle its obligations. Similarly, the Bank could be required to settle its obligations under certain of its agreements if specific regulatory events occur, such as a publicly issued prompt corrective action directive, cease and desist order, or a capital maintenance agreement that required the Bank to maintain a specific capital level. If the Bank had breached any of these provisions at June 30, 2024 or December 31, 2023, it could have been required to settle its obligations under the agreements at the termination value.

As of June 30, 2024, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, was $1.2 million related to these agreements. As of June 30, 2024, the Company has minimum collateral posting thresholds with certain of its derivative counterparties and has $0.8 million posted excess collateral. If the Company had breached any of these provisions at June 30, 2024, it could have been required to settle its obligations under the agreements at their termination value.

## (7) Long-Term Debt and Other Borrowed Funds

A summary of long-term debt follows:

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Parent Company: | | |
| Fixed to floating subordinated notes, 5.25% fixed rate effective May 2020 through May 2025 | $ 99.1 | $ 99.0 |
| Subsidiaries: | | |
| Average rate of 4.72% FHLB borrowings maturing in July 2025 | 250.0 | — |
| 8.00% finance lease obligation with term ending October 31, 2029 | 0.8 | 0.9 |
| 1.00% note payable maturing December 31, 2041, interest only payable quarterly until September 30, 2024 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 |
| 1.12% note payable maturing December 31, 2045, interest only payable annually until December 31, 2028 and then principal and interest until maturity | 6.8 | 6.8 |
| 1.35% note payable maturing December 31, 2046 interest only payable annually until December 31, 2025 and then principal and interest until maturity | 6.4 | 6.4 |
| 1.26% note payable maturing December 31, 2051 interest only payable annually until December 31, 2031 and then principal and interest until maturity | 12.6 | — |
| Total long-term debt | $ 383.4 | $ 120.8 |

In addition to the long-term debt instruments noted above, at June 30, 2024, the Company had other borrowed funds totaling $2,430.0 million of outstanding Bank Term Funding Program ("BTFP") and FHLB fixed rate borrowings with tenors of up to twelve-months at an average rate of 5.05%, as compared to $2,603.0 million of outstanding FHLB fixed rate borrowings with tenors of up to three-months at an average rate of 5.52% at December 31, 2023. As of June 30, 2024 and December 31, 2023, the Company had no other material outstanding borrowings classified as other borrowed funds.

At June 30, 2024, the Company has remaining available lines of credit with the FHLB of approximately $4,246.7 million, subject to collateral availability. The available line of credit and outstanding borrowings with the FHLB are collateralized by certain loans and securities with an advance equivalent collateral value of $5,926.7 million.

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

The following table presents outstanding FHLB and BTFP borrowings by original maturity classification for the dates indicated:

| As of June 30, 2024 | Average Rate | Outstanding Balance |
|---|---|---|
| Fixed rate borrowings with tenors of up to three-months | 5.52 % | $ 680.0 |
| Fixed rate borrowings with tenors of twelve-months | 4.86 | 1,750.0 |
| | | $ 2,430.0 |

| As of December 31, 2023 | Average Rate | Outstanding Balance |
|---|---|---|
| Fixed rate borrowings with tenors of up to three-months | 5.52 % | $ 2,603.0 |
| | | $ 2,603.0 |

## (8) Capital Stock

On May 24, 2023, the Company's shareholders approved the proposed change of the Company's state of incorporation from Montana to Delaware. As a result, each outstanding share of the then Company's Class A common stock became an outstanding share of common stock of the Company and each outstanding option, warrant or other right to acquire shares of the Company's previously designated Class A common stock became an outstanding option, warrant or other right to acquire shares of common stock of the Company.

On May 21, 2024, the Company's 2023 Equity and Incentive Plan was amended to increase the number of shares of common stock authorized for issuance thereunder by an additional two million shares, all of which were registered pursuant to a Registration Statement on Form S-8 filed with the SEC on May 23, 2024.

As of June 30, 2024, the Company is authorized to issue an aggregate of 150,100,000 shares of capital stock, of which 150,000,000 shares are designated as common stock, and 100,000 are designated as preferred stock. Our common stock is uncertificated and has one vote per share.

The Company had 104,560,618 shares and 103,941,626 shares of common stock outstanding as of June 30, 2024 and December 31, 2023, respectively, and no shares of preferred stock outstanding as of June 30, 2024 and December 31, 2023.

During the six months ended June 30, 2024, the Company issued 43,514 shares of its 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 $1.2 million is amortized into stock-based compensation expense in the accompanying consolidated statements of changes in stockholders' equity over a one-year service-based period.

As of June 30, 2024, the Company does not have a stock repurchase program in place. Stock repurchases during the six months ended June 30, 2024 and 2023, 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.

## (9) 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.

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

The following table sets forth the computation of basic and diluted earnings per share for the periods presented:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net income | $ 60.0 | $ 67.0 | $ 118.4 | $ 123.3 |
| Weighted average common shares outstanding for basic earnings per share computation | 102,936,996 | 103,820,649 | 102,890,697 | 103,779,386 |
| Dilutive effects of stock-based compensation | 156,139 | 2,242 | 184,746 | 42,539 |
| Weighted average common shares outstanding for diluted earnings per common share computation | 103,093,135 | 103,822,891 | 103,075,443 | 103,821,925 |
| Basic earnings per common share | $ 0.58 | $ 0.65 | $ 1.15 | $ 1.19 |
| Diluted earnings per common share | 0.58 | 0.65 | 1.15 | 1.19 |
| Anti-dilutive unvested time restricted stock | 55,785 | 222,417 | 55,953 | 129,449 |

The Company had 786,790 and 974,875 shares of unvested restricted stock as of June 30, 2024 and 2023, respectively, that were not included in the computation of diluted earnings per common share because performance conditions for vesting had not been met.

## (10) Regulatory Capital

As of June 30, 2024 and December 31, 2023, the Company exceeded all capital adequacy requirements to which it is subject. Actual capital amounts and ratios for the Company and its subsidiary Bank, as of June 30, 2024 and December 31, 2023 are presented in the following tables:

| | Actual | | Minimum Required for Capital Adequacy Purposes | | For Capital Adequacy Purposes Plus Capital Conservation Buffer[1] | | Minimum to Be Well Capitalized Under Prompt Corrective Action Requirements[2] | |
|---|---|---|---|---|---|---|---|---|
| *June 30, 2024* | Amount | Ratio | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| Total risk-based capital: | | | | | | | | |
| Consolidated | $ 2,970.0 | 13.80 % | $ 1,721.8 | 8.00 % | $ 2,259.9 | 10.50 % | $ 2,152.3 | 10.00 % |
| FIB | 2,689.2 | 12.52 | 1,718.2 | 8.00 | 2,255.1 | 10.50 | 2,147.7 | 10.00 |
| Tier 1 risk-based capital: | | | | | | | | |
| Consolidated | 2,482.1 | 11.53 | 1,291.4 | 6.00 | 1,829.4 | 8.50 | 1,721.8 | 8.00 |
| FIB | 2,458.9 | 11.45 | 1,288.6 | 6.00 | 1,825.6 | 8.50 | 1,718.2 | 8.00 |
| Common equity tier 1 risk-based capital: | | | | | | | | |
| Consolidated | 2,482.1 | 11.53 | 968.5 | 4.50 | 1,506.6 | 7.00 | 1,399.0 | 6.50 |
| FIB | 2,458.9 | 11.45 | 966.5 | 4.50 | 1,503.4 | 7.00 | 1,396.0 | 6.50 |
| Leverage capital ratio: | | | | | | | | |
| Consolidated | 2,482.1 | 8.44 | 1,176.4 | 4.00 | 1,176.4 | 4.00 | 1,470.6 | 5.00 |
| FIB | 2,458.9 | 8.37 | 1,174.7 | 4.00 | 1,174.7 | 4.00 | 1,468.4 | 5.00 |

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

| | Actual | | Minimum Required for Capital Adequacy Purposes | | For Capital Adequacy Purposes Plus Capital Conservation Buffer(1) | | Minimum to Be Well Capitalized Under Prompt Corrective Action Requirements(2) | |
|---|---|---|---|---|---|---|---|---|
| *December 31, 2023* | Amount | Ratio | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| Total risk-based capital: | | | | | | | | |
| Consolidated | $ 2,941.1 | 13.28 % | $ 1,771.6 | 8.00 % | $ 2,325.2 | 10.50 % | $ 2,214.5 | 10.00 % |
| FIB | 2,662.0 | 12.04 | 1,768.3 | 8.00 | 2,320.8 | 10.50 | 2,210.3 | 10.00 |
| Tier 1 risk-based capital: | | | | | | | | |
| Consolidated | 2,454.4 | 11.08 | 1,328.7 | 6.00 | 1,882.3 | 8.50 | 1,771.6 | 8.00 |
| FIB | 2,433.0 | 11.01 | 1,326.2 | 6.00 | 1,878.8 | 8.50 | 1,768.3 | 8.00 |
| Common equity tier 1 risk-based capital: | | | | | | | | |
| Consolidated | 2,454.4 | 11.08 | 996.5 | 4.50 | 1,550.1 | 7.00 | 1,439.4 | 6.50 |
| FIB | 2,433.0 | 11.01 | 994.6 | 4.50 | 1,547.2 | 7.00 | 1,436.7 | 6.50 |
| Leverage capital ratio: | | | | | | | | |
| Consolidated | 2,454.4 | 8.22 | 1,193.9 | 4.00 | 1,193.9 | 4.00 | 1,492.3 | 5.00 |
| FIB | 2,433.0 | 8.16 | 1,192.2 | 4.00 | 1,192.2 | 4.00 | 1,490.2 | 5.00 |

(1) The capital conservation buffer is an additional 2.5% of the amount necessary to meet the minimum risk-based capital requirements for total, tier 1, and common equity tier 1 risk-based capital.

(2) The ratios to meet the requirements to be deemed "well-capitalized" are only applicable to FIB. However, the Company manages its capital position as if the requirements apply to the consolidated company and has presented the ratios as if they also applied on a consolidated basis.

In connection with the adoption of CECL on January 1, 2020, the Company recognized an after-tax cumulative effect on retained earnings with a reduction 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 allows banking organizations to mitigate the effects of ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (*"ASC 326") on their regulatory capital computations. This interim rule is in addition to the three-year transition period already in place under the capital transition rule previously issued in February 2019. Banking organizations can elect to mitigate the estimated cumulative effects on regulatory capital for an additional two years. This rule allows an institution to defer incorporating the impact of ASC 326 into its regulatory capital calculation, including ratios, over an extended period. Additionally, the interim rule extends the transition period whereby an institution can defer the impact from ASC 326 on the current period, determined based on the difference between the new 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 transition relief over the permissible five-year period.

## (11) Commitments and Contingencies

In the normal course of business, the Company is involved in various claims and litigation. The Company establishes accruals for legal matters when potential losses associated with the actions become probable and the amount of loss can be reasonably estimated. There is no assurance that the ultimate resolution of these matters will not significantly exceed the amounts that the Company has accrued. Accruals for legal matters are based on management's best judgment after consultation with counsel and others. In the opinion of management, following consultation with legal counsel, the ultimate liability or disposition of all such claims and litigation is not expected to have a material adverse effect on the consolidated financial condition, results of operations, or liquidity of the Company.

As of June 30, 2024, the Company had commitments under construction contracts of $7.9 million.

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

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 $0.8 million of sold residential mortgage loans with recourse provisions still in effect as of June 30, 2024.

## (12) 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 so 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 the credit risk 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:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Beginning balance | $ 15.4 | $ 17.8 | $ 18.4 | $ 16.2 |
| Provision for credit loss expense | (9.6) | 3.0 | (12.6) | 4.6 |
| Ending balance | $ 5.8 | $ 20.8 | $ 5.8 | $ 20.8 |

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Unused credit card lines | $ 840.8 | $ 814.0 |
| Commitments to extend credit | 3,520.2 | 4,069.2 |
| Standby letters of credit | 95.6 | 97.1 |

## (13) Other Comprehensive Loss

The gross amounts of each component of other comprehensive loss and the related tax effects are as follows:

| | Pre-tax | | Tax Expense (Benefit) | | Net of Tax | |
|---|---|---|---|---|---|---|
| *Three Months Ended June 30,* | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Investment securities available-for sale: | | | | | | |
| Change in net unrealized gains (losses) during the period | $ 2.5 | $ (57.5) | $ (0.7) | $ 14.4 | $ 1.8 | $ (43.1) |
| Reclassification adjustment for net losses included in income | — | 0.1 | — | — | — | 0.1 |
| Net change in unamortized losses on available-for-sale investment securities transferred into held-to-maturity | (0.1) | (0.4) | — | 0.1 | (0.1) | (0.3) |
| Cash flow hedge: | | | | | | |
| Change in unrealized gains on derivatives | (5.1) | (23.6) | 1.4 | 5.9 | (3.7) | (17.7) |
| Reclassification adjustment for derivatives net losses included in income | 4.6 | 1.5 | (1.2) | (0.4) | 3.4 | 1.1 |
| Total other comprehensive income (loss) | $ 1.9 | $ (79.9) | $ (0.5) | $ 20.0 | $ 1.4 | $ (59.9) |

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

| | Pre-tax | | Tax Expense (Benefit) | | Net of Tax | |
|---|---|---|---|---|---|---|
| *Six Months Ended June 30,* | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Investment securities available-for sale: | | | | | | |
| Change in net unrealized gains (losses) during the period | $ (23.9) | $ 20.7 | $ 5.9 | $ (5.2) | $ (18.0) | $ 15.5 |
| Reclassification adjustment for net losses included in income | — | 23.5 | — | (5.8) | — | 17.7 |
| Reclassification adjustment for securities transferred from held-to-maturity to available-for-sale | — | (7.2) | — | 1.8 | — | (5.4) |
| Net change in unamortized losses on available-for-sale investment securities transferred into held-to-maturity | (0.3) | (0.8) | — | 0.2 | (0.3) | (0.6) |
| Cash flow hedge: | | | | | | |
| Change in unrealized gains on derivatives | (22.5) | (14.1) | 5.8 | 3.5 | (16.7) | (10.6) |
| Reclassification adjustment for derivatives net losses included in income | 8.1 | 2.0 | (2.1) | (0.5) | 6.0 | 1.5 |
| Total other comprehensive income (loss) | $ (38.6) | $ 24.1 | $ 9.6 | $ (6.0) | $ (29.0) | $ 18.1 |

The components of accumulated other comprehensive loss, net of related tax effects, are as follows:

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Net unrealized loss on investment securities available-for-sale | $ (368.1) | $ (350.1) |
| Net unrealized loss on investment securities transferred to held-to-maturity | (5.8) | (5.6) |
| Net unrealized loss on derivatives | (11.6) | (0.8) |
| Net accumulated other comprehensive loss | $ (385.5) | $ (356.5) |

## (14) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or be 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.

The three levels of inputs 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 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 three and the six months ended June 30, 2024 and 2023.

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 significant transfers between fair value hierarchy levels during the three and the six months ended June 30, 2024 and 2023.

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 others. 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 residential mortgage 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. Commercial and agricultural loans held for sale are derived from quotes or bids from third party investors.

*Interest Rate Collars:* The fair values of interest rate collars are obtained from an independent third party. The values are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates fell below (rise above) the strike rate of the floors (caps). The variable interest rates used in the calculation of projected receipts on the collars are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. 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, was not significant in the reported periods. The Company also compares the reasonableness of the pricing semi-annually through a validation process involving additional independent third parties.

*Interest Rate Swap Contracts.* Fair values for derivative interest rate swap contracts are obtained from an independent third party. The values 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 United States Dollar – Secured Overnight Financing Rate ("SOFR") forward curve to estimate variable rate cash inflows and SOFR 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, was not significant in the reported periods. The Company also compares the reasonableness of the pricing semi-annually through a validation process involving additional independent third parties.

For purposes of potential valuation adjustments to our derivative positions, we evaluate both our credit risk and the credit risk of our counterparties. 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.

*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.

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

*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:

| | | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|---|
| *As of June 30, 2024* | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investment debt securities available-for-sale: | | | | |
| U.S. Treasury notes | $ 222.9 | $ — | $ 222.9 | $ — |
| State, county, and municipal securities | 213.0 | — | 213.0 | — |
| Obligations of U.S. government agencies | 162.9 | — | 162.9 | — |
| U.S. agency commercial mortgage-backed securities | 1,107.7 | — | 1,107.7 | — |
| U.S. agency residential mortgage-backed securities | 1,267.2 | — | 1,267.2 | — |
| Collateralized mortgage obligations | 1,124.6 | — | 1,124.6 | — |
| Private mortgage-backed securities | 198.4 | — | 198.4 | — |
| Collateralized loan obligations | 1,068.6 | — | 1,068.6 | — |
| Corporate securities | 237.8 | — | 237.8 | — |
| Loans held for sale | 3.1 | — | 3.1 | — |
| Derivative assets: | | | | |
| Interest rate swap contracts | 45.0 | — | 45.0 | — |
| Derivative liabilities: | | | | |
| Interest rate collars | 4.0 | — | 4.0 | — |
| Interest rate swap contracts | 153.2 | — | 153.2 | — |
| Deferred compensation plan assets | 20.6 | — | 20.6 | — |
| Deferred compensation plan liabilities | 20.6 | — | 20.6 | — |

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

| | | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|---|
| *As of December 31, 2023* | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investment debt securities available-for-sale: | | | | |
| U.S. Treasury notes | $ 224.7 | $ — | $ 224.7 | $ — |
| State, county and municipal securities | 219.8 | — | 219.8 | — |
| Obligations of U.S. government agencies | 168.5 | — | 168.5 | — |
| U.S. agency commercial mortgage-backed securities | 1,105.6 | — | 1,105.6 | — |
| U.S. agency residential mortgage-backed securities | 1,366.9 | — | 1,366.9 | — |
| Collateralized mortgage obligations | 1,189.5 | — | 1,189.5 | — |
| Private mortgage-backed securities | 210.4 | — | 210.4 | — |
| Collateralized loan obligations | 1,119.7 | — | 1,119.7 | — |
| Corporate securities | 236.4 | — | 236.4 | — |
| Loans held for sale | 0.5 | — | 0.5 | — |
| Derivative assets: | | | | |
| Interest rate swap contracts | 37.3 | — | 37.3 | — |
| Forward loan sales contracts | 0.1 | — | 0.1 | — |
| Derivative liabilities | | | | |
| Interest rate collars | 3.6 | — | 3.6 | — |
| Interest rate swap contracts | 123.5 | — | 123.5 | — |
| Risk participation agreements | 0.1 | — | 0.1 | — |
| Forward loan sales contracts | 0.1 | — | 0.1 | — |
| Deferred compensation plan assets | 19.2 | — | 19.2 | — |
| Deferred compensation plan liabilities | 19.2 | — | 19.2 | — |

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:

| | | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|---|
| *As of June 30, 2024* | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Collateral-dependent loans | $ 103.9 | $ — | $ — | $ 103.9 |
| Loans held for sale | 19.2 | — | — | 19.2 |
| Other real estate owned | 6.7 | — | — | 6.7 |
| Long-lived assets to be disposed of by sale | 1.0 | — | — | 1.0 |

| | | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|---|
| *As of December 31, 2023* | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Collateral-dependent loans | $ 52.6 | $ — | $ — | $ 52.6 |
| Loans held for sale | 46.9 | — | — | 46.9 |
| Other real estate owned | 16.5 | — | — | 16.5 |
| Long-lived assets to be disposed of by sale | 1.0 | — | — | 1.0 |

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

*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 June 30, 2024 and December 31, 2023, the Company had collateral-dependent loans with a carrying and fair value of $103.9 million and $52.6 million, respectively.

*Loans Held for Sale.* Fair value measurements for non-residential mortgage loans held for sale are derived from valuations, appraisals, and quotes or bids from third party investors. 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.

*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 June 30, 2024 and December 31, 2023, the Company had long-lived assets to be disposed of by sale with carrying and fair values aggregating $1.0 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:

| | Fair Value As of | | | | Range (Weighted Average) | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2024 | December 31, 2023 | Valuation Technique | Unobservable Inputs | | | | |
| Collateral-dependent loans | $ 103.9 | $ 52.6 | Appraisal | Appraisal adjustment | 0% | - | 85% | (41%) |
| Loans held for sale | 19.2 | 46.9 | Fair value of collateral | Discount for type of property, age of appraisal, and current status | 0 | - | 28 | (24) |
| Other real estate owned | 6.7 | 16.5 | Appraisal | Appraisal adjustment | 19 | - | 90 | (43) |
| Long-lived assets to be disposed of by sale | 1.0 | 1.0 | Appraisal | Appraisal adjustment | 0 | - | 0 | 0 |

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

*Financial Assets.* Carrying values of cash, cash equivalents, and accrued interest receivable approximate fair values due to the liquid and/or short-term nature of these instruments. Fair values for investment securities held-to-maturity are obtained from an independent pricing service, which considers observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the investment's terms and conditions, among other things. Fair values of fixed rate loans and variable rate loans that reprice on an infrequent basis are estimated by discounting future cash flows using current interest rates at which similar loans with similar terms would be made to borrowers of similar credit quality 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.

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

*Financial Liabilities.* The fair values of demand deposits, savings accounts, securities sold under repurchase agreements, and accrued interest payable are the amounts that are payable on demand at the reporting date. The fair values of fixed-maturity certificates of deposit are estimated using external market rates that are currently offered for deposits that have similar remaining maturities. The fair values of derivative liabilities are obtained from an independent pricing service, which considers observable data that may include the United States Dollar – SOFR forward curve, the federal funds effective swap rate and cash flows, among other things. The fixed and floating rate subordinated debentures, floating rate subordinated term loan, other borrowed funds, fixed rate subordinated term debt, and capital lease obligation are estimated by discounting future cash flows using current rates for advances that have 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, and are segregated by the level of the valuation inputs within the fair value hierarchy that are utilized to measure fair value, are as follows:

| | | | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|---|---|
| *As of June 30, 2024* | Carrying Amount | Estimated Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Financial assets: | | | | | |
| Cash and cash equivalents | $ 958.5 | $ 958.5 | $ 958.5 | $ — | $ — |
| Investment debt securities available-for-sale | 5,603.1 | 5,603.1 | — | 5,603.1 | — |
| Investment debt securities held-to-maturity | 2,798.5 | 2,440.4 | — | 2,440.4 | — |
| Accrued interest receivable | 126.4 | 126.4 | — | 126.4 | — |
| Mortgage servicing rights, net | 27.0 | 38.9 | — | 38.9 | — |
| Loans held for sale | 22.3 | 22.3 | — | 3.1 | 19.2 |
| Net loans held for investment | 18,002.2 | 17,259.6 | — | 17,155.7 | 103.9 |
| Derivative assets | 45.0 | 45.0 | — | 45.0 | — |
| Deferred compensation plan assets | 20.6 | 20.6 | — | 20.6 | — |
| Total financial assets | $ 27,603.6 | $ 26,514.8 | $ 958.5 | $ 25,433.2 | $ 123.1 |
| Financial liabilities: | | | | | |
| Total deposits, excluding time deposits | $ 20,029.9 | $ 20,029.9 | $ 20,029.9 | $ — | $ — |
| Time deposits | 2,840.8 | 2,814.2 | — | 2,814.2 | — |
| Securities sold under repurchase agreements | 741.8 | 741.8 | — | 741.8 | — |
| Other borrowed funds | 2,430.0 | 2,430.0 | — | 2,430.0 | — |
| Accrued interest payable | 71.1 | 71.1 | — | 71.1 | — |
| Long-term debt | 383.4 | 380.7 | — | 380.7 | — |
| Subordinated debentures held by subsidiary trusts | 163.1 | 153.9 | — | 153.9 | — |
| Derivative liabilities | 157.2 | 157.2 | — | 157.2 | — |
| Deferred compensation plan liabilities | 20.6 | 20.6 | — | 20.6 | — |
| Total financial liabilities | $ 26,837.9 | $ 26,799.4 | $ 20,029.9 | $ 6,769.5 | $ — |

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

| | | | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|---|---|
| *As of December 31, 2023* | Carrying Amount | Estimated Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Financial assets: | | | | | |
| Cash and cash equivalents | $ 578.0 | $ 578.0 | $ 578.0 | $ — | $ — |
| Investment debt securities available-for-sale | 5,841.5 | 5,841.5 | — | 5,841.5 | — |
| Investment debt securities held-to-maturity | 3,207.9 | 2,874.0 | — | 2,874.0 | — |
| Accrued interest receivable | 129.1 | 129.1 | — | 129.1 | — |
| Mortgage servicing rights, net | 28.3 | 38.8 | — | 38.8 | — |
| Loans held for sale | 47.4 | 47.4 | — | 0.5 | 46.9 |
| Net loans held for investment | 18,051.9 | 17,334.4 | — | 17,281.8 | 52.6 |
| Derivative assets | 37.4 | 37.4 | — | 37.4 | — |
| Deferred compensation plan assets | 19.2 | 19.2 | — | 19.2 | — |
| Total financial assets | $ 27,940.7 | $ 26,899.8 | $ 578.0 | $ 26,222.3 | $ 99.5 |
| | | | | | |
| Financial liabilities: | | | | | |
| Total deposits, excluding time deposits | $ 20,313.2 | $ 20,313.2 | $ 20,313.2 | $ — | $ — |
| Time deposits | 3,009.9 | 2,981.7 | — | 2,981.7 | — |
| Securities sold under repurchase agreements | 782.7 | 782.7 | — | 782.7 | — |
| Other borrowed funds | 2,603.0 | 2,603.0 | — | 2,603.0 | — |
| Accrued interest payable | 52.2 | 52.2 | — | 52.2 | — |
| Long-term debt | 120.8 | 115.6 | — | 115.6 | — |
| Subordinated debentures held by subsidiary trusts | 163.1 | 151.1 | — | 151.1 | — |
| Derivative liabilities | 127.3 | 127.3 | — | 127.3 | — |
| Deferred compensation plan liabilities | 19.2 | 19.2 | — | 19.2 | — |
| Total financial liabilities | $ 27,191.4 | $ 27,146.0 | $ 20,313.2 | $ 6,832.8 | $ — |

## (15) Recent Authoritative Accounting Guidance

**ASU 2023-02, "*Investments—Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*"** In March 2023, the FASB issued ASU 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method* that permit reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. Previously, this method was only available for qualifying tax equity investments in low-income housing tax credit structures. The amendments also require that a reporting entity disclose certain information in annual and interim reporting periods that enable investors to understand certain information about its investments that generate income tax credits and other income tax benefits from a tax credit program. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The Amendments in this ASU became effective for the Company on January 1, 2024. The Company elected the modified retrospective approach for qualifying New Market Tax Credits and adjusted beginning retained earnings by an increase of $1.2 million related to the previously recorded deferred taxes. Prospectively, both the amortization of the investment in Low Income Housing Tax Credits and the New Market Tax Credits are recorded net within income tax expense.

**ASU 2023-06, "*Disclosure Improvements—Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*"** In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements—Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative* that amends the ASC to incorporate certain disclosure requirements from SEC Release No. 33-10532 - Disclosure Update and Simplification that was issued in 2018. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The Company does not anticipate the adoption of ASU 2023-06 will have a significant impact on the Company's financial position, results of operations, or liquidity.

**ASU 2023-07, "*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*"** In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* to improve disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This update does not change how a public entity identifies its operating segments; however, it does require that an entity that has single reportable segment provide all the disclosures required by the amendments in this update. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. A public entity should apply the amendments in this update retrospectively to all prior periods presented in the consolidated financial statements. Early adoption is permitted. The Company currently has one reportable operating segment, Community Banking. This ASU will not impact the Company's consolidated financial statements and will have minimal impact to the disclosures, requiring identification of the chief operating decision maker and the information used to make operating decisions and to allocate resources.

**ASU 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*"** In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* that require public business entities to annually disclose (1) specific categories in their rate reconciliation; (2) additional information for reconciling items that meet a quantitative threshold; (3) the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes; (4) the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which the income taxes paid that meet a quantitative threshold; (5) income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign; and (6) income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign. The ASU eliminates the requirement to disclose the nature and estimate of the range of the reasonably possible change in the unrecognized tax benefits balance in the next 12 months and to disclose the cumulative amount of each type of temporary difference when a deferred tax liability is not recognized because of the exceptions to comprehensive recognition of deferred taxes related to subsidiaries and corporate joint ventures. For public business entities, the amendments are effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments should be applied on a prospective basis, but retrospective application is permitted. 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, results of operations, or liquidity.

## (16) Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through the date the Company's financial statements were filed with the SEC. On July 24, 2024, the Company declared a quarterly dividend to common shareholders of $0.47 per share, to be paid on August 15, 2024 to shareholders of record as of August 5, 2024.

No other undisclosed events requiring recognition or disclosure were identified.

## Item 2.

## MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

The following discussion of our consolidated financial data reflects our historical results of operations and financial condition and should be read in conjunction with our financial statements and related notes thereto presented elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2023, including the audited financial statements and related notes contained therein, as previously filed with the Securities and Exchange Commission, or SEC.

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

This Quarterly Report on Form 10-Q 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, or the Exchange Act, and Rule 3b-6 promulgated thereunder, that involve inherent risks and uncertainties. Any statements about our plans, objectives, expectations, strategies, beliefs, or future performance or events constitute forward-looking statements. Such statements are identified by words or phrases such as “believes,” “expects,” “anticipates,” “plans,” “trends,” “objectives,” “views,” “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. A detailed discussion of risks that may cause actual results to differ materially from current expectations in the forward-looking statements is included below in this report under the caption “Risk Factors” and in our Annual Report on Form 10-K for the year ended December 31, 2023, under the captions “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors”. These factors and the other risk factors described in our periodic and current reports filed with the SEC from time to time, however, are not necessarily all of the important factors that could cause our actual results, performance, or achievements to differ materially from those expressed in or implied by any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results.

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth above. Interested parties are urged to read in their entirety the referenced risk factors prior to making any investment decision with respect to the Company. 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.

*Non-GAAP Financial Measures*

In addition to financial measures presented in accordance with GAAP, this document contains GAAP financial measures and non-GAAP financial measures where management believes it to be helpful in understanding our results of operations or financial position. The Company’s management believes that the non-GAAP financial measures provide additional understanding of ongoing operations and enhance comparability of results of operations with prior periods presented without the impact of items or events that may obscure trends in the Company’s underlying performance. This information should be considered as supplemental in nature and should not be considered in isolation or as a substitute for the related financial information prepared in accordance with GAAP. Where non-GAAP financial measures are used, the comparable GAAP financial measure, as well as the reconciliation to the comparable GAAP financial measure, can be found herein.

Fully-Taxable Equivalent Basis. The Company adjusts its net interest income to include its interest income on a fully-taxable equivalent (FTE) basis and further adjusts to exclude purchase accounting interest accretion on acquired loans. Interest income, yields, and ratios on an FTE basis are considered non-GAAP financial measures. Net interest margin (FTE) is calculated as annualized net interest income on a FTE basis divided by average earning assets. Management believes net interest income on an FTE basis provides an insightful picture of the interest margin for comparison purposes. The FTE basis also allows management to assess the comparability of revenue arising from both taxable and tax-exempt sources. The FTE basis assumes a federal statutory tax rate of 21 percent. These measures are considered standard measures of comparison within the banking industry. We encourage readers to consider the Unaudited Consolidated Financial Statements and other financial information contained in this Form 10-Q in their entirety, and not to rely on any single financial measure. See Non-GAAP Financial Measures included herein for a reconciliation to the most directly comparable GAAP financial measures.

Limitations associated with non-GAAP financial measures include the risks that persons might disagree as to the appropriateness of items included in these measures and that different companies might calculate these measures differently. These non-GAAP disclosures should not be considered an alternative to the Company's GAAP results.

**Executive Overview**

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. We operate 304 banking offices, including branches and detached drive-up facilities, in communities across fourteen states—Arizona, Colorado, Idaho, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, Oregon, South Dakota, Washington, and Wyoming. 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, government entities, 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
- Governmental services
- Healthcare
- Hospitality
- Housing
- Professional services
- Real Estate Development
- Retail
- Technology
- Tourism
- Wholesale trade

Our principal business activity is lending to, accepting deposits from, and conducting financial transactions with and for individuals, businesses, governmental units, and other entities located in the communities we serve. We derive our income principally from interest charged on loans and, to a lesser extent, from interest and dividends earned on fixed income investments.

We also derive income from non-interest sources such as: (i) fees received in connection with various lending and deposit services; (ii) wealth management services, such as trust, employee benefit, investment, and insurance services; (iii) mortgage loan originations, sales, and servicing; (iv) merchant and electronic banking services; and (v) from time-to-time, gains on sales of assets and securities.

Our principal expenses include: (i) interest expense on deposit accounts and other borrowings; (ii) salaries and employee benefits; (iii) data processing and communication costs primarily associated with maintaining loan and deposit functions; (iv) furniture, equipment, and occupancy expenses for maintaining our facilities; (v) professional fees, including FDIC insurance assessments; (vi) income tax expense; (vii) provisions for credit losses; (viii) intangible amortization; (ix) other real estate owned expenses; and (x) other ancillary expenses including legal expenses, credit card rewards expense, fees associated with originating and closing loans, insurance, and other expenses necessary to support our employees and service our clients. From time to time, we also incur acquisition costs related to our strategic acquisitions.

**Recent Trends and Developments**

Our community banking footprint spans across the Rocky Mountain, Pacific Northwest, Midwest, and Southwest regions, in large part due to our acquisition activity. As part of our normal course of business, we continue to evaluate bank acquisitions and other strategic opportunities on an on-going basis.

The Company has ample liquidity and the capital ratios exceed all regulatory requirements to be deemed "well-capitalized" as of June 30, 2024. Our deposit base is diversified, including by depositor, which includes individuals, businesses across multiple industries, governmental units, and other entities, as well as geographically, across the communities we serve.

As of June 30, 2024, our FDIC insured deposits consisted of 64.6% of total deposits, including accounts eligible for pass-through insurance. As of July 29, 2024, the Bank had available borrowing capacity of $4.2 billion with the FHLB and $1.0 billion with the Federal Reserve Bank ("FRB") based on pledged investment securities and loan collateral.

U.S. inflation data hit a multi-decade high in June 2022, climbing to 9.1%, as reported by the Bureau of Labor Statistics, however we've now seen a meaningful decrease to 3.0% as of June 2024. While our operating expenses are affected by general inflation, the asset and liability structure of the Company largely consists of monetary items. Monetary items, such as cash, investments, loans, deposits and other borrowings, are assets and liabilities which are or will be converted into a fixed number of dollars regardless of changes in prices. As a result, changes in interest rates have a more significant impact on a financial institution's performance than does general inflation. However, despite the more recent declines, inflationary pressures from the last two years may still have negative impacts on the Company's clients and their customers, impacting their ability or willingness to repay loans or maintain deposits.

The Federal Reserve stated its current objective is to return the rate of inflation to 2.0% and it is closely monitoring the progress that has been made to achieve this goal. The Federal Reserve increased short-term interest rates 525 basis points between March 16, 2022 and July 29, 2023. With general inflationary pressures easing, the Federal Reserve has paused activity with the short-term interest rates since July 2023 and has not yet provided definitive guidance on any further changes to short-term interest rates.

The Company's quarterly yield on interest earning assets increased to 4.80% as of June 30, 2024 from 4.74% as of March 31, 2024, and 4.52% as of June 30, 2023.

The sustained level of short-term interest rates have also impacted the Company's cost of funds, primarily resulting from the shift of non-interest-bearing deposits into higher-cost, interest-bearing, and time deposit balances as well as variable rate debt. The Company's cost of funds decreased slightly to 1.86% during the three months ended June 30, 2024, from 1.87% during the three months ended March 31, 2024, and increased from 1.43% during the three months ended June 30, 2023. During the first half of 2024, the change in the mix and yield on earning assets has offset the changes in the mix and cost of funds, resulting in an increase of the Company's net interest margin during the three months ended June 30, 2024 to 2.97% from 2.91% during the three months ended March 31, 2024. The change in mix and cost of funds more than offset the change in the mix and yield on earning assets as the net interest margin declined from 3.09% for the three months ended June 30, 2023. The Company's FTE net interest margin increased to 3.00% during the three months ended June 30, 2024, from 2.93% during the three months ended March 31, 2024, and decreased from 3.12% during the three months ended June 30, 2023.

A slowdown, downturn, or recession in the U.S. economy could impact the Company by impacting the level of deposits held by our clients, whether through a higher volume of withdrawals or through a lower volume of deposits. Client deposits are one of the Company's primary lending sources. The credit quality of the Company's loans may also be impacted if clients must weather adverse economic conditions which could result in an increase in credit losses or other related expenses.

**Primary Factors Used in Evaluating Our Business**

As a banking institution, we manage and evaluate our financial condition and our results of operations. We monitor 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 and monitored by our regulators. We analyze these ratios and financial trends against both our own historical levels as well as the financial condition and performance of comparable banking institutions in our region and nationally.

As discussed in our Annual Report on Form 10-K for the year ended December 31, 2023, our financial performance is impacted by a number of external factors outside our control, as well as our ability to execute on the key components of our strategy for continued success and future growth. See Part II – Other Information, "Item 1A – Risk Factors" for an update of the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

## 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 Note 1 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2023, and are also referenced in Note 1 to the unaudited financial statements in this quarterly report. There have been no material changes during the second quarter of 2024 in our critical accounting estimates and policies from the critical accounting estimates and policies as described in our Annual Report on Form 10-K for the year ended December 31, 2023.

The preparation of financial statements in conformity with GAAP requires management to measure the Company's financial position and operating results primarily in terms of historic dollars. Changes in the relative value of money due to inflation or recession are generally not considered. We manage our interest rate risk in several ways. Refer to "Note – Derivatives and Hedging Activities" in the accompanying "Notes to Unaudited Consolidated Financial Statements" for further discussion on how we manage interest rate risk. There can be no assurance that we will not be materially adversely affected by future changes in interest rates, as interest rates are highly sensitive to many factors that are beyond our control.

## Results of Operations

The following discussion and analysis is intended to provide detail about the results of our operations and financial condition. More information regarding the results as of December 31, 2023 can be found in our Annual Report on Form 10-K for the year ended December 31, 2023.

*Net Income*

Net income decreased $7.0 million to $60.0 million, or $0.58 per share, during the three months ended June 30, 2024, as compared to net income of $67.0 million, or $0.65 per share, for the same period in 2023, and is primarily attributable to lower net interest income resulting from higher interest expense on interest-bearing liabilities during the 2024 period. This decrease in net interest income was partially offset by lower non-interest expenses.

Net income decreased $4.9 million to $118.4 million, or $1.15 per share during the six months ended June 30, 2024, as compared to net income of $123.3 million, or $1.19 per share for the same period in 2023. The decrease during the six months ended June 30, 2024 when compared to the same period in 2023 was primarily attributable to lower net interest income resulting from higher interest expense on interest-bearing liabilities. This decrease was partially offset by an increase in non-interest income resulting from a $23.4 million loss on the disposition of available-for-sale investment securities during the 2023 period as well as from lower non-interest expenses during the 2024 period.

*Net Interest Income*

Our operating results depend primarily on our net interest income, which is the difference between the interest the Company earns on its interest-earning assets, such as loans and investment securities, and the expense the Company pays on interest-bearing liabilities, such as deposits and borrowings. Net interest income depends on both the volume of our interest-earning assets and interest-bearing liabilities and the interest rates the Company earns or pays on them.

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.

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

| **Average Balance Sheets, Yields and Rates** *(Dollars in millions)* | Three Months Ended June 30, 2024 | | | Three Months Ended June 30, 2023 | | |
|---|---|---|---|---|---|---|
| | Average Balance | Interest (2)(3) | Average Rate | Average Balance | Interest (2)(3) | Average Rate |
| *Interest-earning assets:* | | | | | | |
| Loans [1] | $ 18,253.9 | $ 254.4 | 5.61 % | $ 18,351.5 | $ 243.2 | 5.32 % |
| Investment securities: | | | | | | |
| Taxable | 8,311.6 | 62.3 | 3.01 | 9,139.2 | 66.1 | 2.90 |
| Tax-exempt | 187.8 | 0.8 | 1.71 | 192.9 | 1.0 | 2.08 |
| Investment in FHLB and FRB stock | 185.5 | 3.3 | 7.16 | 225.2 | 3.4 | 6.06 |
| Interest-bearing deposits in banks | 348.0 | 4.9 | 5.66 | 419.4 | 5.4 | 5.16 |
| Federal funds sold | 0.1 | — | — | 0.6 | — | — |
| Total interest-earning assets | $ 27,286.9 | $ 325.7 | 4.80 % | $ 28,328.8 | $ 319.1 | 4.52 % |
| Non-interest-earning assets | 2,853.7 | | | 2,958.8 | | |
| Total assets | $ 30,140.6 | | | $ 31,287.6 | | |
| *Interest-bearing liabilities:* | | | | | | |
| Demand deposits | $ 6,142.9 | $ 13.9 | 0.91 % | $ 6,417.2 | $ 9.9 | 0.62 % |
| Savings deposits | 7,760.3 | 40.8 | 2.11 | 7,951.3 | 28.4 | 1.43 |
| Time deposits | 2,863.4 | 26.2 | 3.68 | 2,517.1 | 15.3 | 2.44 |
| Repurchase agreements | 775.5 | 1.9 | 0.99 | 1,020.6 | 1.5 | 0.59 |
| Other borrowed funds | 2,501.9 | 31.8 | 5.11 | 2,966.4 | 39.3 | 5.31 |
| Long-term debt | 377.2 | 4.4 | 4.69 | 120.8 | 1.4 | 4.65 |
| Subordinated debentures held by subsidiary trusts | 163.1 | 3.3 | 8.14 | 163.1 | 3.1 | 7.62 |
| Total interest-bearing liabilities | $ 20,584.3 | $ 122.3 | 2.39 % | $ 21,156.5 | $ 98.9 | 1.88 % |
| Non-interest-bearing deposits | 5,868.7 | | | 6,521.9 | | |
| Other non-interest-bearing liabilities | 492.3 | | | 426.3 | | |
| Stockholders' equity | 3,195.3 | | | 3,182.9 | | |
| Total liabilities and stockholders' equity | $ 30,140.6 | | | $ 31,287.6 | | |
| Net FTE interest income (non-GAAP)[3] | | $ 203.4 | | | $ 220.2 | |
| Less FTE adjustments[2] | | (1.7) | | | (1.8) | |
| Net interest income from consolidated statements of income | | $ 201.7 | | | $ 218.4 | |
| Interest rate spread | | | 2.41 % | | | 2.64 % |
| Net interest margin | | | 2.97 | | | 3.09 |
| Net FTE interest margin (non-GAAP)[3] | | | 3.00 | | | 3.12 |
| Cost of funds, including non-interest-bearing demand deposits [4] | | | 1.86 | | | 1.43 |

(1) Average loan balances include loans held for sale and loans held for investment, net of deferred fees and costs, which include non-accrual loans. Interest income includes amortization of deferred loan fees net of deferred loan costs, which is not material.

(2) The Company adjusts interest income and average rates for tax exempt loans and securities to a FTE basis utilizing a 21% tax rate.

(3) Management believes fully taxable equivalent, or FTE, interest income is useful to investors in evaluating the Company's performance as a comparison of the returns between a tax-free investment and a taxable alternative. Net FTE interest income and net FTE interest margin are non-GAAP financial measures. See "Non-GAAP Reconciliations" included herein for a reconciliation to the most directly comparable GAAP financial measures.

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

(5) Dividends on FHLB and FRB stock.

Net interest income decreased $16.7 million during the three months ended June 30, 2024, as compared to the same period in 2023, primarily due to an increase in interest expense resulting from higher costs of interest-bearing liabilities.

Net interest income included interest accretion related to the fair valuation of acquired loans of $5.1 million during the three months ended June 30, 2024, compared to interest accretion of $4.6 million during the three months ended June 30, 2023.

Our net interest margin ratio decreased 12 basis points to 2.97% for the three months ended June 30, 2024, as compared to 3.09% for the same period in 2023 and our net FTE interest margin ratio, a non-GAAP financial measure, decreased 12 basis points for the three months ended June 30, 2024, as compared to the same period in 2023. Exclusive of the impact of interest accretion on acquired loans, the net FTE interest margin ratio, decreased 13 basis points to 2.92% during the three months ended June 30, 2024, as compared to 3.05% for the same period in 2023. The decreases in net interest margin ratio were primarily a result of higher interest bearing deposit and borrowing costs and a less favorable funding mix, which were partially offset by loan yield expansion and a modestly favorable change in the mix of earning assets.

| **Average Balance Sheets, Yields and Rates** *(Dollars in millions)* | Six Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 2024 | | | June 30, 2023 | | |
| | Average Balance | Interest [2] [5] | Average Rate | Average Balance | Interest [2] [5] | Average Rate |
| *Interest earning assets:* | | | | | | |
| Loans [1] | $ 18,271.5 | $ 508.0 | 5.59 % | $ 18,312.7 | $ 480.4 | 5.29 % |
| Investment securities | | | | | | |
| Taxable | 8,518.9 | 126.8 | 2.99 | 9,559.0 | 138.3 | 2.92 |
| Tax-exempt | 188.4 | 1.7 | 1.81 | 209.1 | 2.1 | 2.03 |
| Investment in FHLB and FRB stock | 191.9 | 6.6 | 6.92 | 217.9 | 6.4 | 5.92 |
| Interest-bearing deposits in banks | 322.3 | 9.0 | 5.62 | 392.7 | 9.6 | 4.93 |
| Federal funds sold | 0.1 | — | — | 0.7 | — | — |
| Total interest-earning assets | $ 27,493.1 | $ 652.1 | 4.77 % | $ 28,692.1 | $ 636.8 | 4.48 % |
| Non-interest-earning assets | 2,839.8 | | | 2,955.2 | | |
| Total assets | $ 30,332.9 | | | $ 31,647.3 | | |
| *Interest-bearing liabilities:* | | | | | | |
| Demand deposits | $ 6,146.6 | $ 26.8 | 0.88 % | $ 6,693.8 | $ 18.6 | 0.56 % |
| Savings deposits | 7,771.1 | 79.9 | 2.07 | 8,177.8 | 51.2 | 1.26 |
| Time deposits | 2,917.9 | 53.3 | 3.67 | 2,287.6 | 24.1 | 2.12 |
| Repurchase agreements | 788.8 | 4.2 | 1.07 | 1,013.2 | 2.6 | 0.52 |
| Other borrowed funds | 2,636.9 | 67.4 | 5.14 | 2,791.8 | 70.5 | 5.09 |
| Long-term debt | 367.0 | 8.7 | 4.77 | 120.8 | 2.9 | 4.84 |
| Subordinated debentures held by subsidiary trusts | 163.1 | 6.6 | 8.14 | 163.1 | 6.0 | 7.42 |
| Total interest-bearing liabilities | $ 20,791.4 | $ 246.9 | 2.39 % | $ 21,248.1 | $ 175.9 | 1.67 % |
| Non-interest-bearing deposits | 5,850.5 | | | 6,791.9 | | |
| Other non-interest-bearing liabilities | 479.1 | | | 442.3 | | |
| Stockholders' equity | 3,211.9 | | | 3,165.0 | | |
| Total liabilities and stockholders' equity | $ 30,332.9 | | | $ 31,647.3 | | |
| Net FTE interest income (non-GAAP)[3] | | $ 405.2 | | | $ 460.9 | |
| Less FTE adjustments'[2] | | (3.4) | | | (3.6) | |
| Net interest income from consolidated statements of income | | $ 401.8 | | | $ 457.3 | |
| Interest rate spread | | | 2.38 % | | | 2.81 % |
| Net interest margin | | | 2.94 | | | 3.21 |
| Net FTE interest margin (non-GAAP)[3] | | | 2.96 | | | 3.24 |
| Cost of funds, including non-interest-bearing demand deposits [4] | | | 1.86 | | | 1.27 |

[1] Average loan balances include loans held for sale and loans held for investment, net of deferred fees and costs, which include non-accrual loans. Interest income includes amortization of deferred loan fees net of deferred loan costs, which is not material.

[2] The Company adjusts interest income and average rates for tax exempt loans and securities to a FTE basis utilizing a 21% tax rate.

[3] Management believes fully taxable equivalent, or FTE, interest income is useful to investors in evaluating the Company's performance as a comparison of the returns between a tax-free investment and a taxable alternative. Net FTE interest income and net FTE interest margin are non-GAAP financial measures. See "Non-GAAP Reconciliations" included herein for a reconciliation to the most directly comparable GAAP financial measures.

[4] Calculated by *dividing* total annualized interest on interest-bearing liabilities *by* the sum of total interest-bearing liabilities plus non-interest-bearing deposits.

[5] Dividends on FHLB and FRB stock.

Net interest income decreased $55.5 million during the six months ended June 30, 2024, as compared to the same period in 2023, primarily due to an increase in interest expense resulting from higher costs of interest-bearing deposits, partially offset by an increase in interest income on loans.

Net interest income included interest accretion related to the fair valuation of acquired loans of $11.6 million during the six months ended June 30, 2024, compared to interest accretion of $9.8 million for the same period in 2023.

Our net FTE interest margin ratio, a non-GAAP measure, decreased 28 basis points for the six months ended June 30, 2024, as compared to the same period in 2023. Exclusive of the impact of interest accretion on acquired loans, the net FTE interest margin ratio, decreased 29 basis points to 2.88% during the six months ended June 30, 2024, as compared to 3.17% for the same period in 2023.

The table below sets forth 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 (referred to as “rate”) for the three and the six months ended June 30, 2024 and 2023. 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**

| | Three Months Ended June 30, 2024 compared with Three Months Ended June 30, 2023 | | | Six Months Ended June 30, 2024 compared with Six Months Ended June 30, 2023 | | |
|---|---|---|---|---|---|---|
| *(Dollars in millions)* | Volume | Rate[2] | Net | Volume | Rate | Net |
| Interest earning assets: | | | | | | |
| Loans [1] | $ (1.3) | $ 12.5 | $ 11.2 | $ (1.1) | $ 28.7 | $ 27.6 |
| Investment securities [1] | (6.0) | 2.0 | (4.0) | (15.3) | 3.4 | (11.9) |
| Investment in FHLB and FRB stock | (0.6) | 0.5 | (0.1) | (0.8) | 1.0 | 0.2 |
| Interest bearing deposits in banks | (0.9) | 0.4 | (0.5) | (1.7) | 1.1 | (0.6) |
| Total change | (8.8) | 15.4 | 6.6 | (18.9) | 34.2 | 15.3 |
| Interest bearing liabilities: | | | | | | |
| Demand deposits | (0.4) | 4.4 | 4.0 | (1.5) | 9.7 | 8.2 |
| Savings deposits | (0.7) | 13.1 | 12.4 | (2.5) | 31.2 | 28.7 |
| Time deposits | 2.1 | 8.8 | 10.9 | 6.6 | 22.6 | 29.2 |
| Repurchase agreements | (0.4) | 0.8 | 0.4 | (0.6) | 2.2 | 1.6 |
| Other borrowed funds | (6.1) | (1.4) | (7.5) | (3.9) | 0.8 | (3.1) |
| Long-term debt | 3.0 | — | 3.0 | 5.9 | (0.1) | 5.8 |
| Subordinated debentures held by subsidiary trusts | — | 0.2 | 0.2 | — | 0.6 | 0.6 |
| Total change | (2.5) | 25.9 | 23.4 | 4.0 | 67.0 | 71.0 |
| Decrease in FTE net interest income [1] | $ (6.3) | $ (10.5) | $ (16.8) | $ (22.9) | $ (32.8) | $ (55.7) |

(1) Interest income and average rates for tax exempt loans and securities are presented on a FTE basis.
(2) Dividends on FHLB and FRB stock is used to determine the rate.

**Non-GAAP Reconciliations**

The table below provides a reconciliation of the non-GAAP financial measures to the most directly comparable GAAP financial measure.

| | | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|---|
| (In millions, except % and per share data) | | Jun 30, 2024 | Jun 30, 2023 | Jun 30, 2024 | Jun 30, 2023 |
| Net interest income | (A) | $ 201.7 | $ 218.4 | $ 401.8 | $ 457.3 |
| FTE interest income | | 1.7 | 1.8 | 3.4 | 3.6 |
| Net FTE interest income (Non-GAAP) | (B) | 203.4 | 220.2 | 405.2 | 460.9 |
| Less purchase accounting accretion | | 5.1 | 4.6 | 11.6 | 9.8 |
| Adjusted net FTE interest income (Non-GAAP) | (C) | $ 198.3 | $ 215.6 | $ 393.6 | $ 451.1 |
| Average interest-earning assets | (D) | $ 27,286.9 | $ 28,328.8 | $ 27,493.1 | $ 28,692.1 |
| Net interest margin (GAAP) | (A) / (D) | 2.97 % | 3.09 % | 2.94 % | 3.21 % |
| Net FTE interest margin (Non-GAAP) | (B) / (D) | 3.00 | 3.12 | 2.96 | 3.24 |
| Adjusted FTE net interest margin (Non-GAAP) | (C) / (D) | 2.92 | 3.05 | 2.88 | 3.17 |

*Provision for Credit Losses*

The Company had a $9.0 million provision for credit losses, which included a provision for credit losses of $18.6 million on loans held for investment and a reduction of credit losses for unfunded commitments of $9.6 million during the three months ended June 30, 2024, as compared to an $11.7 million provision for credit losses during same period in 2023. The provision incorporated the impact of credit movement during the quarter, changes in loan balances, and net charge-offs of $13.5 million, or an annualized 0.30% of average loans outstanding during the three months ended June 30, 2024, as compared to $11.4 million, or an annualized 0.25% of average loans outstanding during the same period in 2023. Net loan charge-offs in the second quarter of 2024 were composed of charge-offs of $16.3 million, including a $6.8 million charge-off related to a construction real estate loan, and recoveries of $2.8 million.

The provision during the six months ended June 30, 2024 of $14.3 million included a provision for credit losses on loans held for investment of $27.0 million, a reduction of credit losses on unfunded commitments of $12.6 million, and a reduction of credit losses on investment securities of $0.1 million. This compares to a provision for credit losses of $26.9 million during the same period in 2023. The allowance for credit losses is updated quarterly based on the attributes of the current loan and investment securities portfolios, asset quality metrics, and a review of the current economic outlook.

For information regarding our non-performing loans, see “Financial Condition – Non-Performing Assets” included herein. For more information on our allowance for credit losses, see “Financial Condition – Allowance for Credit Losses” included herein.

*Non-Interest Income*

Non-interest income also contributes to our operating results with 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 being our principal source of non-interest income. The following table presents the composition of our non-interest income as of the periods indicated:

| **Non-Interest Income** | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| *(Dollars in millions)* | 2024 | 2023 | $ Change | % Change | 2024 | 2023 | $ Change | % Change |
| Payment services revenues | $ 18.6 | $ 20.1 | $ (1.5) | (7.5)% | $ 37.0 | $ 38.8 | $ (1.8) | (4.6)% |
| Mortgage banking revenues | 1.7 | 2.6 | (0.9) | (34.6) | 3.4 | 4.9 | (1.5) | (30.6) |
| Wealth management revenues | 9.4 | 8.8 | 0.6 | 6.8 | 18.6 | 17.8 | 0.8 | 4.5 |
| Service charges on deposit accounts | 6.4 | 5.8 | 0.6 | 10.3 | 12.4 | 11.0 | 1.4 | 12.7 |
| Other service charges, commissions and fees | 2.1 | 2.4 | (0.3) | (12.5) | 4.3 | 4.8 | (0.5) | (10.4) |
| Investment securities losses, net | — | (0.1) | 0.1 | (100.0) | — | (23.5) | 23.5 | (100.0) |
| Other income | 4.4 | 4.5 | (0.1) | (2.2) | 9.0 | 6.7 | 2.3 | 34.3 |
| Total non-interest income | $ 42.6 | $ 44.1 | $ (1.5) | (3.4) | $ 84.7 | $ 60.5 | $ 24.2 | 40.0 |

Total non-interest income decreased $1.5 million for the three months ended June 30, 2024, as compared to the same period in 2023 and increased $24.2 million for the six months ended June 30, 2024, as compared to the same period in 2023. The decrease for the three months ended June 30, 2024 reflects lower incentives related to growth in our credit card volume. The increase for the six months ended June 30, 2024 was primarily the result of the realized loss of $23.4 million on the disposition of available-for-sale investment securities and a $1.9 million loss related to the fair value of loans held for sale recognized through other income during the six months ended June 30, 2023, which is partially offset by lower incentives related to growth in our credit card volume during the six months ended June 30, 2024.

*Non-Interest Expense*

Non-interest expense decreased $7.0 million during the three months ended June 30, 2024 compared to the same period in 2023 and decreased $12.6 million during the six months ended June 30, 2024 as compared to the same period in 2023. The decreases were driven by lower salaries and wages, employee benefits, software costs, and other expenses. These decreases were partially offset by increases in OREO expenses and FDIC insurance premiums.

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

| **Non-Interest Expense** | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| *(Dollars in millions)* | 2024 | 2023 | $ Change | % Change | 2024 | 2023 | $ Change | % Change |
| Salaries and wages | $ 66.3 | $ 68.1 | $ (1.8) | (2.6)% | $ 131.5 | $ 133.7 | $ (2.2) | (1.6)% |
| Employee benefits | 16.9 | 19.3 | (2.4) | (12.4) | 36.2 | 42.1 | (5.9) | (14.0) |
| Outsourced technology services | 14.0 | 15.3 | (1.3) | (8.5) | 27.6 | 30.0 | (2.4) | (8.0) |
| Occupancy, net | 11.7 | 11.7 | — | — | 24.0 | 24.2 | (0.2) | (0.8) |
| Furniture and equipment | 5.2 | 5.6 | (0.4) | (7.1) | 10.2 | 11.5 | (1.3) | (11.3) |
| OREO expense, net of income | 2.0 | 0.6 | 1.4 | 233.3 | 4.0 | 0.8 | 3.2 | 400.0 |
| Professional fees | 5.1 | 5.3 | (0.2) | (3.8) | 11.9 | 9.8 | 2.1 | 21.4 |
| FDIC insurance premiums | 6.6 | 4.7 | 1.9 | 40.4 | 14.0 | 10.4 | 3.6 | 34.6 |
| Other intangibles amortization | 3.7 | 3.9 | (0.2) | (5.1) | 7.4 | 7.9 | (0.5) | (6.3) |
| Other expenses | 25.4 | 29.4 | (4.0) | (13.6) | 50.3 | 59.3 | (9.0) | (15.2) |
| Total non-interest expense | $ 156.9 | $ 163.9 | $ (7.0) | (4.3) | $ 317.1 | $ 329.7 | $ (12.6) | (3.8) |

Salaries and wages expense decreased $1.8 million during the three months ended June 30, 2024 and decreased $2.2 million during the six months ended June 30, 2024, as compared to the same periods in 2023. The decreases during the three and the six months ended June 30, 2024 are primarily due to lower salaries and wages and net severance costs as a result of staffing reductions, which were partially offset by higher short-term incentive accruals.

Employee benefits expense decreased $2.4 million during the three months ended June 30, 2024 and decreased $5.9 million during the six months ended June 30, 2024, as compared to the same periods in 2023. The decreases are primarily due to lower health insurance costs and lower payroll taxes, partially offset by higher long-term incentive accruals.

Outsourced technology services expense decreased $1.3 million during the three months ended June 30, 2024, as compared to the same period in 2023 and decreased $2.4 million during the six months ended June 30, 2024, as compared to the same periods in 2023, primarily due to cost efficiencies realized related to software maintenance costs.

OREO expense, net of income increased $1.4 million during the three months ended June 30, 2024 and increased $3.2 million during the six months ended June 30, 2024, as compared to the same periods in 2023, primarily due to OREO valuation write-downs and disposals.

Professional fees decreased $0.2 million during the three months ended June 30, 2024 and increased $2.1 million during the six months ended June 30, 2024, as compared to the same periods in 2023. The increase during the six months ended June 30, 2024 was primarily due to an increase in audit fees, along with consulting services related to process improvements.

FDIC insurance premiums increased $1.9 million during the three months ended June 30, 2024 and increased $3.6 million during the six months ended June 30, 2024, compared to the same periods in 2023, primarily resulting from a $1.5 million special assessment accrual recorded during the six months ended June 30, 2024.

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 decreased $4.0 million during the three months ended June 30, 2024 and decreased $9.0 million during the six months ended June 30, 2024, compared to the same periods in 2023, primarily resulting from decreases in credit card reward accruals, new market tax credit amortization expenses, which moved to income tax expenses, as a result of the adoption of ASU 2023-02, fraud losses, travel costs, and continued focus on our cost saving initiatives.

*Income Tax Expense*

Our effective tax rate was 23.5% for the three months ended June 30, 2024 compared to 22.9% for the three months ended June 30, 2023 and 23.7% for the six months ended June 30, 2024 compared to 23.5% for the same period in 2023. Differences between the Company's effective tax rate and applicable federal and state blended statutory rate of approximately 24.9% are due to the proportion of non-taxable revenues, non-deductible expenses, and net benefits from tax credits as compared to the levels of pre-tax earnings. Additionally, in connection with the Company's adoption of ASU 2023-02 on January 1, 2024, the Company began recording proportional amortization of New Market Tax Credits as a component of income tax expense instead of other expenses.

**Financial Condition**

*Total Assets*

Total assets decreased $381.7 million, or 1.2%, to $30,289.5 million as of June 30, 2024, from $30,671.2 million as of December 31, 2023, primarily due to decreases in investment securities, partially offset by an increase in cash and cash equivalents. Significant fluctuations in balance sheet accounts are discussed below. More information regarding the results as of December 31, 2023 can be found in our Annual Report on Form 10-K for the year ended December 31, 2023.

*Investment Securities*

We manage our investment portfolio primarily as a source of liquidity. In doing so, we seek to obtain the highest risk adjusted return within our risk tolerance and liquidity guidelines, while satisfying the pledging requirements for deposits of state and political subdivisions and securities sold under repurchase agreements. Our portfolio is primarily comprised of U.S. treasuries, U.S. government agency residential and commercial mortgage-backed securities and collateralized mortgage obligations, U.S. government agency, collateralized loan obligations, corporate securities, and tax-exempt securities. Federal funds sold and interest-bearing deposits in the 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 decreased $647.8 million, or 7.2%, to $8,401.6 million, or 27.7% of total assets, as of June 30, 2024, from $9,049.4 million, or 29.5% of total assets, as of December 31, 2023. The decrease was primarily resulting from normal pay-downs and maturities and $23.9 million decline in fair market values, partially offset by $77.2 million of reinvestment into investment securities.

As of June 30, 2024 and December 31, 2023, the estimated duration of our investment portfolio was 3.5 years.

As of June 30, 2024 and December 31, 2023, we had $6,706.0 million and $8,284.5 million, respectively, of investment securities that had been in a continuous loss position for more than twelve months. At June 30, 2024 and December 31, 2023, the Company had no allowance for credit losses on available-for-sale securities and an allowance for credit losses on held-to maturity securities classified as corporate and municipal securities of $0.7 million and $0.8 million, respectively.

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

Loans held for investment, net of deferred fees and costs, decreased $44.6 million as of June 30, 2024 as compared to December 31, 2023.

The following table presents the composition and comparison of loans held for investment for the periods indicated:

| | June 30, 2024 | December 31, 2023 | $ Change | % Change |
|---|---|---|---|---|
| Real estate: | | | | |
| Commercial | $ 9,054.5 | $ 8,869.2 | $ 185.3 | 2.1 % |
| Construction | 1,519.9 | 1,826.5 | (306.6) | (16.8) |
| Residential | 2,246.4 | 2,244.3 | 2.1 | 0.1 |
| Agricultural | 723.5 | 716.8 | 6.7 | 0.9 |
| Total real estate | 13,544.3 | 13,656.8 | (112.5) | (0.8) |
| Consumer: | | | | |
| Indirect | 733.7 | 740.9 | (7.2) | (1.0) |
| Direct and advance lines | 139.0 | 141.6 | (2.6) | (1.8) |
| Credit card | 76.1 | 76.5 | (0.4) | (0.5) |
| Total consumer | 948.8 | 959.0 | (10.2) | (1.1) |
| Commercial | 3,052.9 | 2,906.8 | 146.1 | 5.0 |
| Agricultural | 698.2 | 769.4 | (71.2) | (9.3) |
| Other, including overdrafts | 3.1 | 0.1 | 3.0 | NM |
| Deferred loan fees and costs | (12.3) | (12.5) | 0.2 | (1.6) |
| Loans held for investment, net of deferred loan fees and costs | $ 18,235.0 | $ 18,279.6 | $ (44.6) | (0.2) |

*Non-Performing Assets*

Non-performing assets include non-performing loans and OREO.

Non-Performing Loans. Non-performing loans include non-accrual loans and loans contractually past due 90 days or more and still accruing interest.

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 or if the collection of principal and interest is in doubt. When a loan is placed on non-accrual status, any interest previously accrued but not collected is reversed from income. Non-accrual loans increased approximately $59.2 million, or 55.6%, to $165.6 million, as of June 30, 2024, from $106.4 million as of December 31, 2023, primarily driven by a loan downgrade in the first quarter of 2024 related to a single $54.4 million commercial and industrial loan relationship. As of June 30, 2024 there were approximately $57.9 million of non-accrual loans for which there was no related allowance for credit losses, as these loans had sufficient collateral securing the loan for repayment.

Loans contractually past due 90 days or more and still accruing interest. Loans past due 90 days or more accruing interest were $2.6 million as of June 30, 2024, a decrease of $2.3 million, or 46.9%, from $4.9 million as of December 31, 2023.

Other Real Estate Owned ("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 at the time it is 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. OREO decreased $9.8 million, or 59.4%, to $6.7 million as of June 30, 2024, from $16.5 million as of December 31, 2023 resulting from the disposal of a $9.0 million agricultural real estate property.

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

**Non-Performing Assets**

| *(Dollars in millions)* | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|---|---|---|---|
| Non-performing loans: | | | |
| Non-accrual loans | $ 165.6 | $ 106.4 | $ 86.1 |
| Accruing loans past due 90 days or more | 2.6 | 4.9 | 6.7 |
| Total non-performing loans | 168.2 | 111.3 | 92.8 |
| OREO | 6.7 | 16.5 | 14.4 |
| Total non-performing assets | $ 174.9 | $ 127.8 | $ 107.2 |
| Non-accrual loans to loans held for investment | 0.91 % | 0.58 % | 0.47 % |
| Non-performing loans to loans held for investment | 0.92 | 0.61 | 0.51 |
| Non-performing assets to loans held for investment and OREO | 0.96 | 0.70 | 0.59 |
| Non-performing assets to total assets | 0.58 | 0.42 | 0.35 |

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

**Non-Performing Loans by Loan Type**

| *(Dollars in millions)* | June 30, 2024 | Percent of Total | December 31, 2023 | Percent of Total |
|---|---|---|---|---|
| Real estate: | | | | |
| Commercial | $ 37.8 | 22.4 % | $ 28.2 | 25.3 % |
| Construction | 9.4 | 5.6 | 17.2 | 15.5 |
| Residential | 14.4 | 8.6 | 11.3 | 10.2 |
| Agricultural | 4.8 | 2.9 | 5.4 | 4.8 |
| Total real estate | 66.4 | 39.5 | 62.1 | 55.8 |
| Consumer | 4.3 | 2.6 | 4.0 | 3.6 |
| Commercial | 73.4 | 43.6 | 11.8 | 10.6 |
| Agricultural | 24.1 | 14.3 | 33.4 | 30.0 |
| Total non-performing loans | $ 168.2 | 100.0 % | $ 111.3 | 100.0 % |

*Allowance for Credit Losses*

The Company performs a quarterly assessment of the appropriateness of its allowance for credit losses in accordance with GAAP. 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 over the life of the loans. 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 forecasted economic conditions on historical loan loss rates.

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 and other individually evaluated 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) Collective valuation allowances based on loan loss experience and future expectations for similar loans with similar characteristics and trends. The Company applies open pool methodologies for all portfolio segments. The open pool methodology averages quarterly loss rates by modeling segment, calculated as quarter-to-date net charge off balance divided by the end of period balance. Loss rates are recalculated quarterly with recoveries captured in the quarter a loan was charged off, are averaged across a look back period from 2009 to the current period, and are annualized. Macroeconomic-conditioned historical loss rates are applied to loan-level cash flows. Expected future principal and interest cash flows are calculated using contractual repayment terms and prepayment, utilization, interest rate, and probability of default assumptions. Macroeconomic sensitivity models calculate segment-specific multipliers using third party forecast data. The multipliers condition the annual loss rates over the 2-year forecast period, followed by a 1-year straight-line reversion to the unadjusted historical average loss rates. The unadjusted loss rates then apply for the remaining life of the loan. Estimated losses are totaled and aggregated to the segment level.

(3) Qualitative allowance adjustments are determined based on asset quality trends, industry concentrations, environmental risks, changes in portfolio composition, and other qualitative risk factors, both internal and external to the Company. Other qualitative factors, including changes in loan and lending policies, collateral quality, underwriting standards and personnel, credit review quality, and model imprecision, are also considered.

Based on the assessment of the appropriateness 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 expected credit losses over the life of the loan. 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 for credit losses 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.

Our allowance for credit losses was $232.8 million, or 1.28% of loans held for investment as of June 30, 2024 compared to $227.7 million, or 1.25% of loans held for investment, as of December 31, 2023. The Company’s allowance for off-balance sheet credit losses was $5.8 million as of June 30, 2024, compared to $18.4 million as of December 31, 2023, due to a decline in off-balance sheet commitments.

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 appropriate to provide for known and expected losses in the portfolio, 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 following table sets forth information regarding our allowance for credit losses as of and for the periods indicated:

| **Allowance for Credit Losses** | Three Months Ended | | | Six Months Ended | |
|---|---|---|---|---|---|
| *(Dollars in millions)* | Jun 30, 2024 | Dec 31, 2023 | Jun 30, 2023 | Jun 30, 2024 | Jun 30, 2023 |
| Beginning balance | $ 227.7 | $ 226.7 | $ 226.1 | $ 227.7 | $ 220.1 |
| Provision for credit losses | 18.6 | 5.8 | 9.9 | 27.0 | 22.1 |
| Charge offs: | | | | | |
| Real estate | | | | | |
| Commercial | 2.8 | 1.3 | 0.3 | 5.7 | 4.6 |
| Construction | 6.9 | 0.6 | 9.7 | 7.0 | 9.7 |
| Residential | 0.4 | — | — | 0.6 | 0.5 |
| Consumer | 4.0 | 3.6 | 3.3 | 7.8 | 6.7 |
| Commercial | 2.2 | 1.2 | 0.8 | 6.2 | 1.5 |
| Total charge-offs | 16.3 | 6.7 | 14.1 | 27.3 | 23.0 |
| Recoveries: | | | | | |
| Real estate | | | | | |
| Commercial | 0.1 | 0.1 | 0.6 | 0.7 | 0.7 |
| Construction | — | 0.1 | — | — | — |
| Residential | 0.1 | — | — | 0.1 | — |
| Agricultural | — | — | 0.2 | 0.1 | 0.3 |
| Consumer | 1.3 | 1.0 | 1.4 | 2.3 | 2.6 |
| Commercial | 1.3 | 0.7 | 0.4 | 1.9 | 1.4 |
| Agricultural | — | — | 0.1 | 0.3 | 0.4 |
| Total recoveries | 2.8 | 1.9 | 2.7 | 5.4 | 5.4 |
| Net charge-offs | 13.5 | 4.8 | 11.4 | 21.9 | 17.6 |
| Ending balance | $ 232.8 | $ 227.7 | $ 224.6 | $ 232.8 | $ 224.6 |
| Allowance for off-balance sheet credit losses: | | | | | |
| Beginning balance | $ 15.4 | $ 18.8 | $ 17.8 | $ 18.4 | $ 16.2 |
| (Reduction of) provision for credit losses | (9.6) | (0.4) | 3.0 | (12.6) | 4.6 |
| Ending balance | $ 5.8 | $ 18.4 | $ 20.8 | $ 5.8 | $ 20.8 |
| Allowance for credit losses on investment securities: | | | | | |
| Beginning balance | $ 0.7 | $ 0.8 | $ 3.3 | $ 0.8 | $ 1.9 |
| Reduction of provision for investment securities | — | — | (1.2) | (0.1) | 0.2 |
| Ending balance | $ 0.7 | $ 0.8 | $ 2.1 | $ 0.7 | $ 2.1 |
| Total allowance for credit losses | $ 239.3 | $ 246.9 | $ 247.5 | $ 239.3 | $ 247.5 |
| Total provision for (reduction of) credit losses | 9.0 | 5.4 | 11.7 | 14.3 | 26.9 |
| Loans held for investment, net of deferred fees and costs | 18,235.0 | 18,279.6 | 18,263.4 | 18,235.0 | 18,263.4 |
| Average loans | 18,253.9 | 18,255.9 | 18,351.5 | 18,271.5 | 18,312.7 |
| Net loans charged-off to average loans, annualized | 0.30 % | 0.10 % | 0.25 % | 0.24 % | 0.19 % |
| Allowance to non-accrual loans | 140.58 | 214.00 | 260.86 | 140.58 | 260.86 |
| Allowance to loans held for investment | 1.28 | 1.25 | 1.23 | 1.28 | 1.23 |

*Total Liabilities*

Total liabilities decreased $379.5 million, or 1.4%, to $27,064.2 million as of June 30, 2024, from $27,443.7 million as of December 31, 2023, primarily due to decreases in deposits and other borrowed funds, partially offset by an increase in long-term debt resulting from a restructure of our short-term borrowings during the first quarter of 2024. Significant fluctuations in liability accounts are discussed below.

*Deposits*

Our deposits consist of non-interest-bearing and interest-bearing demand, savings, individual retirement, and time deposit accounts. Total deposits decreased $452.4 million, or 1.9%, to $22,870.7 million as of June 30, 2024, from $23,323.1 million as of December 31, 2023, with decreases in all categories except for non-interest-bearing deposits. Included in the decline was $185.0 million of high-cost, government entity deposits the Company allowed to leave the balance sheet during the first quarter of 2024.

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

**Deposits**

| *(Dollars in millions)* | June 30, 2024 | Percent of Total | December 31, 2023 | Percent of Total |
|---|---|---|---|---|
| Non-interest-bearing demand | $ 6,174.0 | 27.0 % | $ 6,029.6 | 25.9 % |
| Interest bearing: | | | | |
| Demand | 6,122.3 | 26.8 | 6,507.8 | 27.9 |
| Savings | 7,733.6 | 33.8 | 7,775.8 | 33.3 |
| Time, $250k and over | 786.1 | 3.4 | 811.6 | 3.5 |
| Time, other [1] | 2,054.7 | 9.0 | 2,198.3 | 9.4 |
| Total interest-bearing | 16,696.7 | 73.0 | 17,293.5 | 74.1 |
| Total deposits | $ 22,870.7 | 100.0 % | $ 23,323.1 | 100.0 % |

(1) Included in “Time, other” are IntraFi Network Deposits, or Intrafi, deposits of $7.5 million and $26.6 million as of June 30, 2024 and December 31, 2023, respectively.

*Deposit Insurance*

The deposits of the Bank are insured up to the applicable limits by the Deposit Insurance Fund (“DIF”) of the FDIC, generally up to $250,000 per insured depositor. The Bank pays deposit insurance premiums based on assessment rates established by the FDIC. The estimated amount of deposits in excess of the FDIC insurance limit at June 30, 2024 was $8.1 billion, or 35.4% of total deposits. Estimates of uninsured deposits are based on the methodologies and assumptions used in the Bank’s call reports and do not necessarily reflect an evaluation of all scenarios that potentially would determine the availability of deposit insurance to customer accounts based on FDIC regulations.

*Other Borrowed Funds*

Other borrowed funds is comprised of FHLB and BTFP overnight and fixed-rate borrowings with contractual tenors of up to one year. Other borrowed funds decreased $173.0 million, or 6.6%, to $2,430.0 million as of June 30, 2024 from $2,603.0 million as of December 31, 2023, as a result of adjusting the funding mix between other borrowed funds and long-term debt.

*Long-Term Debt*

Long-term debt increased $262.6 million, or 217.4%, to $383.4 million as of June 30, 2024 from $120.8 million as of December 31, 2023, primarily as a result of 18-month FHLB borrowings during the first quarter of 2024.

**Capital Resources and Liquidity Management**

*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 decreased $2.2 million, or 0.1%, to $3,225.3 million as of June 30, 2024, from $3,227.5 million as of December 31, 2023, due to an increase to the unrealized losses on available-for-sale securities through other comprehensive income, by stock repurchases of vested restricted shares tendered in lieu of cash for payment of income tax withholding amounts by participants, and by cash dividends paid, the majority of which was offset by the retention of earnings.

On July 24, 2024, the Company’s board of directors declared a dividend of $0.47 per common share, payable on August 15, 2024, to common stockholders of record as of August 5, 2024. The dividend equates to a 7.1% annual yield based on the $26.48 average closing pricing of the Company’s common stock during the second quarter of 2024.

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 June 30, 2024 and December 31, 2023, 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 “Note – Regulatory Capital” in the accompanying “Notes to Unaudited Consolidated Financial Statements” included in 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. 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, the issuance of securities, borrowings and other debt financing, and increases in client deposits.

For the six months ended June 30, 2024, net cash provided by operating activities was $169.9 million, net cash provided by investing activities was $713.3 million and net cash used in financing activities was $502.7 million. Major uses of cash were $452.4 million in outflows of deposits and $173.0 million in repayment of other borrowed funds. Major sources of cash included $262.6 million of advances in long-term debt and $700.3 million in investment security maturities and paydowns. Total cash and cash equivalents were $958.5 million as of June 30, 2024, compared to $578.0 million as of December 31, 2023. For additional information regarding our operating, investing, and financing cash flows, see the unaudited “Consolidated Statements of Cash Flows,” included in Part I – Financial Information, “Item 1 – Financial Statements.” For additional information regarding our deposits, see “Financial Condition – Deposits,” included in Part I – Financial Information, “Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

As a 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.

The Company continuously monitors our liquidity position and adjustments are made to the balance between sources and uses of funds as deemed appropriate. We are not aware of any events that are reasonably likely to have a material adverse effect on our liquidity, capital resources, or operations. In addition, we are not aware of any regulatory recommendations regarding liquidity, which if implemented, would have a material adverse effect on us. The Bank satisfies incremental liquidity needs with either liquid assets or external funding sources. Available liquidity includes cash, FHLB advances and FRB borrowings through the discount window. The Bank has pledged its investment securities portfolio to access wholesale funding as needed and does not intend to sell or restructure securities at this time.

Through the Bank’s relationship with the FHLB, the Bank owns $86.2 million of FHLB stock and has access to additional liquidity and funding sources through FHLB advances. The Bank’s borrowing capacity is dependent upon the amount of collateral the Bank places at the FHLB. As of June 30, 2024, the Bank had FHLB borrowings of $1,430.0 million with original tenors of one-year or less and $250.0 million with original tenors of greater than one-year. The Bank’s remaining borrowing capacity with the FHLB was $4,246.7 million as of June 30, 2024.

The Bank had a $1.0 billion advance through the BTFP as of June 30, 2024. As of June 30, 2024, the Bank’s borrowing capacity at the Federal Reserve Discount Window was $0.9 billion.

**Recent Accounting Pronouncements**

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

## Item 3.
## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This analysis should be read in conjunction with text under the caption “Quantitative and Qualitative Disclosures About Market Risk” in our Form 10-K, which text is incorporated herein by reference. Our analysis of market risk and market-sensitive financial information contains forward-looking statements and is subject to the disclosure at the beginning of “Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding such forward-looking information.

**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 and monitoring of interest rate risk are 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 the level of interest rates, changes in interest rates, the speed of 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.

*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 or non-parallel manner. 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.

The following table presents the net interest income simulation model’s projected change in net interest income over a one-year horizon due to a change in interest rates. The net interest income simulation assumes parallel shifts in the yield curve and a static balance sheet. The net interest income simulation also uses a “deposit beta” modeling assumption which is an estimate of the change in interest-bearing deposit pricing for a given change in market interest rates. In up-rate scenarios, the deposit beta assumption is 30% with the pricing change occurring in the first month of the net interest income simulation horizon. In down-rate scenarios, the deposit beta assumption is 50% with the pricing change occurring in the first month of the net interest income simulation horizon. Actual changes to deposit pricing may vary significantly from this assumption due to management actions, customer behavior, and market forces, which may have significant impacts to our net interest income. The net interest income simulations at June 30, 2024 project that interest-bearing liabilities reprice faster than our interest earning assets.

| **Change in Interest Rate** (basis points) | **Percent Change in Net Interest Income** June 30, 2024 |
|---|---|
| +200 | (5.41)% |
| +100 | (2.70) |
| -100 | 4.93 |
| -200 | 8.74 |

The preceding interest rate sensitivity analysis does not represent a forecast and should not be relied upon as being indicative of expected operating results.

The Company uses financial derivative instruments for management of interest rate sensitivity. In August 2022, the Company entered into two interest rate collars related to variable-rate loans that were designated as cash flow hedges with a total notional amount of $300.0 million. The collars designated as cash flow hedges synthetically fix the interest income received by the Company when the interest index falls below a floor rate on a rate reset and when the interest index exceeds the cap rate on a rate reset. In October 2022, the Company entered into four forward starting receive-fixed hedges related to pools of variable-rate loans and securities that were designated as cash flow hedges with a total notional amount of $850.0 million. The swaps designated as cash flow hedges synthetically fix the interest income received by the Company. For more information regarding these financial derivative instruments, see “Note - Derivatives and Hedging Activities” in the accompanying “Notes to Unaudited Consolidated Financial Statements” included in this report.

## Item 4.
## CONTROLS AND PROCEDURES

**Evaluation of Disclosure Controls and Procedures**

Our management, under the supervision and with the participation of the Chief Executive Officer (who is our principal executive officer) and Chief Financial Officer (who is our principal financial officer), evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of June 30, 2024. The term "disclosure controls and procedures" means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2024, our disclosure controls and procedures 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.

**Changes in Internal Control Over Financial Reporting**

We completed during the quarter ended June 30, 2024, the following remediation activities related to the combined deficiencies that aggregated into the material weakness previously identified by management in our Annual Report on Form 10-K for the year ended December 31, 2023;

We, included all fields relevant to financial reporting within the scope of the new deposit account quality assurance review; (ii) we improved the sampling procedures for the new deposit account quality assurance review to achieve additional precision and document the rationale for the scope of the sampling approach based on exception rates believed to be deemed reasonably acceptable and appropriate under the circumstances; (iii) we restricted the ability of an employee to edit relevant ‘keyword’ fields in the workflow system to eliminate the previously identified vulnerability in the segregation of duties configuration; (iv) we completed our review of the workflow system logs in an effort to identify potential instances of unauthorized changes to ‘keywords’ and investigate potential instances of segregation of duties violations, if any, related to deposit account maintenance and loan boarding and maintenance activity, finding no such instances; (v) we implemented a quality assurance process to add an additional layer of control prior to the finalization of each period’s user access reviews and enhanced written procedures for obtaining complete and accurate populations of user access reviews for each system with a manual population; (vi) we modified the timing of annual user access reviews; (vii) we documented attestations of acknowledgment for segregation of duties in change management; and (viii) we identified data transfers between systems specifically impacting the Company’s internal control over financial reporting and enhanced logging activities to demonstrate the effective execution of the control concerning such data transfers.

By virtue of our completion of the foregoing changes in our internal control over financial reporting, we believe that we have effectively remediated the combined deficiencies aggregating into the previously identified material weakness, based on the criteria and guidelines established in the *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, that our system of internal control over financial reporting is 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.

**Limitations on the Effectiveness of Controls and Procedures**

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

# PART II.
# OTHER INFORMATION

## Item 1. Legal Proceedings

The Company is involved in various claims, legal actions, and complaints which arise in the ordinary course of business. In the Company's opinion, all such matters are adequately covered by insurance, are without merit, or are of such kind, or involve such amounts, that unfavorable disposition would not have a material adverse effect on the financial condition or results of operations of the Company.

## Item 1A. Risk Factors

There have been no material changes in risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2023 during the period covered by this quarterly report.

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

(a) There were no unregistered sales of equity securities during the three months ended June 30, 2024.
(b) Not applicable.
(c) The following table provides information with respect to purchases made of our common stock by or on behalf of us or any "affiliated purchasers" (as defined in Rule 10b-18(a)(3) under the Exchange Act), during the three months ended June 30, 2024.

| 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 |
|---|---|---|---|---|
| April 1, 2024 to April 30, 2024 | 1,099 | $ 25.49 | — | — |
| May 1, 2024 to May 31, 2024 | 659 | 27.20 | — | — |
| June 1, 2024 to June 30, 2024 | — | — | — | — |
| Total | 1,758 | $ 26.13 | — | — |

[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 and 2023 Equity Compensation Plan.

## Item 3. Defaults upon Senior Securities

None.

## Item 4. Mine Safety Disclosures

Not applicable.

## Item 5. Other Information

Rule 10b5-1 Trading Plans

During the quarter ended June 30, 2024, none of the Company's directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

**Item 6. Exhibits**

| Exhibit Number | Description |
|---|---|
| 3.1 | Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-34653, filed on May 25, 2023) |
| 3.2 | Bylaws (incorporated herein by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q, File No. 001-34653, filed on May 3, 2024) |
| 10.1† | Amendment to the Company's 2023 Equity and Incentive Plan (incorporated herein by reference to Exhibit 99.2 to the Company's Registration Statement on Form S-8, File No. 333-279687, filed on May 23, 2024) |
| 10.2† | Letter Agreement with James R. Scott dated April 2, 2024 (incorporated herein by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, File No. 001-34653, filed on April 4, 2024) |
| 10.3*† | Transition and Separation Agreement by and between Kevin P. Riley, First Interstate BancSystem, Inc. and First Interstate Bank, effective July 8, 2024 |
| 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.INS* | 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. |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104* | Cover Page Interactive Data File - The cover page XBRL tags are embedded within the inline XBRL document (included in Exhibit 101) |

† Management contract or compensatory plan or arrangement.
* Filed herewith.
** Furnished herewith.

## SIGNATURES

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

FIRST INTERSTATE BANCSYSTEM, INC.

| | | | |
|---|---|---|---|
| Date: | August 2, 2024 | By: | /s/ KEVIN P. RILEY |
| | | | Kevin P. Riley<br>President and Chief Executive Officer |
| Date: | August 2, 2024 | By: | /s/ MARCY D. MUTCH |
| | | | Marcy D. Mutch<br>Executive Vice President and Chief Financial Officer |

**Exhibit 10.3**

## TRANSITION AND SEPARATION AGREEMENT AND GENERAL RELEASE

This Transition and Separation Agreement and General Release (the “Agreement”) is entered into by and among Kevin P. Riley (“Employee”), First Interstate BancSystem, Inc. (the “Company”) and First Interstate Bank (the “Bank” and, together with the Company, “First Interstate”) with the Agreement to be effective as of July 8, 2024 (the “Effective Date”).

### RECITALS

Whereas, Employee serves as Chief Executive Officer of First Interstate (the “CEO”) pursuant to an employment agreement (the “Employment Agreement”), dated as of August 19, 2021, entered into by and between the Company, Bank and Employee (collectively, the “Parties”);

Whereas, Employee will continue to serve as the CEO for a Transition Period (as defined below) pursuant to the terms of this Agreement;

Whereas, Employee and First Interstate acknowledge and agree that at the end of the Transition Period, Employee will cease to provide services to First Interstate; and

Whereas, Employee and First Interstate acknowledge and agree that they desire to enter into this Agreement setting forth the terms and conditions of Employee’s transition through a period of time in order to support a smooth succession and subsequently terminating his employment with First Interstate pursuant to the terms the Employment Agreement.

Now, therefore, in consideration of the mutual promises and covenants set forth herein, Employee and First Interstate hereby agree as follows:

### AGREEMENT

1. **Transition Period.** Employee will continue to serve as the Chief Executive Officer during the period (the “Transition Period”) from July 8, 2024 (the “Transition Date”) through the date on which a new Chief Executive Officer commences employment with First Interstate or such other date as determined by the Board of Directors of the Company (the “Board”); provided that in no event shall such date occur earlier than January 1, 2025 or, unless otherwise mutually agreed to by Employee and the Company, later than June 30, 2025 (such date, the “Specified Separation Date”). Notwithstanding the foregoing, the Board may terminate Employee’s employment for Cause (as defined in the Employment Agreement and modified by Section 1(f) below) at any time without prior notice to Employee and the Consulting Period pursuant to Section 3 shall never commence. The actual date of Employee’s termination of employment under this Agreement shall be referred to herein as the “Separation Date”.

a) During the Transition Period, Employee shall continue to report to the Board and shall have duties and responsibilities that are substantially the same as his existing duties and responsibilities, subject to the parameters set forth on Appendix A hereto (the “Transition Duties”).

b) During the Transition Period, Employee shall (i) receive Employee's base salary at the rate in effect as of the date hereof and (ii) continue to participate in First Interstate's annual short term incentive award based on Employee's target short term incentive opportunity, in an amount determined by the Board based on First Interstate's actual achievement of business performance objectives and Employee's achievement of personal performance objectives in a manner consistent with how such objectives are determined for other executive officers of First Interstate (prorated for any partial period) and paid at the same time as short term incentive awards are paid to executive officers of First Interstate (provided that Employee shall not be required to be employed on the bonus payment date to be entitled to receive a pro rated annual short term incentive award). Employee shall not be eligible to be granted any long-term incentive awards during the Transition Period.

c) During the Transition Period, Employee shall continue to accrue paid vacation and shall remain eligible for all employee benefit plans available to executive officers of First Interstate through the Separation Date. First Interstate shall also continue to reimburse Employee for all reasonable business expenses incurred by Employee in the course of performing his Transition Duties in accordance with Company policies applicable to executive officers of First Interstate.

d) All payments made to Employee during the Transition Period shall occur on customary payment dates and will be subject to standard payroll deductions and withholdings.

e) The parties agree that none of the changes set forth in this Agreement shall constitute or give rise to "Good Reason" as defined in the Employment Agreement.

f) For purposes of Employee's rights under this Agreement, "Cause", as defined in the Employment Agreement, shall be modified to include a material breach by Employee of any provision of this Agreement, including, without limitation, in connection with performing the Transition Duties.

2. **Separation of Employment.** Employee and First Interstate agree that, subject to the execution and non-revocation of the Reaffirmation (as set forth on Exhibit A) and provided that Employee's employment is not terminated for Cause and Employee does not resign employment with First Interstate without Good Reason prior to the Specified Separation Date, Employee will be entitled to the following in full satisfaction of, Section 4 of the Employment Agreement (and, to the extent applicable, Section 5 of the Employment Agreement). For the avoidance of doubt, if Employee's employment is terminated by the Company without Cause or due to Employee's death or Disability (as defined in the Employment Agreement), Employee shall be entitled to the payments and benefits set forth in this Section 2.

a) First Interstate will provide Employee with $3,558,949 less required withholding, payable over eighteen (18) months (subject to any required delay pursuant to Section 19 of this Agreement). Payments under this Section 2 will be paid in equal installments at the times and in the manner consistent with First Interstate's payroll practices for executive employees. First Interstate shall not be obligated to make any payments or provide any benefits under this Agreement until after the revocation period provided in Section 12 of this Agreement has expired.

b) First Interstate shall provide for twenty-four (24) months, at First Interstate's expense, nontaxable medical (including any employer contributions to a health savings account), health, vision and dental coverage substantially comparable, as reasonably available, to the coverage maintained by First Interstate for Employee prior to Employee's termination, except to the extent such coverage may be changed in its application to all First Interstate's employees and then the coverage provided to Employee shall be commensurate with such changed coverage. Notwithstanding the foregoing, if applicable law (including, but not limited to, laws prohibiting discriminating in favor of highly compensated employees), or, if participation by Employee is not permitted under the terms of the applicable health plans, or if providing such benefits would subject First Interstate to penalties, then First Interstate shall pay Employee a cash lump sum payment reasonably estimated to be equal to the premiums for such nontaxable medical, health, vision and dental coverage, with such payment to be made by lump sum within thirty (30) business days of the Separation Date, or if later, the date on which First Interstate determines that such insurance coverage (or the remainder of such insurance coverage) cannot be provided for the foregoing reasons.

c) For purposes of this Agreement, the parties agree that a "Separation from Service" as contemplated by Treasury Regulation Section 1.409A-1(h)(ii) shall occur on the Separation Date.

d) As soon as practicable following the Separation Date, payment for all earned wages, paid time off and reimbursable expenses will be deposited into Employee's account.

e) Other than the obligations of First Interstate as set forth under the terms of this Agreement, including with respect to the Consulting Period, or under a benefit, retirement (including the Company's Deferred Compensation Plan), or equity plan sponsored or maintained by First Interstate, Employee represents and agrees that, as of the Separation Date, Employee shall not be entitled to any other wages, salary, bonuses, or any other compensation or reimbursements from First Interstate including, but not limited, to compensation under the Employment Agreement.

f) Effective as of the Separation Date, Employee's employment with First Interstate and all of its affiliates and status as a director or an officer of First Interstate and all of its affiliates shall terminate and Employee shall cease to be an employee and an officer of all of the foregoing and Employee agrees to take all actions reasonably requested by First Interstate in order to effect the forgoing.

g) In the event of the consummation of a Change in Control (as defined in the Employment Agreement) prior to the Separation Date or during the six (6) month period immediately following the Separation Date:

(i) the aggregate payment to Employee described in Section 2(a) of this Agreement, shall be increased to an amount equal to $6,458,367 (taking into account any amounts paid prior to the date of the transactions contemplated by Section 2(g)), payable in accordance with Section 2(a);

(ii) First Interstate shall provide the benefits set forth in Section 2(b) for thirty-six (36) months (rather than twenty-four (24) months), and such benefits shall otherwise be provided in accordance with Section 2(b); and

(iii) Section 5(e) shall continue to apply and be incorporated by reference into this Agreement.

3. **<u>Consulting Period.</u>**

a) Provided that Employee's employment is not terminated for Cause, Employee does not resign employment with First Interstate without Good Reason prior to the Specified Separation Date nor is Employee's employment terminated due to death or Disability prior to the Specified Separation Date, from and following the Separation Date through the first anniversary of the Separation Date (or such earlier date as determined pursuant to this Section 3) (such applicable date, the "Consulting Period End Date," and such period between the Separation Date through the Consulting Period End Date, the "Consulting Period"), Employee shall serve as a non-employee consultant to the Company providing such transition and advisory services to the Company, as may be reasonably requested by the Company from time to time during the Consulting Period (the "Services"). During the Consulting Period, Employee shall receive a cash consulting fee of $70,833 per month (the "Consulting Fee"), with such Consulting Fee to be prorated for any partial months during the Consulting Period. As a condition to receiving the Consulting Fee and any other benefits relating to his services as a consultant, Employee must execute and not revoke the Reaffirmation.

b) The Consulting Period may be terminated by Employee prior to the Consulting Period End Date upon 30 days prior written notice to the Company. Employee agrees and acknowledges that, subject to the exceptions set forth in Section 8 (Whistleblower Protections) and Section 9 (Defend Trade Secrets Act), Employee shall not use or disclose any Confidential Information (as defined in the Employment Agreement) made available to Employee or to which Employee has access to during the Consulting Period. The Consulting Period may be terminated by the Company prior to the Consulting Period End Date upon 30 days prior written notice to Employee; provided, that in the event that the Consulting Period is terminated by the Company prior to the Consulting Period End Date without Cause, the Company shall, subject to Employee's execution and non-revocation of the Reaffirmation, continue to pay the Consulting Fee through the first anniversary of the Separation Date.

c) It is understood and agreed that Employee shall perform the Services as an independent contractor, and this Agreement is not intended by the parties to establish an employment relationship. Employee may not, at any time, act as a representative for or on behalf of the Company or its affiliates for any purpose or transaction, and may not bind or otherwise obligate the Company or its affiliates in any manner whatsoever without obtaining the prior written approval of the Company therefor. Employee shall be solely responsible for the payment of any federal, state or local income, withholding or payroll taxes owed by

Employee solely due to the receipt of compensation for providing services as a consultant under this Agreement, and shall indemnify, defend and hold harmless the Company and its affiliates, officers, directors, employees, agents, successors and assigns from any claims, assessments or liabilities from a taxing authority relating to any such taxes. In his capacity as a consultant, Employee shall not be entitled to participate in any employee benefit plans of the Company or any of its affiliates (provided that Employee may participate in the benefit plans of the Company and its affiliates in his status as a former employee of the Company where applicable).

4. **Employee Protection.** Nothing in this Agreement or otherwise limits Employee’s ability to communicate directly with and provide information, including documents, not otherwise protected from disclosure by any applicable law or privilege to the Securities and Exchange Commission (the “SEC”) or any other federal, state, local or international governmental agency or commission (“Government Agency”) regarding possible legal violations, without disclosure to First Interstate. First Interstate may not retaliate against Employee for any of these activities, and nothing in this Agreement or otherwise requires Employee to waive any monetary award or other payment that Employee might become entitled to from the SEC or any other Government Agency.

5. **Release in Full of all Claims.**

a) For purposes of this Agreement, “Released Parties” means First Interstate and any of its past and present affiliated or related corporations, banks, and businesses; its predecessors and successors; and its past and present trustees, directors, officers, board members, agents, representatives, employees, and attorneys, past and present, and any other person or entity who might be claimed to be liable, including the marital estate of the Released Party.

b) Section 4(b) of the Employment Agreement requires Employee to execute a release of legal claims in favor of First Interstate in order to receive the compensation and benefits described in Section 2 of this Agreement. This release satisfies Section 4(b) of the Employment Agreement and in consideration for the payments and benefits by First Interstate to Employee set forth in this Agreement, Employee agrees that Employee will comply with the terms set forth in this Agreement; and Employee hereby acknowledges full and complete satisfaction of and fully releases and forever discharges the Released Parties from any and all claims, obligations, duties, damages or liabilities, known or unknown, arising out of or in any way related to Employee’s employment with First Interstate, including without limitation, state and federal common law or statutory claims regulating employment; and any and all tort, contract, common law, or statutory claims of any kind whatsoever. Specifically, the claims Employee is releasing hereby include, but are not limited to:

(i) Claims for discrimination or retaliation,

(1) on the basis of taking a leave of absence, including in violation of the Family and Medical Leave Act, and its state equivalent, and any state or local paid sick leave laws; workers' compensation statutes; the Americans with Disabilities

Act, as amended, and its state equivalent; USERRA; any federal, state or local laws protecting sick, injured, or disabled workers; or

(2) on the basis of a denial of leave under any local, state or federal law allowing for such leave; or

(3) on the basis of race, color, sex, national origin, ancestry, religion, marital status, sexual orientation or any other characteristic protected under applicable law, including claims of harassment (including in violation of Title VII of the Civil Rights Act, or similar state or local law); or

(4) on the basis of age (including in violation of the Age Discrimination in Employment Act ("ADEA"), as amended, or similar state law); or

(5) on the basis of disability (including in violation of the Americans with Disabilities Act, as amended, or similar state law); or

(6) on the basis of sexual orientation, marital status, parental status, pregnancy, veteran status, source of income, entitlement to benefits, genetic information, concerted activities, or any other status protected by local, state or federal laws, constitutions, regulations, ordinances or executive orders; or

(7) on the basis of aiding, abetting, inciting, coercing, or compelling with respect to any claim;

(ii) Violations of Employee Retirement Income Security Act (ERISA) or the Consolidated Omnibus Budget Reconciliation Act (COBRA) or similar state law; or

(iii) Violation of the Occupational Health and Safety Act (OSHA) or similar state law; or

(iv) Claims for breach of contract related to personnel policies, procedures, handbooks, any covenant of good faith and fair dealing, or any express or implied contract of any kind; or

(v) Violations of public policy, state, federal or local statutory and/or common law, including but not limited to claims for: personal injury; invasion of privacy; retaliatory discharge; wrongful discharge; negligent hiring, retention or supervision; defamation; intentional or negligent infliction of emotional distress and/or mental anguish; intentional interference with contract; negligence; detrimental reliance; loss of consortium to Employee or any member of his family; and/or promissory estoppel; or

(vi) Any obligation of First Interstate for any reason to pay Employee damages, penalties, expenses, litigation costs (including attorneys' fees), back pay, front pay, disability or other benefits (other than any accrued pension benefits), wages, salary, benefits or other additional compensation, compensatory damages, punitive damages, and/or interest.

c) The Parties acknowledge further that in the event Employee brings a claim in which Employee seeks damages against a Released Party or in the event Employee seeks to recover against a Released Party in any claim brought by a Government Agency on Employee's behalf, this release shall serve as a complete defense to any such claims. Employee waives the right to recover any money or other compensation in connection with a governmental charge or investigation and will remit any monies recovered in any such action to First Interstate.

d) Excluded from the released claims above are:

(i) Claims which Employee cannot waive by law;

(ii) Claims for breach of this Agreement;

(iii) Claims, which arise after the date Employee signs this Agreement;

(iv) Employee's right to file a charge with an administrative agency or to participate in any agency investigation, subject to the limitations in Section 4 and Section 5(c);

(v) Claims for benefits under tax-qualified plans or other benefit plans in which Employee is vested (including claims under retirement or equity plans sponsored or maintained by First Interstate or the Company's Deferred Compensation Plan); and

(vi) Claims with respect to indemnification, contribution, advancement of expenses and/or coverage under any director and officer or other insurance policy.

e) Subject to the second sentence of this Section 5(e). First Interstate, on behalf of itself, its subsidiaries and controlled affiliates, hereby acknowledges full and complete satisfaction of and releases and forever discharges Employee from any and all claims, obligations, duties, damages or liabilities, known or unknown, arising out of or in any way related to Employee's employment with First Interstate, including without limitation, state and federal common law or statutory claims regulating employment; and any and all tort, contract, common law, or statutory claims of any kind whatsoever. Notwithstanding the foregoing, First Interstate does not release Employee from claims arising out of or attributable to: (i) events, acts, or omissions taking place after the date hereof; (ii) Employee's breach of the terms and conditions of the Agreement; and (iii) any criminal activities, misconduct or gross negligence by Employee occurring during the Employee's employment with First Interstate, resulting in harm to First Interstate.

6. **Return of Property.** Employee will return to First Interstate all documents, correspondence, reports, files, memoranda, manuals, ledgers, and records of any kind whatsoever; credit cards and passes; door and file keys; equipment; computer hardware; software; files and disks; password or logons to First Interstate's social media platforms; and other physical property that Employee received or prepared or helped prepare in connection with Employee's employment and that Employee had in Employee's possession. Employee

represents that Employee has not retained and will not retain any copies, duplicates, reproductions, or excerpts thereof.

7. **Confidential Information.** Employee will not discuss with any other persons any confidential or proprietary information relating to the business of the Released Parties, to which Employee may have become privy while employed by First Interstate.

8. **Survival of Non-Solicitation and Other Covenants.** Section 11 of the Employment Agreement, captioned "Post-Termination Obligations," which includes, but is not limited to, an eighteen (18) month post-Separation Date non-solicitation restriction, a non-competition provision and confidentiality restrictions, is hereby incorporated by reference herein and remains in full force and effect, with the "Termination Date" set forth in the Employment Agreement to be the "Separation Date" set forth in this Agreement and Section 11(f) shall be deemed to apply to the payments described in Sections 2 and 3 of this Agreement.

9. **No Admission of Liability.** This Agreement will not in any way be construed as an admission by the Released Parties that they have acted wrongfully with respect to Employee or any other person, or that Employee has any claims whatsoever against the Released Parties, and the Released Parties specifically disclaim any liability to or wrongful acts against Employee or any other person.

10. **Resignation.** Upon Employee's termination of employment in accordance with Section 2 of this Agreement, Employee's service as a director of the Company and as an officer or director of any affiliate of First Interstate (including, without limitation, the First Interstate Foundation Board) shall immediately terminate. This Section 10 shall constitute a resignation notice for such purposes (provided that, for the avoidance of doubt, Section 7 of the Employment Agreement shall not be deemed to apply as a result).

11. **Waiver.** This agreement contains a waiver of Employee's rights and claims under the ADEA. The waiver must be knowing and voluntary, which means, as a minimum, that Employee understands that:

a) the waiver is part of an agreement between Employee and First Interstate and is written so that Employee understands it;

b) the waiver specifically refers to rights or claims under the ADEA;

c) Employee does not waive any rights or claims that may arise after execution of this Agreement;

d) Employee's waiver is in exchange for consideration that is more valuable than what Employee is already entitled to;

e) Employee is advised to consult with an attorney prior to executing this Agreement;

f) Employee has up to 21 days after receipt of this Agreement and its accompanying disclosures to decide whether to execute it ("Consideration Period").

Should Employee execute the Agreement prior to the expiration of the 21 day Consideration Period, Employee has knowingly waived his right to consider the Agreement for 21 days; and

g) By executing this Agreement, Employee acknowledges that Employee understands the above points, and represents that Employee's waiver is knowing and voluntary.

12. **Revocation.** Employee hereby acknowledges and understands that Employee shall have seven (7) days from the date of Employee's execution of this Agreement to revoke this Agreement (including, without limitation, any and all claims arising under the ADEA) by providing written notice of revocation delivered to Rachel Turitto, Executive Vice President and Chief Human Resources Officer of First Interstate, no later than 5:00 p.m. on the seventh day after Employee has signed the Agreement. In addition, Employee acknowledges and understands that Employee shall have seven (7) days from the date of the Reaffirmation, to revoke such Reaffirmation; *provided* that any revocation of the Reaffirmation shall revoke only Employee's release of claims that were not otherwise released upon his initial execution and non-revocation of this Agreement. Neither First Interstate nor any other person is obligated to provide any payments or benefits to Employee pursuant to Section 1 or Section 2 of this Agreement, or the Reaffirmation, as applicable, without Employee having revoked this Agreement. If Employee revokes this Agreement pursuant to this Section 12, Employee shall be deemed not to have accepted the terms of this Agreement, and no action shall be required of First Interstate under any section of this Agreement. This Agreement and the Reaffirmation, in each case, will not become effective and enforceable until the eighth day after Employee's signature (if not revoked pursuant to the terms of this paragraph).

13. **Cooperation.** During the Transition Period and thereafter, upon request from First Interstate, Employee agrees to cooperate with First Interstate in the defense of any claims or actions that may be made by or against any member of First Interstate, or in connection with any governmental investigation or proceeding, in each case that relates to Employee's actual or prior areas of responsibility; *provided that*, First Interstate shall make reasonable efforts to minimize disruption of Employee's other activities and shall pay or reimburse Employee for any reasonable, pre-approved travel and other direct expenses reasonably incurred by Employee following the end of the Transition Period to comply with Employee's obligations under this Section 13.

14. **No Disparagement or Harm.** Employee agrees not to criticize, denigrate or disparage First Interstate or any one of its products, services or practices or those associated with First Interstate, including, without limitation, any employees, officers or directors of First Interstate. First Interstate agrees not to publish any statement that would, and to instruct each executive officer and each member of the Board of First Interstate, not to denigrate or disparage Employee. The foregoing shall not be violated by truthful statements in response to legal process, required governmental testimony or filings, or administrative or arbitral proceedings (including depositions in connection with such proceedings or other legally protected disclosures or communications).

15. **No Representations.** Employee acknowledges that Released Parties have not made and do not make any representations regarding the tax consequences of this Agreement

or any payments made hereunder. First Interstate will make the normal employer contributions including FICA, Medicare, workers' compensation, and unemployment insurance related to the payments due hereunder, except with respect to the payments made pursuant to Section 3 relating to the Consulting Period.

16. **Full and Independent Knowledge/No Representations.** First Interstate hereby advises Employee to have this Agreement reviewed by independent counsel. Employee enters into this Agreement with full knowledge of the situation, without any representation of any kind being made by First Interstate or its representatives, other than those contained herein. Employee represents and agrees that Employee has carefully read and fully understands all of the provisions of this Agreement, and that Employee is voluntarily entering into this Agreement.

17. **Legal Fee Reimbursement.** Upon presentation of reasonable documentation, First Interstate shall reimburse Employee for reasonable and customary attorneys' fees incurred in connection with the review and finalization of this Agreement, up to a maximum amount of $25,000 in the aggregate.

18. **Miscellaneous**

a) This Agreement is made and entered into in the State of Montana and must in all respects be interpreted, enforced, and governed under the laws of the State of Montana.

b) Any action or proceeding arising out of this Agreement will be litigated in courts located in Yellowstone County, Montana. Each party consents and submits to the jurisdiction of any local, state, or federal court located in Yellowstone County, Montana.

c) If any action, suit, or proceeding is instituted to interpret, enforce, or rescind this Agreement, or otherwise in connection with the subject matter of this Agreement, including but not limited to any proceeding brought under the United States Bankruptcy Code, the prevailing party on a claim will be entitled to recover with respect to the claim, in addition to any other relief awarded, the prevailing party's reasonable attorney's fees and other fees, costs, and expenses of every kind incurred in connection with the arbitration, action, suit, or proceeding, any appeal or petition for review, the collection of any award, or the enforcement of any order, as determined by the arbitrator or court.

d) The terms and provisions of this Agreement are contractual and comprise the entire agreement between the parties. This Agreement supersedes any and all prior agreements or understandings between the parties pertaining to the subject matter of this Agreement.

e) Nothing contained in this Agreement is intended to violate any applicable law, rule or regulation. If any part of this Agreement is construed to be in violation of a federal, state or local law, rule or regulation by the highest court to which the matter is appealed by any of the Released Parties, then that part shall be null and void, but the balance of the provisions of this Agreement shall remain in full force and effect.

19. **Section 409A**.

a) It is intended that any amounts payable under this Agreement and First Interstate and Employee's exercise of authority or discretion hereunder shall either be exempt from or comply with Section 409A of the Internal Revenue Code, including the Treasury regulations and other published guidance relating thereto (the "Code"), so as not to subject Employee to payment of any interest or additional tax imposed under Section 409A of the Code ("Section 409A"). To the extent that any amount payable under a First Interstate benefit plan or agreement would trigger any additional tax, penalty or interest imposed by Section 409A, First Interstate shall use reasonable efforts to modify such plan or agreement to the extent necessary to avoid such additional tax, penalty or interest yet preserve (to the nearest extent reasonably possible) the intended benefit payable to Employee.

b) If at the time of Employee's separation from service, Employee is a "specified employee," as hereinafter defined, any and all amounts payable under this Agreement in connection with such separation from service that constitute deferred compensation subject to Section 409A, as determined by First Interstate in its sole discretion, and that would (but for this sentence) be payable within six months following such separation from service, shall instead be paid on the date that follows the date of such separation from service by six months. For purposes of the preceding sentence, "separation from service" shall be determined in a manner consistent with subsection (a)(2)(A)(i) of Section 409A and the term "specified employee" shall mean an individual determined by First Interstate to be a specified employee as defined in subsection (a)(2)(B)(i) of Section 409A.

c) Notwithstanding anything to the contrary herein, to the extent required by Section 409A, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A. For purposes of Section 409A, each payment made under this Agreement shall be designated as a "separate payment" within the meaning of Section 409A. Notwithstanding anything to the contrary herein, except to the extent any expense, reimbursement or in-kind benefit provided pursuant to this Agreement does not constitute a "deferral of compensation" within the meaning of Section 409A, (i) the amount of expenses eligible for reimbursement or in-kind benefits provided to Employee during any calendar year shall not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to Employee in any other calendar year, (ii) the reimbursements for expenses for which Employee is entitled to be reimbursed shall be made on or before the last day of the calendar year following the calendar year in which the applicable expense is incurred and (iii) the right to payment or reimbursement or in-kind benefits hereunder may not be liquidated or exchanged for any other benefit.

20. **EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE HAS FULLY READ AND FULLY UNDERSTANDS THIS AGREEMENT; THAT EMPLOYEE ENTERED INTO IT FREELY AND VOLUNTARILY AND WITHOUT COERCION OR PROMISES NOT CONTAINED IN THIS AGREEMENT; THAT EMPLOYEE WAS GIVEN THE OPPORTUNITY TO REVIEW THIS AGREEMENT WITH LEGAL COUNSEL OF EMPLOYEE'S CHOICE BEFORE SIGNING IT; AND THAT EMPLOYEE CONSULTED WITH AN ATTORNEY PRIOR TO SIGNING IT.**

DATED: This 8th day of July, 2024.

/s/ KEVIN RILEY
Kevin P. Riley

Agreed to by First Interstate BancSystem, Inc.

| | |
|---|---|
| /s/ Biff Bowman | 7/8/2024 |
| Stephen B. Bowman<br>Chair of the Board of Directors | Date |

Agreed to by First Interstate Bank

| | |
|---|---|
| /s/ Kirk Jensen | 7/8/2024 |
| Kirk D. Jensen<br>EVP, General Counsel, Corporate Secretary | Date |

**Exhibit 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**

I, Kevin P. Riley, certify that :

1. I have reviewed this quarterly report on Form 10-Q of First Interstate BancSystem, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions);
   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: August 2, 2024

/s/ KEVIN P. RILEY
Kevin P. Riley
President and Chief Executive Officer

**Exhibit 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**

I, Marcy D. Mutch, certify that :

1. I have reviewed this quarterly report on Form 10-Q of First Interstate BancSystem, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions);
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: August 2, 2024

/s/ MARCY D. MUTCH
Marcy D. Mutch
Executive Vice President and Chief Financial Officer

**Exhibit 32**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350**

The undersigned are the Chief Executive Officer and the Chief Financial Officer of First Interstate BancSystem, Inc. (the "Registrant"). This Certification is made pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This Certification accompanies the Quarterly Report on Form 10-Q of the Registrant for the quarter ended June 30, 2024.

We certify that, based on our knowledge, such Quarterly Report on Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

This Certification is executed as of August 2, 2024.

/s/ KEVIN P. RILEY
Kevin P. Riley
President and Chief Executive Officer

/s/ MARCY D. MUTCH
Marcy D. Mutch
Executive Vice President and Chief Financial Officer