FIRST INTERSTATE BANCSYSTEM INC
Form S-1/A
March 23, 2010

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As filed with the Securities and Exchange Commission on March 22, 2010

Registration No. 333-164380

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

Amendment No. 3
to
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

First Interstate BancSystem, Inc.
(Exact name of registrant as specified in its charter)

Montana	**6022**	**81-0331430**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

401 North 31st Street
Billings, Montana 59116
(406) 255-5390
(Address, including zip code and telephone number, including area code, of registrant s principal executive offices)

Terrill R. Moore
Executive Vice President and Chief Financial Officer
401 North 31st Street
Billings, Montana 59116
(406) 255-5390
(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies to:

David G. Angerbauer, Esq.
Scott A. Berdan, Esq.
Holland & Hart LLP
60 E. South Temple, Suite 2000
Salt Lake City, UT 84111-1031
(801) 799-5800

Lee Meyerson, Esq.
Lesley Peng, Esq.
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017-3954
(212) 455-2000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

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

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

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

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ	Smaller reporting company o
		(Do not check if a smaller reporting company)	

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered[1]	Proposed Maximum Offering Price per Share[2]	Proposed Maximum Aggregate Offering Price[2]	Amount of Registration Fee[3]
Class A Common Stock	10,005,000 shares	$16.00	$160,080,000	$11,414

(1) Includes 1,305,000 shares of Class A common stock issuable upon exercise of the underwriters option.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(3) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated March 22, 2010

PROSPECTUS

8,700,000 Shares

Class A Common Stock

This is the initial public offering of the Class A common stock of First Interstate BancSystem, Inc. We are offering 8,700,000 shares of our Class A common stock. No public market currently exists for our Class A common stock.

Our Class A common stock has been approved for listing on the NASDAQ Stock Market under the symbol FIBK.

Following this offering, we will have two classes of authorized common stock, Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to five votes per share and is convertible at any time into one share of Class A common stock.

We anticipate that the initial public offering price will be between $14.00 and $16.00 per share.

Investing in our Class A common stock involves risks. See Risk Factors beginning on page 10 of this prospectus.

	Per Share	**Total**
Price to the public	**$**	**$**
Underwriting discounts and commissions	**$**	**$**
Proceeds to us (before expenses)	**$**	**$**

We have granted the underwriters the option to purchase an additional 1,305,000 shares of Class A common stock from us on the same terms and conditions set forth above if the underwriters sell more than 8,700,000 shares of Class A common stock in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

These securities are not savings accounts, deposits or obligations of any bank and are not insured by the Federal Deposit Insurance Corporation or any other government agency.

Barclays Capital, on behalf of the underwriters, expects to deliver the shares on or about , 2010.

Barclays Capital

D.A. Davidson & Co.

Keefe, Bruyette & Woods **Sandler O Neill + Partners, L.P.**

Prospectus dated , 2010

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ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We and the underwriters have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell and seeking offers to buy, shares of Class A common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our Class A common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

Unless otherwise indicated or the context requires, all information in this prospectus:

- **assumes that the underwriters option is not exercised;**
- **assumes an initial offering price of $15.00 per share (the midpoint of the estimated public offering price set forth on the cover page of this prospectus); and**
- **gives pro forma effect to a recapitalization of our previously-existing common stock, which occurred on March 5, 2010, and which included (1) a 4-for-1 split of the previously-existing common stock; (2) the redesignation of the previously-existing common stock as Class B common stock; and (3) the creation of a new class of common stock designated as Class A common stock. We refer to the new Class A common stock and Class B common stock together in this prospectus as the common stock.**

INDUSTRY AND MARKET DATA

This prospectus includes industry and government data and forecasts that we have prepared based, in part, upon industry and government data and forecasts obtained from industry and government publications and surveys. These sources include publications and data compiled by the Board of Governors of the Federal Reserve System, or Federal Reserve, the Federal Deposit Insurance Corporation, or FDIC, the Bureau of Labor Statistics and SNL Financial LC. For example, when we refer to our UBPR peer group in this prospectus, we mean the group of FDIC-insured bank holding companies with assets between $3 billion and $10 billion included in our Uniform Bank Performance Report, as reported by the Federal Reserve and the FDIC.

Third-party industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. While we are responsible for the adequacy and accuracy of the disclosure in this prospectus, we have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Forecasts are particularly likely to be inaccurate, especially over long periods of time. While we are not aware of any misstatements regarding the industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the section captioned Risk Factors.

SUMMARY

The following is a summary of certain material information contained in this prospectus. This summary does not contain all the information that you should consider before investing in our Class A common stock. You should read the entire prospectus carefully, especially the Risk Factors section, the consolidated financial statements and the accompanying notes included in this prospectus, as well as the other documents to which we refer you. When we refer to we, our, us or the Company in this prospectus, 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 in this prospectus, we mean First Interstate Bank.

OUR COMPANY

We are a financial and bank holding company headquartered in Billings, Montana. As of December 31, 2009, we had consolidated assets of $7.1 billion, deposits of $5.8 billion, loans of $4.5 billion and total stockholders equity of $574 million. We currently operate 72 banking offices in 42 communities located in Montana, Wyoming and western South Dakota. Through the Bank, we deliver a comprehensive range of banking products and services to individuals, businesses, municipalities and other entities throughout our market areas. Our customers participate in a wide variety of industries, including energy, healthcare and professional services, education and governmental services, construction, mining, agriculture, retail and wholesale trade and tourism.

Our company was established on the principles and values of our founder, Homer Scott, Sr. In 1968, Mr. Scott purchased the Bank of Commerce in Sheridan, Wyoming and began building his vision of a premier community bank committed to serving the local communities in Wyoming, Montana and surrounding areas. Over the past 42 years, we have expanded from one banking office to 72 branch locations through organic, de novo and acquisition-based growth, including the purchase of First Western Bank s 18 offices in western South Dakota in January 2008. Our growth has resulted from our adherence to the principles and values of our founder and the alignment of these principles and values among our management, directors, employees and stockholders.

Our Competitive Strengths

Since our formation, we have grown our business by adhering to a set of guiding principles and a long-term disciplined perspective that emphasizes our commitment to providing high-quality financial products and services, delivering quality customer service, effecting business leadership through professional and dedicated managers and employees, assisting our communities through socially responsible leadership and cultivating a strong and positive corporate culture. We believe the following are our competitive strengths:

Attractive Footprint The states in which we operate, Montana, Wyoming and South Dakota, have all displayed stronger economic trends and asset quality characteristics relative to the national averages during the recent economic downturn. In particular, the markets we serve have diversified economies and favorable growth characteristics. Notwithstanding challenging market conditions nationally and elsewhere in the West, we have experienced sustained profitability and stable growth due, in part, to our presence in these states.

Market Leadership As of June 30, 2009, the most recent available published data, we were ranked first by deposits in 53% of our metropolitan statistical areas, or MSAs, and were ranked one of the top three depositories in 87% of our MSAs, as reported by SNL Financial. We were also ranked as of June 30, 2009, first by deposits in Montana, second in Wyoming and either first or second in each of the counties we serve in western South Dakota. We believe our

market leading position is an important factor in maintaining long-term customer loyalty and community relationships. We also believe this

leadership provides us with pricing benefits for our products and services and other competitive advantages.

Proven Model with Branch Level Accountability Our growth and profitability are due, in part, to the implementation of our community banking model and practices. We support our branches with resources, technology, brand recognition and management tools, while at the same time encouraging local decision-making and community involvement. Our 28 local branch presidents and their teams have responsibility and discretion, within company-wide guidelines, with respect to the pricing of loans and deposits, local advertising and promotions, loan underwriting and certain credit approvals. We enhance this community banking model with monthly reporting focused on branch-level accountability for financial performance and asset quality, while providing regular opportunities for the sharing of information and best practices among our local branch management teams.

Disciplined Underwriting and Credit Culture A vital component of the success of our company is maintaining high asset quality in varying economic cycles. This results from a business model that emphasizes local market knowledge, strong customer relationships, long-term perspective and branch-level accountability. Moreover, we have developed conservative credit standards and disciplined underwriting skills to maintain proper credit risk management. By maintaining strong asset quality, we are able to reduce our exposure to significant loan charge-offs and keep our management team focused on serving our customers and growing our business.

Stable Base of Core Deposits We fund customer loans and other assets principally with core deposits from our customers consisting of checking and savings accounts, money market deposit accounts and time deposits (certificates of deposit) below $100,000. We do not generally utilize brokered deposits and do not rely heavily on wholesale funding sources. At December 31, 2009, our total deposits were approximately $5.8 billion, 83% of which were core deposits. Our core deposits provide us with a stable funding source while generating opportunities to build and strengthen our relationships with our customers. Furthermore, we believe that over long periods of time covering different economic cycles, our core deposits will continue to provide us with a relatively low cost of funds, an advantage that we anticipate will become more pronounced if interest rates rise.

Experienced and Talented Management Team Our success has been built, beginning with our formation as a family-owned and operated commercial bank, upon a foundation of strong leadership. The Scott family has provided effective leadership for many years and has successfully integrated a management team of seasoned banking professionals. Members of our current executive management team have, on average, over 30 years of experience in the community or regional banking industry. Furthermore, our banking expertise is broadly dispersed throughout the organization, including 28 experienced branch presidents with oversight responsibility for multiple banking offices. The Scott family, members of which own a majority of our stock, is committed to our long-term success and plays a significant role in providing leadership and developing our strategic vision.

Sustained Profitability and Favorable Stockholder Returns We focus on long-term financial performance, and have achieved 22 consecutive years of profitability. We have used a combination of organic growth, new branch openings and strategic acquisitions to expand our business while maintaining positive operating results and favorable stockholder returns. During the ten years from 1999 through 2008, our annual return on average common equity ranged from 14.7% to 20.4%. Even during 2009, a period of challenging market conditions for many banks, we generated a return on average common equity of 10.0%.

Our Strategy

We intend to leverage our competitive strengths as we pursue the following business strategies:

Remain a Leader in Our Markets We have established market leading positions in Montana, Wyoming and western South Dakota. We intend to remain a leader in our markets by continuing to

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adhere to the core principles and values that have contributed to our growth and success. We believe we can continue to expand our market leadership by following our proven community banking model and conservative banking practices, by offering high-quality financial products and services, by maintaining a comprehensive understanding of our markets and the needs of our customers and by providing superior customer service.

Focus on Profitability and Favorable Stockholder Returns We focus on long-term profitability and providing favorable stockholder returns by maintaining or improving asset quality, increasing our interest and non-interest income and achieving operating efficiencies. We intend to continue to concentrate on increasing customer deposits, loans and otherwise expanding our business in a disciplined and prudent manner. Moreover, we will seek to extend our track record of over 15 years of continuous quarterly dividend payments, as such payments are important to our stockholders. We believe successfully focusing on these factors will allow us to continue to achieve positive operating results and deliver favorable stockholder returns.

Continue to Expand Through Organic Growth We intend to continue achieving organic growth through the anticipated economic and population growth within our markets and by capturing incremental market share from our competitors. We believe that our market recognition, resources and financial strength, combined with our community banking model, will enable us to attract customers from the national banks that operate in our markets and from smaller banks that face increased regulatory, financial and technological requirements.

Selectively Examine Acquisition Opportunities We believe that evolving regulatory and market conditions will enable us to consider acquisition opportunities, including both traditional and FDIC-assisted transactions. We intend to direct any strategic expansion efforts primarily within our existing states of operation, but we will also consider compelling opportunities in surrounding markets. While we have no present agreement or plan concerning any specific acquisition or similar transaction, we believe that the capital raised from this offering, together with the ability to use our publicly-traded stock as currency should enhance our strategic expansion opportunities.

Continue to Attract and Develop High-Quality Management Professionals The leadership skills and talents of our management team are critical to maintaining our competitive advantage and to the future of our business. We intend to continue hiring and developing high-quality management professionals to maintain effective leadership at all levels of our company. We attribute much of our success to the quality of our management personnel and will continue to emphasize this critical aspect of our business and our culture.

Contribute to Our Communities We believe our business is driven not just by meeting or exceeding our customers needs and expectations, but also by establishing long-term relationships and active involvement and leadership within our communities. We believe in the importance of corporate social responsibility and have developed strong ties with our communities. We contribute to these communities through active involvement, assistance and leadership roles with various community projects and organizations.

Our Market Areas

We operate throughout Montana, Wyoming and western South Dakota. Industries of importance to our markets include energy, healthcare and professional services, education and governmental services, construction, mining, agriculture, retail and wholesale trade and tourism. While distinct local markets within our footprint are dependent on particular industries or economic sectors, the overall region we serve benefits from a stable, diverse and growing local economy. Our market areas have demonstrated strength even during the recent economic downturn. For instance, Montana, Wyoming and South Dakota have maintained low unemployment rates relative to the national average of 10.0% as of December 2009, with Montana at 6.7%, Wyoming at 7.5% and South Dakota at 4.7%.

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Montana We operate primarily in the metropolitan areas of Billings, Missoula, Kalispell, Bozeman, Great Falls and Helena. For the principal Montana communities in which we operate, the estimated weighted average population growth for 2009 through 2014 is 6.83%, as compared to the estimated national average growth rate for the same period of 4.63%. At December 31, 2009, approximately $2.9 billion, or 50%, of our total deposits were in Montana.

Wyoming We operate primarily in the metropolitan areas of Casper, Sheridan, Gillette, Laramie, Jackson, Riverton and Cheyenne. For the principal Wyoming communities in which we operate, the estimated weighted average population growth for 2009 through 2014 is 5.16%. At December 31, 2009, approximately $2.1 billion, or 36%, of our total deposits were in Wyoming.

Western South Dakota With the acquisition of First Western Bank in January 2008, we expanded our franchise into western South Dakota. We operate primarily in the metropolitan areas of Rapid City and Spearfish. For the principal western South Dakota communities in which we operate, the estimated weighted average population growth for 2009 through 2014 is 4.45%. At December 31, 2009, approximately $804 million, or 14%, of our total deposits were in western South Dakota.

The estimated weighted average population growth of the major MSAs we serve in all three states for 2009 to 2014 is 5.77%, a level that exceeds the estimated national growth rate. Factors contributing to the growth of our market areas include power and energy-related developments; expanding healthcare, professional and governmental services; growing regional trade center activities; and the in-flow of retirees. We expect to leverage our resources and competitive advantages to benefit from diversified economic characteristics and favorable population growth trends in our area.

Voting Control of Our Company

We have two classes of authorized common stock. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to five votes per share. Holders of the Class B common stock currently have voting control of our company. See Risk Factors Risks Relating to Investments in Our Class A Common Stock Holders of the Class B common stock have voting control of our company and are able to determine virtually all matters submitted to stockholders, including potential change in control transactions.

The following table sets forth information regarding ownership and voting control of our company as of February 28, 2010, (i) on an actual basis (pre-offering) and (ii) on an as adjusted basis, after giving effect to the offering (post-offering).

	Pre-Offering			Post-Offering		
Stockholder Group	**Shares of Class B Common Stock**	**% Total Common Stock[1]**	**% Total Voting Control**	**Shares of Class B Common Stock**	**% Total Common Stock**	**% Total Voting Control**
All executive officers and directors	16,513,128	51.25	51.25	16,513,128	41.34	50.07
All Scott family stockholders[2]	24,928,208	79.13	79.13	24,928,208	62.41	75.58
All existing stockholders	31,243,292	100.00	100.00	31,243,292	78.22	94.72

(1) As of February 28, 2010, there were no shares of Class A common stock outstanding. For further information regarding our Class A common stock and Class B common stock, see Description of Capital Stock.

(2) Includes Scott family stockholders who are executive officers or directors.

Recent Developments First Quarter Outlook

As we near the end of the first quarter of 2010, we have elected to present below our current expectations of results of operations for the quarter.

For the quarter ending March 31, 2010, we estimate that our net income available to common stockholders will be between approximately $10.0 million and $10.6 million. Net income is primarily a function of net interest income, provision for loan losses, non-interest income and non-interest

expense. Our net income available to common stockholders is also impacted by income tax expense and dividend payments on our outstanding preferred stock. Because mortgage servicing rights are valued by a third party at the end of each quarter, our estimated net income available to common stockholders does not include the effect of any impairment adjustment.

We expect net interest income for the quarter will be between approximately $60.0 million to $62.0 million. Net interest income is derived from interest, dividends and fees received on our loans, securities and other interest earning assets, less interest costs paid on deposits and other interest bearing liabilities. Our anticipated net interest income for the quarter reflects an estimated net interest margin of 3.95% to 4.05%. Our expected net interest income also reflects the fact that the first quarter includes 90 calendar days of interest earning activity, whereas other quarters include 91 or 92 days.

We anticipate that our provision for loan losses will be between approximately $11.0 million to $12.0 million. Our anticipated loan loss provision for the quarter reflects management s estimates of the amounts appropriate to maintain adequate balances in our loan loss reserve, in view of internal risk ratings in our loan portfolio and current market and credit conditions affecting our borrowers.

Non-interest income for the quarter is estimated to be between approximately $19.0 million to $20.0 million. A significant component of non-interest income is income from the origination and sale of loans. Origination activity, primarily with respect to residential loans, is not consistent throughout the year and varies among quarters. Our first quarter results will be impacted by changes in long-term interest rates and the seasonality of these originations.

We anticipate that our non-interest expense for the quarter will be between approximately $52.0 million to $54.0 million. Non-interest expense includes various general and administrative operating and other expenses. For the quarter, we believe non-interest expense will be favorably affected by lower levels of anticipated operating costs, including depreciation, which levels are expected to continue through the 2010 fiscal year. As indicated above, the impact of an impairment adjustment for mortgage servicing rights is not included in our estimates of non-interest expense or net income for the quarter.

Finally, our net income available to common stockholders for the quarter will also reflect anticipated income tax expense of $5.0 million to $6.0 million, and dividends to be paid on our outstanding preferred stock of $844,000.

We have presented above estimated financial information for the quarter ending March 31, 2010 based on currently available information. We do not intend to update or otherwise revise these estimates to reflect future events and do not intend to disclose publicly whether our actual results will vary from our estimates other than through the release of actual results in the ordinary course of business. No independent public accounting firm has complied, examined or performed any procedures with respect to the anticipated financial information contained below, nor have they expressed any opinion or other form of assurance on such information or its achievability. These estimates should not be regarded as a representation by us, our management or the underwriters as to our actual results for the quarter. The assumptions and estimates underlying the estimated financial information are inherently uncertain and are subject to a wide variety of significant business, economic and competitive risks and uncertainties, including those described under Risk Factors and Cautionary Note Regarding Forward-Looking Statements in this prospectus. Accordingly, there can be no assurance that the estimated financial information presented above is indicative of our future performance or that actual results will not differ materially from this estimated financial information. You should not place undue reliance on these estimates.

Our Corporate Information

We are incorporated under the laws of Montana. Our principal executive offices are located at 401 North 31st Street, Billings, Montana. Our telephone number is (406) 255-5390. Our internet address is www.firstinterstatebank.com. The information contained on or accessible from our website does not constitute a part of this prospectus and is not incorporated by reference herein.

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THE OFFERING

The following summary of the offering contains basic information about the offering and our Class A common stock and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of our Class A common stock, please refer to the section of this prospectus entitled Description of Capital Stock Common Stock.

Class A Common Stock Offered	8,700,000 shares. 10,005,000 shares if the underwriters option is exercised in full.
Class A Common Stock to be Outstanding Immediately After this Offering	8,700,000 shares. 10,005,000 shares if the underwriters option is exercised in full.
Class B Common Stock Outstanding Immediately After this Offering	31,243,292 shares.
Total Common Stock Outstanding After this Offering	39,943,292 shares. 41,248,292 shares if the underwriters option is exercised in full.
Use of Proceeds	We estimate that our net proceeds from this offering, after deducting underwriting discounts, commissions and estimated offering expenses, will be approximately $119.6 million, or approximately $137.8 million if the underwriters option is exercised in full, based on an assumed offering price of $15.00 per share. We intend to use the net proceeds to support our long-term growth, to repay our variable rate term notes issued under our syndicated credit agreement and for general corporate purposes, including potential strategic acquisition opportunities. We have no present agreement or plan concerning any specific acquisition or similar transaction. See Use of Proceeds.
Dividend Policy	It has been our policy to pay a dividend to all common stockholders. Dividends are declared and paid in the month following the end of each calendar quarter. Our dividend policy and practice may change in the future, however, and our Board of Directors, or Board, may change or eliminate the payment of future dividends at its discretion, without notice to our stockholders and. Any future determination to pay dividends to our stockholders will be dependent upon our financial condition, results of operation, capital requirements, banking regulations and any other factors that the Board may deem relevant. For information regarding our recent dividends, see Dividend Policy.
Proposed NASDAQ Listing	Our Class A common stock has been approved for listing on the NASDAQ Stock Market under the symbol FIBK.

The number of shares of common stock to be outstanding after this offering is based on 31,243,292 shares outstanding at February 28, 2010 and excludes:

3,775,396 shares of our Class B common stock issuable upon exercise of outstanding stock options at a weighted average exercise price of $16.00 per share;

1,600,000 shares of our Class B common stock issuable upon conversion of our outstanding shares of our Series A preferred stock; and

1,280,352 shares of our Class A common stock available for future issuance under our equity compensation plans.

Stock options that are currently outstanding under our equity compensation plans are exercisable for shares of our Class B common stock. Future awards of stock options, restricted stock and other securities under our equity compensation plans will be exercisable for shares of our Class A common stock.

RISK FACTORS

An investment in our Class A common stock involves a high degree of risk. These risks include, among others:

we may incur significant credit losses, particularly in light of current market conditions;

our concentration of real estate loans subjects us to increased risks in the event real estate values continue to decline due to the economic recession, a further deterioration in the real estate markets or other causes;

economic and market developments, including the potential for inflation, may have an adverse effect on our business, possibly in ways that are not predictable or that we may fail to anticipate;

many of our loans are to commercial borrowers, which have a higher degree of risk than other types of loans;

if we experience loan losses in excess of estimated amounts, our earnings will be adversely affected;

our goodwill may become impaired, which may adversely impact our results of operations and financial condition and may limit our Bank s ability to pay dividends to us, thereby causing liquidity issues;

our dividend policy may change;

there is no prior public market for our common stock and one may not develop;

our Class A common stock share price could be volatile and could decline following this offering, resulting in a substantial or complete loss of your investment; and

holders of the Class B common stock have voting control of our company and are able to determine virtually all matters submitted to stockholders, including potential change in control transactions.

The foregoing is not a comprehensive list of the risks we face. You should carefully consider all information included in this prospectus, including information under Risk Factors, before investing in our Class A common stock.

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SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table sets forth certain of our historical consolidated financial data. The summary consolidated financial data as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated financial data as of December 31, 2007, 2006 and 2005 and for the years ended December 31, 2006 and 2005 have been derived from our audited consolidated financial statements that are not included in this prospectus.

In January 2008, we acquired First Western Bank which included 18 offices located in western South Dakota. At the time of the acquisition, First Western Bank had total assets of approximately $913.0 million. The results and other financial data of First Western Bank are not included in the table below for the periods prior to the date of acquisition and, therefore, the results and other financial data for such prior periods may not be comparable in all respects. In December 2008, we completed the disposition of our i_Tech subsidiary to Fiserv Solutions, Inc., which eliminated our technology services segment, one of our two historical operating segments. Because the operating results attributable to the former segment are not included in our operating results for periods subsequent to the date of disposition, our results for periods prior to the date of that transaction may not be comparable in all respects. See Note 1 of the Notes to Consolidated Financial Statements included in this prospectus.

This summary historical consolidated financial data should be read in conjunction with other information contained in this prospectus, including Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and accompanying notes included elsewhere in this prospectus.

	As of or for the Year Ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
(Dollars in thousands, except per share data)					
Selected Balance Sheet Data:					
Net loans	$ 4,424,974	$ 4,685,497	$ 3,506,625	$ 3,262,911	$ 2,991,904
Investment securities	1,446,280	1,072,276	1,128,657	1,124,598	1,019,901
Total assets	7,137,653	6,628,347	5,216,797	4,974,134	4,562,313
Deposits	5,824,056	5,174,259	3,999,401	3,708,511	3,547,590
Securities sold under repurchase agreements	474,141	525,501	604,762	731,548	518,718
Long-term debt	73,353	84,148	5,145	21,601	54,654
Subordinated debentures held by subsidiary trusts	123,715	123,715	103,095	41,238	41,238
Preferred stockholders equity	50,000	50,000			
Common stockholders equity	524,434	489,062	444,443	410,375	349,847
Total stockholders equity	$ 574,434	$ 539,062	$ 444,443	$ 410,375	$ 349,847

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	As of or for the Year Ended December 31,				
	2009	2008	2007	2006	2005
(Dollars in thousands, except per share data)					
Selected Income Statement Data:					
Interest income	$ 328,034	$ 355,919	$ 325,557	$ 293,423	$ 233,857
Interest expense	84,898	120,542	125,954	105,960	63,549
Net interest income	243,136	235,377	199,603	187,463	170,308
Provision for loan losses	45,300	33,356	7,750	7,761	5,847
Net interest income after provision for loan losses	197,836	202,021	191,853	179,702	164,461
Non-interest income	100,690	128,597	92,367	102,181	70,651
Non-interest expense	217,710	222,541	178,786	164,775	151,087
Income before income taxes	80,816	108,077	105,434	117,108	84,025
Income tax expense	26,953	37,429	36,793	41,499	29,310
Net income	53,863	70,648	68,641	75,609	54,715
Preferred stock dividends	3,422	3,347			
Net income available to common stockholders	$ 50,441	$ 67,301	$ 68,641	$ 75,609	$ 54,715
Common Stock Data:					
Earnings per share:					
Basic	$ 1.61	$ 2.14	$ 2.11	$ 2.33	$ 1.71
Diluted	1.59	2.10	2.06	2.28	1.68
Dividends per share	0.50	0.65	0.74	0.57	0.47
Book value per share[(1)]	16.73	15.50	13.88	12.60	10.80
Tangible book value per share[(2)]	10.53	9.27	12.70	11.44	9.61
Weighted average shares outstanding:					
Basic	31,335,668	31,484,136	32,507,216	32,450,440	32,006,728
Diluted	31,678,500	32,112,672	33,289,920	33,215,960	32,597,348
Financial Ratios:					
Return on average assets	0.79%	1.12%	1.37%	1.60%	1.26%
Return on average common stockholders equity	9.98	14.73	16.14	20.38	16.79
Yield on earning assets	5.44	6.37	7.21	6.94	6.12
Cost of average interest bearing liabilities	1.63	2.50	3.43	3.05	1.99

Net interest spread	3.81	3.87	3.78	3.89	4.13
Net interest margin(3)	4.05	4.25	4.46	4.47	4.48
Efficiency ratio(4)	63.32	61.14	61.23	56.89	62.70
Common stock dividend payout ratio(5)	31.06	30.37	35.07	24.46	27.49
Loan to deposit ratio	77.75	92.24	88.99	89.26	85.53
Asset Quality Ratios:					
Non-performing loans to total loans(6)	2.75%	1.90%	0.98%	0.53%	0.63%
Non-performing assets to total loans and other real estate owned (OREO)(7)	3.57	2.03	1.00	0.55	0.67
Non-performing assets to total assets	2.28	1.46	0.68	0.36	0.45
Allowance for loan losses to total loans	2.28	1.83	1.47	1.43	1.40
Allowance for loan losses to non-performing loans	82.64	96.03	150.66	269.72	220.73
Net charge-offs to average loans	0.63	0.28	0.08	0.09	0.19

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	As of or for the Year Ended December 31,				
	2009	2008	2007	2006	2005
(Dollars in thousands, except per share data)					
Capital Ratios:					
Tangible common equity to tangible assets[8]	4.76%	4.55%	7.85%	7.55%	6.88%
Tier 1 common capital to total risk weighted assets[9]	6.43	5.35	9.95	9.68	8.94
Leverage ratio	7.30	7.13	9.92	8.61	7.91
Tier 1 risk-based capital	9.74	8.57	12.39	10.71	10.07
Total risk-based capital	11.68	10.49	13.64	11.93	11.27

(1) For purposes of computing book value per share, book value equals common stockholders equity.

(2) Tangible book value per share is a non-GAAP financial measure. For purposes of computing tangible book value per share, tangible book value (also referred to as tangible common stockholders equity or tangible common equity) equals common stockholders equity less goodwill and other intangible assets (except mortgage servicing rights). Tangible book value per share is calculated as tangible common stockholders equity divided by shares of common stock outstanding, and its most directly comparable GAAP financial measure is book value per share. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption Selected Historical Consolidated Financial Data.

(3) Net interest margin ratio is presented on a fully taxable equivalent, or FTE, basis.

(4) Efficiency ratio represents non-interest expenses, excluding loan loss provision, divided by the aggregate of net interest income and non-interest income.

(5) Common stock dividend payout ratio represents dividends per share divided by basic earnings per share. See Dividend Policy.

(6) Non-performing loans include nonaccrual loans, loans past due 90 days or more and still accruing interest and restructured loans.

(7) Non-performing assets include nonaccrual loans, loans past due 90 days or more and still accruing interest, restructured loans and OREO.

(8) Tangible common equity to tangible assets is a non-GAAP financial measure. For purposes of computing tangible common equity to tangible assets, tangible common equity is calculated as common stockholders equity less goodwill and other intangible assets (except mortgage servicing rights), and tangible assets is calculated as total assets less goodwill and other intangible assets (except mortgage servicing rights). The most directly comparable GAAP financial measure is total stockholders equity to total assets. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption Selected Historical Consolidated Financial Data.

(9) For purposes of computing tier 1 common capital to total risk weighted assets, tier 1 common capital is calculated on Tier 1 capital less preferred stock and trust preferred securities.

RISK FACTORS

Before investing in our Class A common stock, you should carefully consider all information included in this prospectus, including our consolidated financial statements and accompanying notes. In particular, you should carefully consider the risks described below before purchasing shares of our Class A common stock in this offering. Investing in our Class A common stock involves a high degree of risk. Any of the following factors could harm our future business, financial condition, results of operations and prospects and could result in a partial or complete loss of your investment. These risks are not the only ones that we may face. Other risks of which we are not aware, including those which relate to the banking and financial services industry in general and us in particular, or those which we do not currently believe are material, may harm our future business, financial condition, results of operations and prospects.

Risks Relating to the Market and Our Business

We may incur significant credit losses, particularly in light of current market conditions.

We take on credit risk by virtue of making loans and extending loan commitments and letters of credit. Our credit standards, procedures and policies may not prevent us from incurring substantial credit losses, particularly in light of market developments in recent years. During 2008 and 2009, we experienced deterioration in credit quality, particularly in certain real estate development loans, due, in part, to the impact resulting from the downturn in the prevailing economic, real estate and credit markets. This deterioration resulted in higher levels of non-performing assets, including other real estate owned, or OREO, and internally risk classified loans, thereby increasing our provision for loan losses and decreasing our operating income in 2008 and 2009. As of December 31, 2009, we had total non-performing assets of approximately $163 million, compared with approximately $97 million as of December 31, 2008 and approximately $36 million as of December 31, 2007. In the first two months of 2010, we have continued to experience elevated levels of non-performing assets and provisions for loan losses which will continue to affect our earnings. Given the current economic conditions and trends, management believes we will continue to experience credit deterioration and higher levels of non-performing loans in the near-term, which will likely have an adverse impact on our business, financial condition, results of operations and prospects.

Our concentration of real estate loans subjects us to increased risks in the event real estate values continue to decline due to the economic recession, a further deterioration in the real estate markets or other causes.

At December 31, 2009, we had approximately $3.0 billion of commercial, agricultural, construction, residential and other real estate loans, representing approximately 65% of our total loan portfolio. The current economic recession, deterioration in the real estate markets and increasing delinquencies and foreclosures have had an adverse effect on the collateral value for many of our loans and on the repayment ability of many of our borrowers. The continuation or further deterioration of these factors, including increasing foreclosures and unemployment, will continue to have the same or similar adverse effects. In addition, these factors could reduce the amount of loans we make to businesses in the construction and real estate industry, which could negatively impact our interest income and results of operations. A continued decline in real estate values could also lead to higher charge-offs in the event of defaults in our real estate loan portfolio. Similarly, the occurrence of a natural or manmade disaster in our market areas could impair the value of the collateral we hold for real estate secured loans. Any one or a combination of the factors identified above could negatively impact our business, financial condition, results of operations and prospects.

Economic and market developments, including the potential for inflation, may have an adverse effect on our business, possibly in ways that are not predictable or that we may fail to anticipate.

Recent economic and market developments and the potential for continued economic disruptions and inflation present considerable risks and challenges to us. Dramatic declines in the housing market, with decreasing home prices and increasing delinquencies and foreclosures throughout most of the nation, have negatively impacted the credit performance of mortgage and construction loans and resulted in significant writedowns of assets by many financial institutions. General downward economic trends, reduced availability of commercial credit and increasing unemployment have also negatively impacted the credit performance of commercial and consumer credit, resulting in additional writedowns. These risks and challenges have significantly diminished overall confidence in the national economy, the financial markets and many financial institutions. This reduced confidence could further compound the overall market disruptions and risks to banks and bank holding companies, including us.

In addition to economic conditions, our business is also affected by political uncertainties, volatility, illiquidity, interest rates, inflation and other developments impacting the financial markets. Such factors have affected and may further adversely affect, both credit and financial markets and future economic growth, resulting in adverse effects on us and other financial institutions in ways that are not predictable or that we may fail to anticipate.

Many of our loans are to commercial borrowers, which have a higher degree of risk than other types of loans.

Commercial loans, including commercial real estate loans, are often larger and involve greater risks than other types of lending. Because payments on such loans are often dependent on the successful operation or development of the property or business involved, repayment of such loans is more sensitive than other types of loans to adverse conditions in the real estate market or the general economy. Accordingly, the recent downturn in the real estate market and economy has heightened our risk related to commercial loans, particularly commercial real estate loans. Unlike residential mortgage loans, which generally are made on the basis of the borrowers ability to make repayment from their employment and other income and which are secured by real property whose value tends to be more easily ascertainable, commercial loans typically are made on the basis of the borrowers ability to make repayment from the cash flow of the commercial venture. If the cash flow from business operations is reduced, the borrower s ability to repay the loan may be impaired. Due to the larger average size of each commercial loan as compared with other loans such as residential loans, as well as the collateral which is generally less readily-marketable, losses incurred on a small number of commercial loans could have a material adverse impact on our financial condition and results of operations. At December 31, 2009, we had approximately $2.3 billion of commercial loans, including approximately $1.6 billion of commercial real estate loans, representing approximately 51% of our total loan portfolio.

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

The risk of credit losses on loans varies with, among other things, general economic conditions, the type of loan being made, the creditworthiness of the borrower over the term of the loan and, in the case of a collateralized loan, the value and marketability of the collateral for the loan. We maintain an allowance for loan losses based upon, among other things, historical experience, an evaluation of economic conditions and regular reviews of loan portfolio quality. Based upon such factors, our management makes various assumptions and judgments about the ultimate collectability of our loan portfolio and provides an allowance for loan losses. These assumptions and judgments are even more complex and difficult to determine given recent market developments, the potential for continued market turmoil and the significant uncertainty of future conditions in the general economy and banking industry. If management s assumptions and judgments prove to be incorrect and the allowance for loan losses is inadequate to absorb future losses, or if the banking authorities or regulations require us to increase the allowance for loan losses, our earnings, financial condition, results of operations and prospects could be significantly and adversely affected.

As of December 31, 2009, our allowance for loan losses was approximately $103 million, which represented 2.28% of total outstanding loans. Our allowance for loan losses may not be sufficient to cover future loan losses. Future adjustments to the allowance for loan losses may be necessary if economic conditions differ substantially from the assumptions used or further adverse developments arise with respect to our non-performing or performing loans. Material additions to our allowance for loan losses could have a material adverse effect on our financial condition, results of operations and prospects.

Our goodwill may become impaired, which may adversely impact our results of operations and financial condition and may limit our Bank s ability to pay dividends to us, thereby causing liquidity issues.

The excess purchase price over the fair value of net assets from acquisitions, or goodwill, is evaluated for impairment at least annually and on an interim basis if an event or circumstance indicates that it is likely an impairment has occurred. In testing for impairment, the fair value of net assets will be estimated based on an analysis of our market value. Consequently, the determination of goodwill will be sensitive to market-based trading of our Class A common stock. As such, variability in market conditions could result in impairment of goodwill, which is recorded as a noncash adjustment to income. As of December 31, 2009, we had goodwill of approximately $184 million, which was 3% of our total assets. An impairment of goodwill could have a material adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, an impairment of goodwill could cause our Bank to be unable to pay dividends to us, which would reduce our cash flow and cause liquidity issues. See below Our Bank s ability to pay dividends to us is subject to regulatory limitations, which, to the extent we are not able to receive such dividends, may impair our ability to grow, pay dividends, cover operating expenses and meet debt service requirements.

Changes in interest rates could negatively impact our net interest income, may weaken demand for our products and services or harm our results of operations and cash flows.

Our earnings and cash flows are largely dependent upon net interest income, which is the difference between interest income earned on interest-earning assets such as loans and securities and interest expense paid on interest-bearing liabilities such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, particularly the Federal Reserve. Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings, but such changes could also adversely affect (1) our ability to originate loans and obtain deposits, (2) the fair value of our financial assets and liabilities, including mortgage servicing rights, (3) our ability to realize gains on the sale of assets and (4) the average duration of our mortgage-backed investment securities portfolio. An increase in interest rates may reduce customers desire to borrow money from us as it increases their borrowing costs and may adversely affect the ability of borrowers to pay the principal or interest on loans which may lead to an increase in non-performing assets and a reduction of income recognized, which could harm our results of operations and cash flows. Further, because many of our variable rate loans contain interest rate floors, as market interest rates begin to rise, the interest rates on these loans may not increase correspondingly. In contrast, decreasing interest rates have the effect of causing customers to refinance mortgage loans faster than anticipated. This causes the value of assets related to the servicing rights on mortgage loans sold to be lower than originally recognized. If this happens, we may need to write down our mortgage servicing rights asset faster, which would accelerate expense and lower our earnings. Any substantial, unexpected or prolonged change in market interest rates could have a material adverse effect on our cash flows, financial condition, results of operations and prospects. If the current low interest rate environment were to continue for a prolonged period, our interest income could decrease, adversely impacting our financial condition, results of operations and cash flows.

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We may not continue to have access to low-cost funding sources.

We depend on checking and savings, negotiable order of withdrawal, or NOW, and money market deposit account balances and other forms of customer deposits as our primary source of funding. Such account and deposit balances can decrease when customers perceive alternative investments, such as the stock market, as providing a better risk/return tradeoff. If customers move money out of bank deposits and into other investments, we could lose a relatively low cost source of funds, increasing its funding costs and reducing our net interest income and net income.

Our deposit insurance premiums could be substantially higher in the future, which could have a material adverse effect on our future earnings.

The FDIC insures deposits at FDIC insured depository institutions, including the Bank. Under current FDIC regulations, each insured depository institution is subject to a risk-based assessment system and, depending on its assigned risk category, is assessed insurance premiums based on the amount of deposits held. The FDIC charges insured financial institutions premiums to maintain the Deposit Insurance Fund, or DIF, at a certain level. Recent bank failures have reduced the DIF s reserves to their lowest level in more than 15 years. On October 16, 2008, the FDIC published a restoration plan designed to replenish the DIF over a period of five years and to increase the deposit insurance reserve ratio to 1.15% of insured deposits by December 31, 2013. To implement the restoration plan, the FDIC changed both its risk-based assessment system and its base assessment rates. For the first quarter of 2009 only, the FDIC increased all FDIC deposit assessment rates by 7 basis points. On February 27, 2009, the FDIC amended the restoration plan to extend the restoration plan horizon to seven years. The amended restoration plan was accompanied by a final rule on March 4, 2009, which adjusted how the risk-based assessment system differentiates for risk and that set new assessment rates. Under the final rule, the base assessment rates increased substantially beginning April 1, 2009.

On May 22, 2009, the FDIC adopted a final rule imposing a 5 basis point special assessment on each insured depository institution s assets minus Tier 1 capital, as of June 30, 2009. On November 17, 2009, the FDIC also published a final rule requiring insured depository institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012.

A change in the risk category assigned to our Bank, further adjustments to base assessment rates and additional special assessments could have a material adverse effect on our earnings, financial condition and results of operation.

We may not be able to continue growing our business.

Our total assets have grown from $5.2 billion as of December 31, 2007 to $7.1 billion as of December 31, 2009. Our ability to grow depends, in part, upon our ability to successfully attract deposits, identify favorable loan and investment opportunities, open new branch banking offices and expand into new and complementary markets when appropriate opportunities arise. In the event we do not continue to grow, our results of operations could be adversely impacted.

Our ability to grow successfully depends on our capital resources and whether we can continue to fund growth while maintaining cost controls and asset quality, as well as on other factors beyond our control, such as national and regional economic conditions and interest rate trends. If we are not able to make loans, attract deposits and maintain asset quality due to constrained capital resources or other reasons, we may not be able to continue growing our business, which could adversely impact our earnings, financial condition, results of operations, and prospects.

Adverse economic conditions affecting Montana, Wyoming and western South Dakota could harm our business.

Our customers with loan and/or deposit balances are located predominantly in Montana, Wyoming and western South Dakota. Because of the concentration of loans and deposits in these states, existing or future adverse economic conditions in Montana, Wyoming or western South Dakota

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could cause us to experience higher rates of loss and delinquency on our loans than if the loans were more geographically diversified. The current economic recession has adversely affected the real estate and business environment in certain areas in Montana, Wyoming and western South Dakota, especially in markets dependent upon resort communities and second homes such as Bozeman, Montana, Kalispell, Montana, and Jackson, Wyoming. In the future, adverse economic conditions, including inflation, recession and unemployment and other factors, such as political or business developments, natural disasters, wide-spread disease, terrorist activity, environmental contamination and other unfavorable conditions and events that affect these states, could reduce demand for credit or fee-based products and may delay or prevent borrowers from repaying their loans. Adverse conditions and other factors identified above could also negatively affect real estate and other collateral values, interest rate levels and the availability of credit to refinance loans at or prior to maturity. These results could adversely impact our business, financial condition, results of operations and prospects.

We are subject to significant governmental regulation and new or changes in existing regulatory, tax and accounting rules and interpretations could significantly harm our business.

The financial services industry is extensively regulated. Federal and state banking regulations are designed primarily to protect the deposit insurance funds and consumers, not to benefit a financial company s stockholders. These regulations may impose significant limitations on operations. The significant federal and state banking regulations that affect us are described in this prospectus under the heading Regulation and Supervision. These regulations, along with the currently existing tax, accounting, securities, insurance and monetary laws and regulations, rules, standards, policies and interpretations control the methods by which we conduct business, implement strategic initiatives and tax compliance and govern financial reporting and disclosures. These laws, regulations, rules, standards, policies and interpretations are undergoing significant review, are constantly evolving and may change significantly, particularly given the recent market developments in the banking and financial services industries.

Recent events have resulted in legislators, regulators and authoritative bodies, such as the Financial Accounting Standards Board, the Securities and Exchange Commission, or SEC, the Public Company Accounting Oversight Board and various taxing authorities responding by adopting and/or proposing substantive revisions to laws, regulations, rules, standards, policies and interpretations. Further, federal monetary policy as implemented through the Federal Reserve can significantly affect credit conditions in our markets.

The nature, extent and timing of the adoption of significant new laws, regulations, rules, standards, policies and interpretations, or changes in or repeal of these items or specific actions of regulators, may increase our costs of compliance and harm our business. For example, potential increases in or other modifications affecting regulatory capital thresholds could impact our status as well capitalized. We may not be able to predict accurately the extent of any impact from changes in existing laws, regulations, rules, standards, policies and interpretations.

Non-compliance with laws and regulations could result in fines, sanctions and other enforcement actions and the loss of our financial holding company status.

Federal and state regulators have broad enforcement powers. If we fail to comply with any laws, regulations, rules, standards, policies or interpretations applicable to us, we could face various sanctions and enforcement actions, which include:

- the appointment of a conservator or receiver for us;
- the issuance of a cease and desist order that can be judicially enforced;
- the termination of our deposit insurance;

the imposition of civil monetary fines and penalties;

the issuance of directives to increase capital;

the issuance of formal and informal agreements;

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- the issuance of removal and prohibition orders against officers, directors and other institution-affiliated parties; and
- the enforcement of such actions through injunctions or restraining orders.

The imposition of any such sanctions or other enforcement actions could adversely impact our earnings, financial condition, results of operations and prospects. Furthermore, as a financial holding company, we may engage in authorized financial activities provided we are in compliance with applicable regulatory standards and guidelines. If we fail to meet such standards and guidelines, we may be required to cease certain financial holding company activities and, in certain circumstances, to divest the Bank.

The effects of recent legislative and regulatory efforts are uncertain.

In response to market disruptions, legislators and financial regulators have implemented a number of mechanisms designed to stabilize the financial markets, including the provision of direct and indirect assistance to distressed financial institutions, assistance by the banking authorities in arranging acquisitions of weakened banks and broker-dealers and implementation of programs by the Federal Reserve, to provide liquidity to the commercial paper markets. On October 3, 2008, the Emergency Economic Stabilization Act of 2008, as amended, or EESA, was enacted which, among other things, authorized the United States Department of the Treasury, or the Treasury, to provide up to $700 billion of funding to stabilize and provide liquidity to the financial markets. On October 14, 2008, the Secretary of the Treasury announced the Troubled Asset Relief Program, or TARP, Capital Purchase Program, a program in which $250 billion of the funds under EESA are made available for the purchase of preferred equity interests in qualifying financial institutions. On February 17, 2009, the American Recovery and Reinvestment Act of 2009, or ARRA, was enacted which amended, in certain respects, EESA and provided an additional $787 billion in economic stimulus funding. Also in 2009, legislation proposing significant structural reforms to the financial services industry was also introduced in the U.S. Congress and passed by the House of Representatives. Among other things, the legislation proposes the establishment of a consumer financial protection agency, which would have broad authority to regulate providers of credit, savings, payment and other consumer financial products and services.

Other recent developments include:

- the Federal Reserve s proposed guidance on incentive compensation policies at banking organizations;
- proposals to limit a lender s ability to foreclose on mortgages or make such foreclosures less economically viable, including by allowing Chapter 13 bankruptcy plans to cram down the value of certain mortgages on a consumer s principal residence to its market value and/or reset interest rates and monthly payments to permit defaulting debtors to remain in their home; and
- accelerating the effective date of various provisions of the Credit Card Accountability Responsibility and Disclosure Act of 2009, which restrict certain credit and charge card practices, require expanded disclosures to consumers and provide consumers with the right to opt out of interest rate increases (with limited exceptions).

These initiatives may increase our expenses or decrease our income by, among other things, making it harder for us to foreclose on mortgages. Further, the overall effects of these and other legislative and regulatory efforts on the financial markets remain uncertain and they may not have the intended stabilization results. These efforts may even have unintended harmful consequences on the U.S. financial system and our business. Should these or other legislative or regulatory initiatives have unintended effects, our business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, we may need to modify our strategies and business operations in response to these changes. We may also incur increased capital requirements and constraints or additional costs in

order to satisfy new regulatory requirements. Given the volatile nature of the current market and the uncertainties underlying efforts to mitigate or reverse disruptions, we may not timely anticipate or manage existing, new or additional risks, contingencies or developments in the current or future environment. Our failure to do so could materially and adversely affect our business, financial condition, results of operations and prospects.

Furthermore, on November 17, 2009, the Federal Reserve published a final rule under Regulation E regarding overdraft fees. Effective July 1, 2010 for new accounts and August 15, 2010 for existing account, this rule generally prohibits financial institutions from charging overdraft fees for ATM and one-time debit card transactions that overdraw consumer deposit accounts, unless the consumer opts in to having such overdrafts authorized and paid. The Federal Reserve s rule will impact the amount of overdraft fees we will be able to charge and could have a material adverse effect on our financial condition and results of operations. In addition, recent legislative proposals in Congress, if enacted, could further impact how we assess fees on deposit accounts for items and transactions that either overdraw an account or that are returned for nonsufficient funds.

We are dependent upon the services of our management team.

Our future success and profitability is substantially dependent upon the management skills of our executive officers and directors, many of whom have held officer and director positions with us for many years. The unanticipated loss or unavailability of key executives, including Lyle R. Knight, President and Chief Executive Officer, who has announced his plan to retire in March 2012, Terrill R. Moore, Executive Vice President and Chief Financial Officer, Gregory A. Duncan, Executive Vice President and Chief Operating Officer, Edward Garding, Executive Vice President and Chief Credit Officer, and Julie A. Castle, President First Interstate Bank Wealth Management, could harm our ability to operate our business or execute our business strategy. We cannot assure you that we will be successful in retaining these key employees or finding suitable successors in the event of their loss or unavailability.

We may not be able to attract and retain qualified employees to operate our business effectively.

There is substantial competition for qualified personnel in our markets. Although unemployment rates have been rising in Montana, Wyoming, South Dakota and the surrounding region, it may still be difficult to attract and retain qualified employees at all management and staffing levels. Failure to attract and retain employees and maintain adequate staffing of qualified personnel could adversely impact our operations and our ability to execute our business strategy. Furthermore, relatively low unemployment rates in certain of our markets, compared with national unemployment rates, may lead to significant increases in salaries, wages and employee benefits expenses as we compete for qualified, skilled employees, which could negatively impact our results of operations and prospects.

A failure of the technology we use could harm our business and our information systems may experience a breach in security.

We rely heavily on communications and information systems to conduct our business and we depend heavily upon data processing, software, communication and information exchange from a number of vendors on a variety of computing platforms and networks and over the internet. We cannot be certain that all of our systems are entirely free from vulnerability to breaches of security or other technological difficulties or failures. A breach in the security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan, investment, credit card and other information systems. A breach of the security of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny and expose us to civil litigation and possible financial liability.

Furthermore, the computer systems and network infrastructure we use could be vulnerable to other unforeseen problems, such as damage from fire, privacy loss, telecommunications failure or

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other similar events which would also have an adverse impact on our financial condition and results of operations.

An extended disruption of vital infrastructure and other business interruptions could negatively impact our business.

Our operations depend upon vital infrastructure components including, among other things, transportation systems, power grids and telecommunication systems. A disruption in our operations resulting from failure of transportation and telecommunication systems, loss of power, interruption of other utilities, natural disaster, fire, global climate changes, computer hacking or viruses, failure of technology, terrorist activity or the domestic and foreign response to such activity or other events outside of our control could have an adverse impact on the financial services industry as a whole and/or on our business. Our business recovery plan may not be adequate and may not prevent significant interruptions of our operations or substantial losses.

Recent market disruptions have caused increased liquidity risks.

The recent disruption and illiquidity in the credit markets are continuing challenges that have generally made potential funding sources more difficult to access, less reliable and more expensive. In addition, liquidity in the inter-bank market, as well as the markets for commercial paper and other short-term instruments, have contracted significantly. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced and in some cases, ceased to provide funding to borrowers, including other financial institutions. These market conditions have made the management of our own and our customers liquidity significantly more challenging. A further deterioration in the credit markets or a prolonged period without improvement of market liquidity could adversely affect our liquidity and financial condition, including our regulatory capital ratios, and could adversely affect our business, results of operations and prospects.

We may not be able to meet the cash flow requirements of our depositors and borrowers unless we maintain sufficient liquidity.

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

We may not be able to find suitable acquisition candidates.

Although our growth strategy is to primarily focus and promote organic growth, we also have in the past and intend in the future to complement and expand our business by pursuing strategic acquisitions of banks and other financial institutions. We believe, however, there are a limited number of banks that will meet our acquisition criteria and, consequently, we cannot assure you that we will be able to identify suitable candidates for acquisitions. In addition, even if suitable candidates are identified, we expect to compete with other potential bidders for such businesses, many of which may have greater financial resources than we have. Our failure to find suitable acquisition candidates, or successfully bid against other competitors for acquisitions, could adversely affect our ability to successfully implement our business strategy.

We may be unable to manage our growth due to acquisitions, which could have an adverse effect on our financial condition or results of operations.

Acquisitions of other banks and financial institutions involve risks of changes in results of operations or cash flows, unforeseen liabilities relating to the acquired institution or arising out of the acquisition, asset quality problems of the acquired entity and other conditions not within our control, such as adverse personnel relations, loss of customers because of change of identity, deterioration in local economic conditions and other risks affecting the acquired institution. In addition, the process of integrating acquired entities will divert significant management time and resources. We may not be able to integrate successfully or operate profitably any financial institutions we may acquire. We may experience disruption and incur unexpected expenses in integrating acquisitions. There can be no assurance that any such acquisitions will enhance our cash flows, business, financial condition, results of operations or prospects and such acquisitions may have an adverse effect on our results of operations, particularly during periods in which the acquisitions are being integrated into our operations.

We face significant competition from other financial institutions and financial services providers.

We face substantial competition in all areas of our operations from a variety of different competitors, many of which are larger and may have more financial resources, higher lending limits and large branch networks. Such competitors primarily include national, regional and community banks within the various markets we serve. We also face competition from many other types of financial institutions, including, without limitation, savings and loans, credit unions, finance companies, brokerage firms, insurance companies, factoring companies and other financial intermediaries. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Increased competition among financial services companies due to the recent consolidation of certain competing financial institutions and the conversion of certain investment banks to bank holding companies may adversely affect our ability to market our products and services. Also, technology has lowered barriers to entry and made it possible for nonbanks to offer products and services traditionally provided by banks, such as automatic funds transfer and automatic payment systems. Many of our competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may offer a broader range of products and services as well as better pricing for those products and services than we can.

Our ability to compete successfully depends on a number of factors, including, among other things:

- the ability to develop, maintain and build upon long-term customer relationships based on quality service, high ethical standards and safe, sound assets;
- the ability to expand our market position;
- the scope, relevance and pricing of products and services offered to meet customer needs and demands;
- the rate at which we introduce new products and services relative to our competitors;
- customer satisfaction with our level of service; and
- industry and general economic trends.

Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could harm our business, financial condition, results of operations and prospects.

We may not be able to manage risks inherent in our business, particularly given the recent turbulent and dynamic market conditions.

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A comprehensive and well-integrated risk management function is essential for our business. We have adopted various policies, procedures and systems to monitor and manage risk and are currently implementing a centralized risk oversight function. These policies, procedures and systems may be inadequate to identify and mitigate all risks inherent in our business. In addition, our business and the markets and industry in which we operate are continuously evolving. We may fail to understand fully the implications of changes in our business or the financial markets and fail to adequately or timely enhance our risk framework to address those changes, particularly given the recent turbulent and dynamic market conditions. If our risk framework is ineffective, either because it fails to keep pace with changes in the financial markets or in our business or for other reasons, we could incur losses and otherwise experience harm to our business.

Our systems of internal operating controls may not be effective.

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

We may become liable for environmental remediation and other costs on repossessed properties, which could adversely impact our results of operations, cash flows and financial condition.

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

We may not effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers.

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

We are subject to claims and litigation pertaining to our fiduciary responsibilities.

Some of the services we provide, such as trust and investment services, require us to act as fiduciaries for our customers and others. From time to time, third parties make claims and take legal

action against us pertaining to the performance of our fiduciary responsibilities. If these claims and legal actions are not resolved in a manner favorable to us, we may be exposed to significant financial liability and/or our reputation could be damaged. Either of these results may adversely impact demand for our products and services or otherwise have a harmful effect on our business and, in turn, on our financial condition, results of operations and prospects.

The Federal Reserve may require us to commit capital resources to support our bank subsidiary.

As a matter of policy, the Federal Reserve, which examines us and our subsidiaries, expects a bank holding company to act as a source of financial and managerial strength to a subsidiary bank and to commit resources to support such subsidiary bank. Under the source of strength doctrine, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. A capital injection may be required at times when the holding company may not have the resources to provide it and therefore may be required to borrow the funds. Any loans by a holding company to its subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company s bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the institution s general unsecured creditors, including the holders of its note obligations. Thus, any borrowing that must be done by the holding company in order to make the required capital injection becomes more difficult and expensive and will adversely impact the holding company s cash flows, financial condition, results of operations and prospects.

We may be adversely affected by the soundness of other financial institutions.

The financial services industry as a whole, as well as the securities markets generally, have been materially and adversely affected by significant declines in the values of nearly all asset classes and a serious lack of liquidity. If other financial institutions in our markets dispose of real estate collateral at below-market prices to meet liquidity or regulatory requirements, such actions could negatively impact overall real estate values, including properties securing our loans. Our credit risk is exacerbated when the collateral we hold cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit exposure due to us. Any such losses could harm our financial condition, results of operations and prospects.

Financial institutions in particular have been subject to increased volatility and an overall loss of investor confidence. Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services companies are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties. For example, we execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more financial services companies or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to increased credit risk in the event of default of a counterparty or client.

The short-term and long-term impact of the new Basel II capital standards and the forthcoming new capital rules to be proposed for non-Basel II U.S. banks is uncertain.

On December 17, 2009, the Basel Committee on Banking Supervision, or the Basel Committee, proposed significant changes to bank capital and liquidity regulation, including revisions to the definitions of Tier 1 capital and Tier 2 capital applicable to the Basel Committee s Revised Framework for the International Convergence of Capital Measurement and Capital Standards, or Basel II.

The short-term and long-term impact of the new Basel II capital standards and the forthcoming new capital rules to be proposed for non-Basel II U.S. banks is uncertain. As a result of the

recent deterioration in the global credit markets and the potential impact of increased liquidity risk and interest rate risk, it is unclear what the short-term impact of the implementation of Basel II may be or what impact a pending alternative standardized approach to Basel II option for non-Basel II U.S. banks may have on the cost and availability of different types of credit and the potential compliance costs of implementing the new capital standards.

Our Bank s ability to pay dividends to us is subject to regulatory limitations, which, to the extent we are not able to receive such dividends, may impair our ability to grow, pay dividends, cover operating expenses and meet debt service requirements.

We are a legal entity separate and distinct from the Bank, our only bank subsidiary. Since we are a holding company with no significant assets other than the capital stock of our subsidiaries, we depend upon dividends from the Bank for a substantial part of our revenue. Accordingly, our ability to grow, pay dividends, cover operating expenses and meet debt service requirements depends primarily upon the receipt of dividends or other capital distributions from the Bank. The Bank s ability to pay dividends to us is subject to, among other things, its earnings, financial condition and need for funds, as well as federal and state governmental policies and regulations applicable to us and the Bank, which limit the amount that may be paid as dividends without prior approval. For example, in general, the Bank is limited to paying dividends that do not exceed the current year net profits together with retained earnings from the two preceding calendar years unless the prior consents of the Montana and federal banking regulators are obtained.

Furthermore, the terms of our Series A preferred stock, of which 5,000 shares were outstanding as of December 31, 2009, prohibit us from declaring or paying dividends or distributions on any class of our common stock, unless all accrued and unpaid dividends for the three prior consecutive dividend periods have been paid. Any reduction or elimination of our Class A common stock dividend in the future could adversely affect the market price of our Class A common stock.

Risks Relating to Investments in Our Class A Common Stock

Our dividend policy may change.

Although we have historically paid dividends to our stockholders, we have no obligation to continue doing so and may change our dividend policy at any time without notice to our stockholders. Holders of our Class A common stock are only entitled to receive such cash dividends as our Board may declare out of funds legally available for such payments. Furthermore, consistent with our strategic plans, growth initiatives, capital availability, projected liquidity needs and other factors, we have made and adopted and will continue to make and adopt, capital management decisions and policies that could adversely impact the amount of dividends paid to our stockholders.

There is no prior public market for our common stock and one may not develop.

Prior to this offering, there has not been a public market for any class of our common stock. An active trading market for our Class A common stock may never develop or be sustained, which could affect your ability to sell your shares and could depress the market price of your shares. We estimate that following this offering, approximately 78% of our outstanding common stock will be owned by existing stockholders, consisting principally of members of the Scott family, our executive officers and directors and current and former employees. This substantial amount of stock that is owned by these individuals may adversely affect the development of an active and liquid trading market.

Our Class A common stock share price could be volatile and could decline following this offering, resulting in a substantial or complete loss of your investment.

The initial public offering price has been determined through negotiations between us and the underwriters and may bear no relationship to the price at which our Class A common stock will trade upon completion of this offering. The market price of our Class A common stock following this offering

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

prevailing market conditions;

our historical performance and capital structure;

estimates of our business potential and earnings prospects;

an overall assessment of our management; and

the consideration of these factors in relation to market valuation of companies in related businesses.

At times the stock markets, including the NASDAQ Stock Market, on which our Class A common stock has been approved for listing, may experience significant price and volume fluctuations. As a result, the market price of our Class A common stock is likely to be similarly volatile and investors in our Class A common stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. In addition, in the past, following periods of volatility in the overall market and the market price of a company s securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management s attention and resources.

No assurance can be given that you will be able to resell your shares at a price equal to or greater than the offering price or that the offering price will necessarily indicate the fair market value of our Class A common stock. Consequently, investors of our Class A common stock could realize a substantial or complete loss of their investment.

Holders of the Class B common stock have voting control of our company and are able to determine virtually all matters submitted to stockholders, including potential change in control transactions.

Members of the Scott family, who as of February 28, 2010, owned 24,928,208 shares of the outstanding Class B common stock, controlled approximately 79% of the voting power of our outstanding common stock. Immediately following the offering, members of the Scott family will own approximately 62% of our common stock, but such members will control approximately 76% of the voting power of our outstanding common stock. Following the offering, we expect the Savings and Profit Sharing Plan for Employees of First Interstate BancSystem, Inc., or our profit sharing plan, will convert, and other existing holders of the Class B common stock may convert, their shares of Class B common stock into shares of Class A common stock. These conversions will reduce the total number of votes to be cast by holders of the common stock, thereby increasing the voting control percentages of our common stock by existing holders of the Class B common stock, including members of the Scott family. Therefore, Scott family members could control substantially more than 76% of the voting power of our outstanding common stock following the offering.

Due to their holdings of Class B common stock, members of the Scott family are able to determine the outcome of virtually all matters submitted to stockholders for approval, including the election of directors, amendment of our articles of incorporation (except when a class vote is required by law), any merger or consolidation requiring common stockholder approval and the sale of all or substantially all of the company s assets. Accordingly, such holders have the ability to prevent change in control transactions as long as they maintain voting control of the company.

In addition, because these holders will have the ability to elect all of our directors they will be able to control our policies and operations, including the appointment of management, future issuances of our common stock or other securities, the payments of dividends on our common stock and entering into extraordinary transactions, and their

interests may not in all cases be aligned with your interests. Further, because of our dual class structure, members of the Scott family will continue to be able to control all matters submitted to our stockholder for approval even if they come to own

less than 50% of the total outstanding shares of our common stock. The Scott family members have entered into a stockholder agreement giving family members a right of first refusal to purchase shares of common stock that are intended to be sold or transferred, subject to certain exceptions, by other family members. This agreement may have the effect of continuing ownership of the Class B common stock and control within the Scott family. This concentrated control will limit your ability to influence corporate matters. As a result, the market price of our Class A common stock could be adversely affected.

A substantial number of shares of our common stock will be eligible for sale in the near future, which could adversely affect our stock price and could impair our ability to raise capital through the sale of equity securities.

If our stockholders sell, or the market perceives that our stockholders intend to sell, in the public market following this offering substantial amounts of our Class A common stock, including Class A common stock issuable upon conversion of Class B common stock, the market price of our Class A common stock could decline significantly. These sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price we deem appropriate. Upon completion of this offering, 8,700,000 shares of our Class A common stock, or 10,005,000 shares of our Class A common stock if the underwriters option is exercised in full, will be outstanding. All of such shares will be freely tradable without restriction under the Securities Act of 1933, as amended, or Securities Act, except for any shares purchased by one of our affiliates as defined in Rule 144 under the Securities Act. Holders of Class B common stock may at any time convert their shares into shares of Class A common stock on a share-for-share basis. Assuming all outstanding shares of Class B common stock are converted into Class A common stock and subject where applicable to the volume limitation of Rule 144, up to approximately 3,825,752 shares of our Class A common stock could be sold immediately following this offering and approximately 27,417,540 additional shares of our Class A common stock could be sold upon the expiration of the 180-day lock-up period described in Underwriting Lock-Up Agreements. In addition, 3,775,396 shares of our Class B common stock will be issuable upon exercise of stock options outstanding as of February 28, 2010. We have also filed or intend to file registration statements on Form S-8 registering the issuance of shares of our Class B common stock issuable upon the exercise of outstanding options and of our Class A common stock that will be issuable in the future pursuant to equity compensation plans. Shares covered by these registration statements will be available for sale immediately upon issuance, subject to the lock-up agreements, if applicable. See Shares Eligible for Future Sale. As restrictions on resale end, the market price of our Class A common stock could drop significantly if the holders of restricted shares sell them or are perceived by the market as intending to sell them.

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

Except as described under Underwriting, we are not restricted from issuing additional Class A common stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, Class A common stock. We may issue additional Class A common stock in the future pursuant to current or future employee stock option plans or in connection with future acquisitions or financings. Should we choose to raise capital by selling shares of Class A common stock for any reason, the issuance would have a dilutive effect on the holders of our Class A common stock and could have a material negative effect on the market price of our Class A common stock.

We will retain broad discretion in using the net proceeds from this offering remaining after repayment of our variable rate term notes and may not use such proceeds effectively.

Except for the amount of net proceeds to be used for the repayment of our variable rate term notes as described below under Use of Proceeds, we have not designated the amount of net proceeds we will use for any other particular purpose. Accordingly, our management will retain broad discretion to allocate such remaining net proceeds of this offering. Such net proceeds may be applied in ways with which you and other investors in the offering may not agree. Moreover, our management may use those proceeds for corporate purposes that may not increase our market value or

make us profitable. In

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addition, given our current liquidity position, it may take us some time to effectively deploy the remaining proceeds from this offering. Until such proceeds are effectively deployed, our return on equity and earnings per share may be negatively impacted. Management s failure to spend the proceeds effectively could have an adverse effect on our business, financial condition and results of operations.

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

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

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

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

Our articles of incorporation provide that our Board may issue up to 95,000 additional shares of preferred stock, in one or more series, without stockholder approval and with such terms, conditions, rights, privileges and preferences as the Board may deem appropriate. In addition, our articles of incorporation provide for staggered terms for our Board and limitations on persons authorized to call a special meeting of stockholders. In addition, certain provisions of Montana law may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of our Class A common stock with the opportunity to realize a premium over the then-prevailing market price of such Class A common stock.

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

We intend to qualify as a controlled company under the NASDAQ Marketplace Rules and, once qualified, may rely on exemptions from certain corporate governance requirements.

As a result of the combined voting power of the members of the Scott family described above, we expect to qualify as a controlled company under the NASDAQ Marketplace Rules within the near term following this offering. At such time, we intend to rely on exemptions from certain NASDAQ corporate governance standards that are available to controlled companies. Under the NASDAQ Marketplace Rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain NASDAQ corporate governance requirements, including the requirements that:

- a majority of the board of directors consist of independent directors;

the compensation of officers be determined, or recommended to the board of directors for determination, by a majority of the independent directors or a compensation committee comprised solely of independent directors; and

director nominees be selected, or recommended for the board of directors selection, by a majority of the independent directors or a nominating committee comprised solely of

independent directors with a written charter or board resolution addressing the nomination process.

As a result, in the future, our compensation and governance & nominating committees may not consist entirely of independent directors. As long as we choose to rely on these exemptions from NASDAQ Marketplace Rules in the future, you will not have the same protections afforded to stockholders of companies that are subject to all of the NASDAQ corporate governance requirements.

The Class A common stock is equity and is subordinate to our existing and future indebtedness and to our existing Series A preferred stock.

Shares of our Class A common stock are equity interests and do not constitute indebtedness. As such, shares of our Class A common stock rank junior to all our indebtedness, including our subordinated term loans, the subordinated debentures held by trusts that have issued trust preferred securities and other non-equity claims on us with respect to assets available to satisfy claims on us. Additionally, holders of our Class A common stock are subject to the prior dividend and liquidation rights of any holders of our Series A preferred stock then outstanding.

In the future, we may attempt to increase our capital resources or, if our Bank s capital ratios fall below the required minimums, we or the Bank could be forced to raise additional capital by making additional offerings of debt or equity securities, including medium-term notes, trust preferred securities, senior or subordinated notes and preferred stock. Or, we may issue additional debt or equity securities as consideration for future mergers and acquisitions. Such additional debt and equity offerings may place restrictions on our ability to pay dividends on or repurchase our common stock, dilute the holdings of our existing stockholders or reduce the market price of our Class A common stock. Furthermore, acquisitions typically involve the payment of a premium over book and market values and therefore, some dilution of our tangible book value and net income per Class A common stock may occur in connection with any future transaction. Holders of our Class A common stock are not entitled to preemptive rights or other protections against dilution.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled Summary, Risk Factors, Use of Proceeds, Dividend Policy, Management s Discussion and Analysis of Financial Condition and Results of Operations, Business and Shares Eligible For Future Sale, contains forward-looking statements. These statements include statements about our plans, strategies and prospects and involve known and unknown risks that are difficult to predict. Therefore, our actual results, performance or achievements may differ materially from those expressed in or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as may, could, expect, intend, plan, seek, anticipate, believe, estimate, predict, potential, contin variations of these terms and similar expressions, or the negative of these terms or similar expressions. Factors that may cause actual results to differ materially from current expectations are described in the section entitled Risk Factors, and include, but are not limited to:

credit losses;

concentrations of real estate loans;

economic and market developments, including inflation;

commercial loan risk;

adequacy of our allowance for loan losses;

impairment of goodwill;

changes in interest rates;

access to low-cost funding sources;

increases in deposit insurance premiums;

inability to grow our business;

adverse economic conditions affecting Montana, Wyoming and western South Dakota;

governmental regulation and changes in regulatory, tax and accounting rules and interpretations;

changes in or noncompliance with governmental regulations;

effects of recent legislative and regulatory efforts to stabilize financial markets;

dependence on our management team;

ability to attract and retain qualified employees;

failure of technology;

disruption of vital infrastructure and other business interruptions;

illiquidity in the credit markets;

inability to meet liquidity requirements;

lack of acquisition candidates;

failure to manage growth;

competition;

inability to manage risks in turbulent and dynamic market conditions;

ineffective internal operational controls;

environmental remediation and other costs;

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- failure to effectively implement technology-driven products and services;
- litigation pertaining to fiduciary responsibilities;
- capital required to support our Bank subsidiary;
- soundness of other financial institutions;
- impact of Basel II capital standards;
- inability of our Bank subsidiary to pay dividends;
- change in dividend policy;
- lack of public market for our common stock;
- volatility of Class A common stock;
- voting control;
- decline in market price of Class A common stock;
- dilution as a result of future equity issuances;
- use of net proceeds;
- uninsured nature of any investment in Class A common stock;
- anti-takeover provisions;
- intent to qualify as a controlled company; and
- subordination of Class A common stock to company debt.

These factors and the other risk factors described in this prospectus 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. 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 laws. 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.

USE OF PROCEEDS

We estimate that our net proceeds from this offering, after deducting underwriting discounts, commissions and estimated offering expenses, will be approximately $119.6 million, or approximately $137.8 million if the underwriters option is exercised in full, based on an assumed initial offering price of $15.00 per share. A $1.00 increase (decrease) in the assumed initial public offering price of $15.00 per share would increase (decrease) the net proceeds to us from this offering by approximately $8.1 million, or approximately $9.3 million if the underwriters option is exercised in full.

We currently intend to use the net proceeds:

- to support our long-term growth;
- to repay our variable rate term notes issued under our syndicated credit agreement; and
- for general corporate purposes, including potential strategic acquisition opportunities.

The variable rate term notes were issued in January 2008 in conjunction with our acquisition of the First Western Bank. The variable rate term notes mature on December 31, 2010. As of December 31, 2009, the interest rate on the variable rate term notes was 3.75%. The variable rate term notes may be repaid, without penalty, at any time. We have chosen to use a portion of the proceeds from this offering to repay the entire outstanding balance of our variable rate term notes, which was $33.9 million as of December 31, 2009, thereby reducing our interest expense and eliminating the restrictive covenants and other restrictions contained in the credit agreement.

We have no present agreement or plan concerning any specific acquisition or similar transaction.

Pending application of net proceeds from this offering as set forth above, we intend to invest net proceeds in short-term liquid securities.

We have not designated the amount of net proceeds we will use for any particular purpose, other than repayment of the variable rate term notes. Accordingly, our management will retain broad discretion to allocate the net proceeds of this offering.

DIVIDEND POLICY

Dividends

It has been our policy to pay a quarterly dividend to all common stockholders. Dividends are declared and paid in the month following the calendar quarter. However, our Board may change or eliminate the payment of future dividends at its discretion, without notice to our stockholders and our dividend policy and practice may change in the future. Any future determination to pay dividends to our stockholders will be dependent upon our financial condition, results of operation, capital requirements, banking regulations and any other factors that the Board may deem relevant.

In addition, we are a holding company and are dependent upon the payment of dividends by our Bank to us as our principal source of funds to pay dividends, if any, in the future and to make other payments. Our Bank is also subject to various regulatory and other restrictions on its ability to pay dividends and make other distributions and payments to us. See Regulation and Supervision Restrictions on Transfers of Funds to Us and the Bank.

The following table summarizes recent quarterly and special dividends that have been paid:

Month Paid	Amount Per Share[1]	Total Cash Dividend
January 2007	$ 0.15	$ 5,007,153
January 2007 special dividend	0.10	3,363,708
April 2007	0.16	5,319,599
July 2007	0.16	5,299,394
October 2007	0.16	5,265,375
January 2008	0.16	5,207,192
April 2008	0.16	5,124,399
July 2008	0.16	5,090,168
October 2008	0.16	5,157,034
January 2009	0.16	5,127,714
April 2009	0.11	3,522,836
July 2009	0.11	3,513,986
October 2009	0.11	3,528,996
January 2010	0.11	3,519,163

(1) Amounts per share have been rounded to the nearest cent due to the recapitalization of our previously-existing common stock.

Dividend Restrictions

For a description of restrictions on the payment of dividends, see Risk Factors Risks Relating to the Market and Our Business Our Bank s ability to pay dividends to us is subject to regulatory limitations, which, to the extent we are not able to receive such dividends, may impair our ability to grow, pay dividends, cover operating expenses and meet debt service requirements and Regulation and Supervision Restrictions on Transfers of Funds to Us and the Bank.

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CAPITALIZATION

The following table sets forth our capitalization and regulatory capital and other ratios as of December 31, 2009, as follows:

- on an actual basis;
- on a pro forma basis to give effect to the recapitalization of our previously-existing common stock, which occurred on March 5, 2010, and which included (1) a 4-for-1 split of our previously-existing common stock, (2) the redesignation of the previously-existing common stock into Class B common stock and (3) the creation of a new class of common stock designated as Class A common stock; and
- on a pro forma as adjusted basis to give effect to the recapitalization and the receipt of the net proceeds from this offering of shares of our Class A common stock at an assumed initial public offering price of $15.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses, and the application of such net proceeds.

A $1.00 increase (decrease) in the assumed initial public offering price of $15.00 per share would increase (decrease) the net proceeds to us from this offering by approximately $8.1 million, or approximately $9.3 million if the underwriters option is exercised in full.

The following should be read in conjunction with Use of Proceeds, Management s Discussion and Analysis of Our Financial Condition and Results of Operations, Selected Historical Consolidated Financial Data and our financial statements and accompanying notes that are included elsewhere in this prospectus.

	December 31, 2009		
(Dollars in thousands, except per share data)	**Actual**	**Pro Forma**	**Pro Forma As Adjusted**
Borrowings and Obligations:			
Long-term debt:			
Subordinated term loans	$ 35,000	$ 35,000	$ 35,000
Variable rate term notes	33,929	33,929	
Capital lease and other obligations	4,424	4,424	4,424
Total long-term debt	73,353	73,353	39,424
Subordinated debentures held by subsidiary trusts	123,715	123,715	123,715
Stockholders Equity:			
Preferred stock, no par value, 100,000 shares authorized, including Series A preferred stock, no par value, 5,000 shares authorized, 5,000 shares issued and outstanding	50,000	50,000	50,000
Common stock, no par value, 100,000,000 shares authorized, 31,349,588 shares issued and outstanding[(1)]	112,135		
Class A common stock, no par value, 100,000,000 shares authorized, 8,700,000 shares issued and outstanding[(1)]			119,615

Class B common stock, no par value, 100,000,000 shares authorized, 31,349,588 shares issued and outstanding[1]		112,135	112,135
Retained earnings	397,224	397,224	397,224
Accumulated other comprehensive income, net	15,075	15,075	15,075
Total Stockholders Equity	574,434	574,434	694,049
Total Capitalization	771,502	771,502	857,188
Capital Ratios[2]:			
Tangible common equity to tangible assets[3]	4.76%	4.76%	6.40%
Tier 1 common capital to total risk weighted assets[4]	6.43	6.43	8.71
Leverage ratio	7.30	7.30	9.00
Tier 1 risk-based capital	9.74	9.74	12.00
Total risk-based capital	11.68	11.68	13.94
Common Stock Data:			
Book value per share[5]	$ 16.73	$ 16.73	$ 16.08
Tangible book value per share[6]	10.53	10.53	11.23

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(1) The above table excludes: (1) 2,765,904 shares of our Class B common stock issuable upon the exercise of outstanding stock options at a weighted average exercise price of $15.37 per share; (2) 1,600,000 shares of our Class B common stock issuable upon conversion of our outstanding shares of our Series A preferred stock and (3) 1,280,352 shares of our Class A common stock available for future issuance under our equity compensation plans.

For additional information regarding the recapitalization of our previously-existing common stock and the terms of each of the Class A common stock and Class B common stock, see Description of Capital Stock.

(2) The net proceeds from our sale of Class A common stock in this offering, after repayment of the variable rate term notes issued under our syndicated credit agreement, are presumed to be invested in short-term liquid securities which carry a 20% risk weighting for purposes of all adjusted risk-based capital ratios. If the underwriters option is exercised in full, net proceeds would be approximately $137.8 million and our tangible common equity to tangible assets, Tier I common capital to total risk weighted assets, leverage ratio, Tier 1 risk-based capital ratio and our total risk-based capital ratio would have been 6.64%, 9.05%, 9.26%, 12.35% and 14.28%, respectively.

(3) Tangible common equity to tangible assets is a non-GAAP financial measure. The most directly comparable GAAP financial measure is total stockholders equity to total assets. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption Selected Historical Consolidated Financial Data.

(4) For purposes of computing tier 1 common capital to total risk weighted assets, tier 1 common capital is calculated as Tier 1 capital less preferred stock and trust preferred securities.

(5) For purposes of computing book value per share, book value equals common stockholders equity.

(6) Tangible book value per share is a non-GAAP financial measure. The most directly comparable GAAP financial measure is book value per share. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption Selected Historical Consolidated Financial Data.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table sets forth certain of our historical consolidated financial data. The selected consolidated financial data as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated financial data as of December 31, 2007, 2006 and 2005 and for the years ended December 31, 2006 and 2005 have been derived from our audited consolidated financial statements that are not included in this prospectus.

In January 2008, we acquired First Western Bank which included 18 offices located in western South Dakota. At the time of the acquisition, First Western Bank had total assets of approximately $913.0 million. The results and other financial data of First Western Bank are not included in the table below for the periods prior to the date of acquisition and, therefore, the results and other financial data for such prior periods may not be comparable in all respects. In December 2008, we completed the disposition of our i_Tech subsidiary to Fiserv Solutions, Inc., which eliminated our technology services segment, one of our two historical operating segments. Because the operating results attributable to the former segment are not included in our operating results for periods subsequent to the date of disposition, our results for periods prior to the date of that transaction may not be comparable in all respects. See Note 1 of the Notes to Consolidated Financial Statements included in this prospectus.

This selected historical consolidated financial data should be read in conjunction with other information contained in this prospectus, including Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and accompanying notes included elsewhere in this prospectus.

	As of or for the Year Ended December 31,				
ollars in thousands, except per share data)	**2009**	**2008**	**2007**	**2006**	**2005**
elected Balance Sheet Data:					
ssets:					
ash and cash equivalents	$ 623,482	$ 314,030	$ 249,246	$ 255,791	$ 240,977
oans	4,528,004	4,772,813	3,558,980	3,310,363	3,034,354
llowance for loan losses	103,030	87,316	52,355	47,452	42,450
et loans	4,424,974	4,685,497	3,506,625	3,262,911	2,991,904
vestment securities	1,446,280	1,072,276	1,128,657	1,124,598	1,019,901
ortgage servicing rights, net of accumulated mortization and impairment reserve	17,325	11,002	21,715	22,644	22,116
oodwill	183,673	183,673	37,380	37,380	37,390
ore deposit intangibles, net of accumulated mortization	10,551	12,682	257	432	1,204
ther assets	431,368	349,187	272,917	270,378	248,821
otal assets	$ 7,137,653	$ 6,628,347	$ 5,216,797	$ 4,974,134	$ 4,562,313
iabilities:					
eposits	$ 5,824,056	$ 5,174,259	$ 3,999,401	$ 3,708,511	$ 3,547,590

ecurities sold under repurchase agreements	474,141	525,501	604,762	731,548	518,718
ther borrowed funds	5,423	79,216	8,730	5,694	7,495
ong-term debt	73,353	84,148	5,145	21,601	54,654
ubordinated debentures held by subsidiary usts	123,715	123,715	103,095	41,238	41,238
ther liabilities	62,531	102,446	51,221	55,167	42,771
otal liabilities	$ 6,563,219	$ 6,089,285	$ 4,772,354	$ 4,563,759	$ 4,212,466

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	As of or for the Year Ended December 31,				
in thousands, except per share data)	**2009**	**2008**	**2007**	**2006**	**2005**
ders equity:					
d stock	$ 50,000	$ 50,000	$	$	$
n stock	112,135	117,613	29,773	45,477	43,239
l earnings	397,224	362,477	416,425	372,039	314,843
lated other comprehensive income et	15,075	8,972	(1,755)	(7,141)	(8,235)
ckholders equity	$ 574,434	$ 539,062	$ 444,443	$ 410,375	$ 349,847
Income Statement Data:					
ncome	$ 328,034	$ 355,919	$ 325,557	$ 293,423	$ 233,857
expense	84,898	120,542	125,954	105,960	63,549
est income	243,136	235,377	199,603	187,463	170,308
n for loan losses	45,300	33,356	7,750	7,761	5,847
est income after provision for loan	197,836	202,021	191,853	179,702	164,461
erest income	100,690	128,597	92,367	102,181	70,651
erest expense	217,710	222,541	178,786	164,775	151,087
before income taxes	80,816	108,077	105,434	117,108	84,025
tax expense	26,953	37,429	36,793	41,499	29,310
me	53,863	70,648	68,641	75,609	54,715
d stock dividends	3,422	3,347			
me available to common stockholders	$ 50,441	$ 67,301	$ 68,641	$ 75,609	$ 54,715
n Stock Data:					
s per share:					
	$ 1.61	$ 2.14	$ 2.11	$ 2.33	$ 1.71
	1.59	2.10	2.06	2.28	1.68
ds per share	.50	.65	.74	.57	.47
lue per share[(1)]	16.73	15.50	13.88	12.60	10.80
book value per share[(2)]	10.53	9.27	12.70	11.44	9.61
d average shares outstanding:					
	31,335,668	31,484,136	32,507,216	32,450,440	32,006,728
	31,678,500	32,112,672	33,289,920	33,215,960	32,597,348
l Ratios:					
n average assets	0.79%	1.12%	1.37%	1.60%	1.26%
n average common stockholders	9.98	14.73	16.14	20.38	16.79
stockholders equity to average assets	8.16	7.98	8.52	7.85	7.52

earning assets	5.44	6.37	7.21	6.94	6.12
average interest bearing liabilities	1.63	2.50	3.43	3.05	1.99
rest spread	3.81	3.87	3.78	3.89	4.13
rest margin[3]	4.05	4.25	4.46	4.47	4.48
cy ratio[4]	63.32	61.14	61.23	56.89	62.70
n stock dividend payout ratio[5]	31.06	30.37	35.07	24.46	27.49
deposit ratio	77.75	92.24	88.99	89.26	85.53

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(Dollars in thousands, except per share data)	As of or for the Year Ended December 31, 2009	2008	2007	2006	2005
Asset Quality Ratios:					
Non-performing loans to total loans[6]	2.75%	1.90%	0.98%	0.53%	0.63%
Non-performing assets to total loans and OREO[7]	3.57	2.03	1.00	0.55	0.67
Non-performing assets to total assets	2.28	1.46	0.68	0.36	0.45
Allowance for loan losses to total loans	2.28	1.83	1.47	1.43	1.40
Allowance for loan losses to non-performing loans	82.64	96.03	150.66	269.72	220.73
Net charge-offs to average loans	0.63	0.28	0.08	0.09	0.19
Capital Ratios:					
Tangible common equity to tangible assets[8]	4.76%	4.55%	7.85%	7.55%	6.88%
Tier 1 common capital to total risk weighted assets[9]	6.43	5.35	9.95	9.68	8.94
Leverage ratio	7.30	7.13	9.92	8.61	7.91
Tier 1 risk-based capital	9.74	8.57	12.39	10.71	10.07
Total risk-based capital	11.68	10.49	13.64	11.93	11.27

(1) For purposes of computing book value per share, book value equals common stockholders equity.

(2) Tangible book value per share is a non-GAAP financial measure. The most directly comparable GAAP financial measure is book value per share. See below our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures.

(3) Net interest margin ratio is presented on an FTE basis.

(4) Efficiency ratio represents non-interest expenses, excluding loan loss provision, divided by the aggregate of net interest income and non-interest income.

(5) Common stock dividend payout ratio represents dividends per share divided by basic earnings per share. See Dividend Policy.

(6) Non-performing loans include nonaccrual loans, loans past due 90 days or more and still accruing interest and restructured loans.

(7) Non-performing assets include nonaccrual loans, loans past due 90 days or more and still accruing interest, restructured loans and OREO.

(8) Tangible common equity to tangible assets is a non-GAAP financial measure. The most directly comparable GAAP financial measure is total stockholders equity to total assets. See below our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures.

(9) For purposes of computing tier 1 common capital to total risk weighted assets, tier 1 common capital is calculated as Tier 1 capital less preferred stock and trust preferred securities.

Non-GAAP Financial Measures

In addition to results presented in accordance with generally accepted accounting principals in the United States of America, or GAAP, this prospectus contains the following non-GAAP financial measures that management uses to evaluate our capital adequacy: tangible book value per share and tangible common equity to tangible assets. For purposes of computing tangible book value per share, tangible book value (also referred as tangible common stockholders equity or tangible common equity) equal common stockholders equity less goodwill and other intangible assets (except mortgage servicing rights). Tangible book value per share is calculated as tangible common stockholders equity divided by shares of common stock outstanding. For purposes of computing tangible common equity to tangible assets, tangible assets is calculated as total assets less goodwill and other intangible assets (excluding mortgage servicing rights). Tangible common equity to tangible assets is calculated as tangible common stockholders equity divided by tangible assets.

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Management believes that these non-GAAP financial measures are valuable indicators of a financial institution s capital strength since they eliminate intangible assets from stockholders equity and retain the effect of unrealized losses on securities and other components of accumulated other comprehensive income (loss) in stockholders equity. Management also believes that such financial measures, which are intended to complement the capital ratios defined by banking regulators, are useful to investors in evaluating the Company s performance due to the importance that analysts place on these ratios and also allow investors to compare certain aspects of our capitalization to other companies. These non-GAAP financial measures, however, may not be comparable to similarly titled measures reported by other companies because other companies may not calculate these non-GAAP measures in the same manner. As a result, the usefulness of these measures to investors may be limited, and they should not be considered in isolation or as a substitute for measures prepared in accordance with GAAP.

The following table shows a reconciliation from total stockholders equity (GAAP) to tangible common stockholders equity (non-GAAP) and total assets (GAAP) to tangible assets (non-GAAP), their most directly comparable GAAP financial measures, in each instance as of the periods presented.

	As of the Year Ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
(Dollars in thousands, except per share data)					
Preferred stockholders equity	$ 50,000	$ 50,000	$	$	$
Common stockholders equity	524,434	489,062	444,443	410,375	349,847
Total stockholders equity	574,434	539,062	444,443	410,375	349,847
Less goodwill and other intangible assets (excluding mortgage servicing rights)	194,273	196,667	37,637	37,812	38,595
Less preferred stock	50,000	50,000			
Tangible common stockholders equity	$ 330,161	$ 292,395	$ 406,806	$ 372,563	$ 311,252
Number of shares of common shares outstanding	31,349,588	31,550,076	32,024,164	32,579,152	32,395,732
Book value per share of common stock	$ 16.73	$ 15.50	$ 13.88	$ 12.60	$ 10.80
Tangible book value per share of common stock	10.53	9.27	12.70	11.44	9.61
Total assets	$ 7,137,653	$ 6,628,347	$ 5,216,797	$ 4,974,134	$ 4,562,313
Less goodwill and other intangible assets (excluding mortgage	194,273	196,667	37,637	37,812	38,595

servicing rights)					
Tangible assets	$ 6,943,380	$ 6,431,680	$ 5,179,160	$ 4,936,322	$ 4,523,718
Tangible common stockholders equity to tangible assets	4.76%	4.55%	7.85%	7.55%	6.88%

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Selected Historical Consolidated Financial Data and our consolidated financial statements and accompanying notes included elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Certain risks, uncertainties and other factors, including but not limited to those set forth under Cautionary Note Regarding Forward Looking Statements, Risk Factors and elsewhere in this prospectus, may cause actual results to differ materially from those projected in the forward-looking statements.

Executive Overview

We are a financial and bank holding company headquartered in Billings, Montana. As of December 31, 2009, we had consolidated assets of $7.1 billion, deposits of $5.8 billion, loans of $4.5 billion and total stockholders equity of $574 million. We currently operate 72 banking offices in 42 communities located in Montana, Wyoming and western South Dakota. Through the Bank, we deliver a comprehensive range of banking products and services to individuals, businesses, municipalities and other entities throughout our market areas. Our customers participate in a wide variety of industries, including energy, healthcare and professional services, education and governmental services, construction, mining, agriculture, retail and wholesale trade and tourism.

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

Our loan portfolio consists of a mix of real estate, consumer, commercial, agricultural and other loans, including fixed and variable rate loans. Our real estate loans comprise commercial real estate, construction (including residential, commercial and land development loans), residential, agricultural and other real estate loans. Fluctuations in the loan portfolio are directly related to the economies of the communities we serve. While each loan originated generally must meet minimum underwriting standards established in our credit policies, lending officers are granted discretion within pre-approved limits in approving and pricing loans to assure that the banking offices are responsive to competitive issues and community needs in each market area. We fund our loan portfolio primarily with the core deposits from our customers, generally without utilizing brokered deposits and with minimal reliance on wholesale funding sources.

In furtherance of our strategy to maintain and enhance our long-term performance while we continue to grow and expand our business, we completed two strategic transactions in 2008. In January 2008 we completed the First Western acquisition, which comprised the purchase of two banks (First Western Bank in Wall, South Dakota and The First Western Bank Sturgis in Sturgis, South Dakota) and a data center located in western South Dakota with combined total assets as of the acquisition date of approximately $913 million. Because the results of First Western Bank are not included in our results for the periods prior to the date of acquisition, our results and other financial data for such prior periods may not be comparable in all respects to our results for periods after the date of acquisition. On December 31, 2008, we completed the disposition of our i_Tech subsidiary to Fiserv Solutions, Inc. The disposition eliminated our technology services segment, one of our two historical operating segments, enabling us to focus on our

core business and only remaining segment: community banking. Because the operating results attributable to the former segment are not included

in our operating results for periods subsequent to the date of disposition, our results for periods prior to the date of that transaction may not be comparable in all respects. See Note 1 of the Notes to Consolidated Financial Statements included in this prospectus.

Primary Factors Used in Evaluating Our Business

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

Results of Operations

Principal factors used in managing and evaluating our results of operations include net interest income, non-interest income, non-interest expense and net income.

Net interest income. Net interest income, the largest source of our operating income, is derived from interest, dividends and fees received on interest earning assets, less interest expense incurred on interest bearing liabilities. Interest earning assets primarily include loans and investment securities. Interest bearing liabilities include deposits and various forms of indebtedness. Net interest income is affected by the level of interest rates, changes in interest rates and changes in the composition of interest earning assets and interest bearing liabilities. The most significant impact on our net interest income between periods is derived from the interaction of changes in the rates earned or paid on interest earning assets and interest bearing liabilities, which we refer to as interest rate spread. The volume of loans, investment securities and other interest earning assets, compared to the volume of interest bearing deposits and indebtedness, combined with the interest rate spread, produces changes in our net interest income between periods. Non-interest bearing sources of funds, such as demand deposits and stockholders equity, also support earning assets. The impact of free funding sources is captured in the net interest margin, which is calculated as net interest income divided by average earning assets. Given the interest free nature of free funding sources, the net interest margin is generally higher than the interest rate spread. We seek to increase our net interest income over time, and we evaluate our net interest income on factors that include the yields on our loans and other earning assets, the costs of our deposits and other funding sources, the levels of our net interest spread and net interest margin and the provisions for loan losses required to maintain our allowance for loan losses at an adequate level.

Non-interest income. Our principal sources of non-interest income include (1) income from the origination and sale of loans, (2) other service charges, commissions and fees, (3) service charges on deposit accounts, (4) wealth management revenues and (5) other income. Income from the origination and sale of loans includes origination and processing fees on residential real estate loans held for sale and gains on residential real estate loans sold to third parties. Fluctuations in market interest rates have a significant impact on revenues generated from the origination and sale of loans. Higher interest rates can reduce the demand for home loans and loans to refinance existing mortgages. Conversely, lower interest rates generally stimulate refinancing and home loan origination. Other service charges, commissions and fees primarily include debit and credit card interchange income, mortgage servicing fees, insurance and other commissions and ATM service charge revenues. Wealth management revenues principally comprises fees earned for management of trust assets and investment services revenues. Other income primarily includes company-owned life insurance revenues, check printing income, agency stock dividends and gains on sales of miscellaneous assets. We seek to increase our non-interest income over time, and we evaluate our non-interest income relative to the trends of the individual types of non-interest income in view of prevailing market conditions.

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Non-interest expense. Non-interest expenses include (1) salaries, wages and employee benefits expense, (2) occupancy expense, (3) furniture and equipment expense, (4) FDIC insurance premiums, (5) outsourced technology services expense, (6) impairment of mortgage servicing rights, (7) OREO expense, (8) core deposit intangibles and (9) other expenses, which primarily includes professional fees; advertising and public relations costs; office supply, postage, freight, telephone and travel expenses; donations expense; debit and credit card expenses; board of director fees; and other losses. OREO expense is recorded net of OREO income. Variations in net OREO expense between periods is primarily due to write-downs of the estimated fair value of OREO properties, fluctuations in gains and losses recorded on sales of OREO properties, fluctuations in the number of OREO properties held and the carrying costs and/or operating expenses associated with those properties. We seek to manage our non-interest expenses in consideration of the growth of our business and our community banking model that emphasizes customer service and responsiveness. We evaluate our non-interest expense on factors that include our non-interest expense relative to our average assets, our efficiency ratio and the trends of the individual categories of non-interest expense.

Net Income. We seek to increase our net income and provide favorable stockholder returns over time, and we evaluate our net income relative to the performance of other banks and bank holding companies on factors that include return on average assets, return on average equity and consistency and rates of growth in our earnings.

Financial Condition

Principal areas of focus in managing and evaluating our financial condition include liquidity, the diversification and quality of our loans, the adequacy of our allowance for loan losses, the diversification and terms of our deposits and other funding sources, the re-pricing characteristics and maturities of our assets and liabilities, including potential interest rate exposure and the adequacy of our capital levels.

We seek to maintain sufficient levels of cash and investment securities to meet potential payment and funding obligations, and we evaluate our liquidity on factors that include the levels of cash and highly liquid assets relative to our liabilities, the quality and maturities of our investment securities, our ratio of loans to deposits and our reliance on brokered certificates of deposit or other wholesale funding sources.

We seek to maintain a diverse and high quality loan portfolio, and we evaluate our asset quality on factors that include the allocation of our loans among loan types, our credit exposure to any single borrower or industry type, non-performing assets as a percentage of total loans and OREO and loan charge-offs as a percentage of average loans. We seek to maintain our allowance for loan losses at a level adequate to absorb potential losses inherent in our loan portfolio at each balance sheet date, and we evaluate the level of our allowance for loan losses relative to our overall loan portfolio and the level of non-performing loans and potential charge-offs.

We seek to fund our assets primarily using core customer deposits spread among various deposit categories, and we evaluate our deposit and funding mix on factors that include the allocation of our deposits among deposit types, the level of our non-interest bearing deposits, the ratio of our core deposits (which excludes time deposits (certificates of deposit) above $100,000) to our total deposits and our reliance on brokered deposits or other wholesale funding sources, such as borrowings from other banks or agencies. We seek to manage the mix, maturities and re-pricing characteristics of our assets and liabilities to maintain relative stability of our net interest rate margin in a changing interest rate environment, and we evaluate our asset-liability management using complex models to evaluate the changes to our net interest income under different interest rate scenarios.

Finally, we seek to maintain adequate capital levels to absorb unforeseen operating losses and to help support the growth of our balance sheet. We evaluate our capital adequacy using the regulatory and financial capital ratios included elsewhere in this prospectus, including leverage capital

ratio, tier 1 risk-based capital ratio, total risk-based capital ratio, tangible common equity to tangible assets and tier 1 common capital to total risk-weighted assets.

Trends and Developments

Our success is highly dependent on economic conditions and market interest rates. Because we operate in Montana, Wyoming and western South Dakota, the local economic conditions in each of these areas are particularly important. Our local economies have not been impacted as severely by the national economic and real estate downturn, sub-prime mortgage crisis and ongoing financial market turbulence as many areas of the United States. Although the continuing impact of the national recession and related real estate and financial market conditions is uncertain, these factors affect our business and could have a material negative effect on our cash flows, results of operations, financial condition and prospects.

Asset Quality

Difficult economic conditions continue to have a negative impact on businesses and consumers in our market areas. General declines in the real estate and housing markets have resulted in significant deterioration in the credit quality of our loan portfolio, which is reflected by increases in non-performing and internally risk classified loans. Our non-performing assets increased to $163 million, or 3.57% of total loans and OREO, as of December 31, 2009 from $97 million, or 2.03% of total loans and OREO, as of December 31, 2008. Loan charge-offs, net of recoveries, totaled $30 million in 2009, as compared to $13 million in 2008, with all major loan categories reflecting increases. Based on our assessment of the adequacy of our allowance for loan losses, we recorded provisions for loan losses of $45.3 million during 2009, compared to $33.4 million during 2008. Increased provisions for loan losses reflects our estimation of the effect of current economic conditions on our loan portfolio. In the first two months of 2010, we have continued to experience elevated levels of non-performing assets and provisions for loan losses which will continue to affect our earnings. Given the current economic conditions and trends, management believes we will continue to experience higher levels of non-performing loans in the near-term, which will likely have an adverse impact on our business, financial condition, results of operations and prospects.

Net OREO expense was $6.4 million in 2009 compared to $215,000 in 2008. The increase in net OREO expense was primarily related to one real estate development property written down by $4.3 million during third quarter 2009 due to a decline in the estimated market value of the property.

FDIC Insurance Premiums

As part of a plan to restore the DIF following significant decreases in its reserves, the FDIC has increased deposit insurance assessments. On January 1, 2009, the FDIC increased its assessment rates and has since imposed further rate increases and changes to the current risk-based assessment framework. On May 22, 2009, the FDIC adopted a final rule imposing a 5 basis point special assessment on each insured depository institution s assets minus Tier 1 capital, as of June 30, 2009. On November 17, 2009, the FDIC published a final rule requiring insured depository institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. We expect FDIC insurance premiums to remain elevated for the foreseeable future.

Dividend Policy and Capital Repurchases

In response to the current recession and uncertain market conditions, we implemented changes to our capital management practices designed to ensure our long-term success and conserve capital. Beginning with second quarter 2009, we paid quarterly dividends of $0.11 per share of previously-existing common stock, a decrease of $0.05 per share of previously-existing common stock from quarterly dividends paid during 2008 and first quarter 2009. In

addition, during 2009 we limited repurchases of our previously-existing common stock outside of our profit sharing plan. In 2009, we

repurchased 642,752 shares of our previously-existing common stock with an aggregate value of $11 million compared to repurchases of the 1,333,572 shares of our previously-existing common stock with an aggregate value of $28 million in 2008. During our first quarter 2010 redemption window, which was concluded in February 2010, we repurchased 243,972 shares of our previously-existing common stock with an aggregate value of $4 million. Our repurchase program will terminate concurrently with the completion of this offering.

During the second quarter 2009, although we received notification that our application for participation in the TARP Capital Purchase Program was approved, we elected not to participate in the program.

Goodwill

During third quarter 2009, we conducted our annual testing of goodwill for impairment and determined that goodwill was not impaired as of July 1, 2009. If goodwill were to become impaired in future periods, we would be required to record a noncash downward adjustment to income, which would result in a corresponding decrease to our stated book value that could under certain circumstances render our Bank unable to pay dividends to us, thereby reducing our cash flow, creating liquidity issues and negatively impacting our ability to pay dividends to our stockholders. Conversely, any such goodwill impairment charge would enable us to record an offsetting favorable tax deduction in the year of the impairment, which could result in a corresponding increase to our tangible book value and benefit to our regulatory capital ratios. Our total goodwill as of December 31, 2009 was $184 million. Approximately $159 million of such goodwill is deductible for tax purposes, of which $41 million has been recognized for tax purposes through December 31, 2009, resulting in a deferred tax liability of $16 million.

Mortgage Servicing Rights

Mortgage servicing rights are evaluated quarterly for impairment. Impairment adjustments, if any, are recorded through a valuation allowance. Mortgage servicing rights are initially recorded at fair value based on comparable market quotes and are amortized in proportion to and over the period of estimated net servicing income. Changes in estimated servicing period and growth in the serviced loan portfolio cause amortization expense to vary between periods.

In an effort to reduce our exposure to earning charges or credits resulting from volatility in the fair value of our mortgage servicing rights, we sold mortgage servicing rights with a carrying value of $3 million to a secondary market investor during fourth quarter 2009 at a loss of approximately $48,000. In conjunction with the sale, we entered into a sub-servicing agreement with the purchaser whereby we will continue to service the loans for a fee. Management will continue to evaluate opportunities for additional sales of mortgage servicing rights in the future.

Critical Accounting Estimates and Significant Accounting Policies

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States and follow general practices within the industries in which we operate. 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. Our significant accounting policies are summarized in Notes to Consolidated Financial Statements Summary of Significant Accounting Policies included in financial statements included in this prospectus.

Our critical accounting estimates are summarized below. Management considers an accounting estimate to be critical if: (1) the accounting estimate requires management to make particularly difficult, subjective and/or complex judgments about matters that are inherently uncertain and (2) changes in the estimate that are reasonably likely to occur from period to period, or the use of different estimates that management could have reasonably used in the

current period, would have a material impact on our consolidated financial statements, results of operations or liquidity.

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Allowance for Loan Losses

The provision for loan losses creates an allowance for loan losses known and inherent in the loan portfolio at each balance sheet date. The allowance for loan losses represents management s estimate of probable credit losses inherent in the loan portfolio.

We perform a quarterly assessment of the risks inherent in our loan portfolio, as well as a detailed review of each significant asset with identified weaknesses. Based on this analysis, we record a provision for loan losses in order to maintain the allowance for loan losses at appropriate levels. In determining the allowance for loan losses, we estimate losses on specific loans, or groups of loans, where the probable loss can be identified and reasonably determined. Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant judgment and the use of subjective measurements, including management s assessment of the internal risk classifications of loans, historical loan loss rates, changes in the nature of the loan portfolio, overall portfolio quality, industry concentrations, delinquency trends and the impact of current local, regional and national economic factors on the quality of the loan portfolio. Changes in these estimates and assumptions are possible and may have a material impact on our allowance, and therefore our consolidated financial statements, liquidity or results of operations. The allowance for loan losses is maintained at an amount we believe is sufficient to provide for estimated losses inherent in our loan portfolio at each balance sheet date, and fluctuations in the provision for loan losses result from management s assessment of the adequacy of the allowance for loan losses. Management monitors qualitative and quantitative trends in the loan portfolio, including changes in the levels of past due, internally classified and non-performing loans. Note 1 of the Notes to Consolidated Financial Statements included in this prospectus describes the methodology used to determine the allowance for loan losses. A discussion of the factors driving changes in the amount of the allowance for loan losses is included in this prospectus under the heading Financial Condition Allowance for Loan Losses.

Goodwill

The excess purchase price over the fair value of net assets from acquisitions, or goodwill, is evaluated for impairment at least annually and on an interim basis if an event or circumstance indicates that it is likely an impairment has occurred. In testing for impairment in the past, the fair value of net assets was estimated based on an analysis of market-based trading and transaction multiples of selected profitable banks in the western and mid-western regions of the United States and, if required, the estimated fair value would have been allocated to our assets and liabilities. In future testing for impairment, the fair value of net assets will be estimated based on an analysis of our market value. Determining the fair value of goodwill is considered a critical accounting estimate because of its sensitivity to market-based trading and transaction multiples in prior periods and to market-based trading of our Class A common stock in future periods. In addition, any allocation of the fair value of goodwill to assets and liabilities requires significant management judgment and the use of subjective measurements. Variability in the market and changes in assumptions or subjective measurements used to allocate fair value are reasonably possible and may have a material impact on our consolidated financial statements, liquidity or results of operations. Note 1 of the Notes to Consolidated Financial Statements included in this prospectus describes our accounting policy with regard to goodwill.

Valuation of Mortgage Servicing Rights

We recognize as assets the rights to service mortgage loans for others, whether acquired or internally originated. Mortgage servicing rights are carried on the consolidated balance sheet at the lower of amortized cost or fair value. We utilize the expertise of a third-party consultant to estimate the fair value of our mortgage servicing rights quarterly. In evaluating the mortgage servicing rights, the consultant uses discounted cash flow modeling techniques, which require estimates regarding the amount and timing of expected future cash flows, including assumptions about loan repayment rates based on current industry expectations, costs to service, predominant risk characteristics of the

underlying loans as well as interest rate assumptions that contemplate the risk involved. During a period of declining interest rates, the fair value of mortgage servicing rights is expected to decline due to anticipated prepayments within the portfolio. Alternatively, during a period of rising interest rates, the fair value of mortgage servicing rights is expected to increase because prepayments of the underlying loans would be anticipated to decline. Impairment adjustments are recorded through a valuation allowance. The valuation allowance is adjusted for changes in impairment through a charge to current period earnings. Management believes the valuation techniques and assumptions used by the consultant are reasonable.

Determining the fair value of mortgage servicing rights is considered a critical accounting estimate because of the assets sensitivity to changes in estimates and assumptions used, particularly loan prepayment speeds and discount rates. Changes in these estimates and assumptions are reasonably possible and may have a material impact on our consolidated financial statements, liquidity or results of operations. As of December 31, 2009, the consultant s valuation model indicated that an immediate 25 basis point decrease in mortgage interest rates would result in a reduction in fair value of mortgage servicing rights of $5 million and an immediate 50 basis point reduction in mortgage interest rates would result in a reduction in fair value of $9 million. Notes 1 and 8 of the Notes to Consolidated Financial Statements included in this prospectus describe the methodology we use to determine fair value of mortgage servicing rights.

Other Real Estate Owned

Real estate acquired in satisfaction of loans is initially carried at current fair value less estimated selling costs. The value of the underlying loan is written down to the fair value of the real estate acquired by charge to the allowance for loan losses, if necessary, at or within 90 days of foreclosure. Subsequent declines in fair value less estimated selling costs are included in OREO expense. Subsequent increases in fair value less estimated selling costs are recorded as a reduction in OREO expense to the extent of recognized losses. Carrying costs, operating expenses, net of related income, and gains or losses on sales are included in OREO expense. Notes 1 and 24 of the Notes to Consolidated Financial Statements included in this prospectus describe our accounting policy with regard to OREO.

Results of Operations

The following discussion of our results of operations compares the years ended December 31, 2009 to December 31, 2008, and the years ended December 31, 2008 to December 31, 2007.

Net Interest Income

Market interest rates, which declined steadily in 2008 and have remained at low levels during 2009, reduced our yield on interest earning assets and our cost of interest bearing liabilities. Our net interest income, on a FTE basis, increased $7.4 million, or 3.1%, to $248.0 million in 2009, compared to $240.6 million in 2008.

Despite growth in net FTE interest income, we experienced lower interest rate spreads and compression of our net FTE interest margin in 2009, as compared to 2008. Our net FTE interest margin decreased 20 basis points to 4.05% in 2009, compared to 4.25% in 2008. Our focus on balancing growth to improve liquidity combined with weak loan demand during 2009 resulted in higher federal funds sold balances, which produce lower yields than other interest earnings assets. In addition, interest-free and low cost funding sources, such as demand deposits, federal funds purchased and short-term borrowings comprised a smaller percentage of our total funding base, which further compressed our net FTE interest margin.

Net FTE interest income increased $37.0 million, or 18.2%, to $240.6 million in 2008, from $203.7 million in 2007, due largely to the net interest income of the acquired First Western entities. Average earning assets grew 24.0% in

2008, with approximately 78.0% of this growth attributable to

the acquired First Western entities. Despite growth in earning assets and an increase in the interest rate spread, our net FTE interest margin decreased 21 basis points to 4.25% in 2008, as compared to 4.46% for 2007, largely due to the First Western acquisition. In conjunction with the acquisition, we incurred indebtedness to acquire nonearning assets, including goodwill, core deposit intangibles and premises and equipment. In addition, interest free funding sources, including non-interest bearing deposits and common equity comprised a smaller percentage of our funding base during 2008 as compared to 2007. During fourth quarter 2008, the federal funds rate fell 125 to 150 basis points, with the last decrease taking the rate to between 0 and 25 basis points, further compressing our net FTE interest margin ratio during fourth quarter 2008.

The following table presents, for the periods indicated, condensed 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

	Year Ended December 31,								
	2009			2008			2007		
	Average Balance	**Interest**	**Average Rate**	**Average Balance**	**Interest**	**Average Rate**	**Average Balance**	**Interest**	**Ave Ra**
rs in thousands)									
t earning assets:									
1)(2)	$ 4,660,189	$ 281,799	6.05%	$ 4,527,987	$ 306,976	6.78%	$ 3,449,809	$ 274,020	7
overnment agency ortgage-backed ies	1,016,632	41,887	4.12	923,912	43,336	4.69	892,850	42,650	4
l funds sold	105,423	253	0.24	55,205	1,080	1.96	87,460	4,422	5
securities	1,556	50	3.21	5,020	214	4.26	857	3	0
empt securities(2)	134,373	8,398	6.25	147,812	9,382	6.35	111,732	7,216	6
t bearing deposits ks	199,316	520	0.26	5,946	191	3.21	26,165	1,307	5
nterest earnings	6,117,489	332,907	5.44	5,665,882	361,179	6.37	4,568,873	329,618	7
arning assets	687,110			667,206			423,893		
ssets	$ 6,804,599			$ 6,333,088			$ 4,992,766		
t bearing ies:									
nd deposits	$ 1,083,054	4,068	0.38	$ 1,120,807	12,966	1.16	$ 1,004,019	23,631	2
s deposits	1,321,625	10,033	0.76	1,144,553	18,454	1.61	940,521	24,103	2
deposits	2,129,313	59,125	2.78	1,688,859	65,443	3.87	1,105,959	51,815	4
chase agreements	422,713	776	0.18	537,267	7,694	1.43	558,469	21,212	3
vings(3)	56,817	1,367	2.41	126,690	3,130	2.47	8,515	428	5
erm debt	79,812	3,249	4.07	86,909	4,578	5.27	9,230	467	5
	123,715	6,280	5.08	123,327	8,277	6.71	47,099	4,298	9

dinated debenture sidiary trusts									
nterest bearing ies	5,217,049	84,898	1.63	4,828,412	120,542	2.50	3,673,812	125,954	3
nterest bearing ts	965,226			940,968			842,239		
non-interest g liabilities	67,061			58,173			51,529		
nolders equity	555,263			505,535			425,186		
iabilities and olders equity	$ 6,804,599			$ 6,333,088			$ 4,992,766		
TE interest income		$ 248,009			$ 240,637			$ 203,664	
TE adjustments[2]		(4,873)			(5,260)			(4,061)	
terest income onsolidated ents of income		$ 243,136			$ 235,377			$ 199,603	
t rate spread			3.81%			3.87%			3
TE interest n[4]			4.05%			4.25%			4

(1) Average loan balances include nonaccrual loans. Interest income on loans includes amortization of deferred loan fees net of deferred loan costs, which are not material.

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

[3] Includes interest on federal funds purchased and other borrowed funds. Excludes long-term debt.

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

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

Analysis of Interest Changes Due To Volume and Rates

	Year Ended December 31, 2009 Compared with December 31, 2008			Year Ended December 31, 2008 Compared with December 31, 2007			Year Ended December 31, 2007 Compared with December 31, 2006		
	Volume	Rate	Net	Volume	Rate	Net	Volume	Rate	Net
lars in thousands)									
est earning assets:									
ns[1]	$ 8,963	$ (34,140)	$ (25,177)	$ 85,640	$ (52,684)	$ 32,956	$ 18,599	$ 8,560	$ 27,1
government agency mortgage-backed rities	4,349	(5,798)	(1,449)	1,484	(798)	686	(1,029)	2,694	1,6
ral funds sold	982	(1,809)	(827)	(1,631)	(1,711)	(3,342)	2,196	30	2,2
r securities	(148)	(16)	(164)	15	196	211	(1)	(2)	
exempt securities[1]	(853)	(131)	(984)	2,330	(164)	2,166	424	(40)	3
est bearing deposits nks	6,212	(5,883)	329	(1,010)	(106)	(1,116)	790	157	9
l change	19,505	(47,777)	(28,272)	86,828	(55,267)	31,561	20,979	11,399	32,3
est bearing lities:									
and deposits	(437)	(8,461)	(8,898)	2,749	(13,414)	(10,665)	2,852	4,927	7,7
ngs deposits	2,855	(11,276)	(8,421)	5,229	(10,878)	(5,649)	1,947	4,732	6,6
e deposits	17,068	(23,386)	(6,318)	27,309	(13,681)	13,628	3,764	8,060	11,8
urchase agreements	(1,640)	(5,278)	(6,918)	(805)	(12,713)	(13,518)	(3,175)	(891)	(4,0
owings[2]	(1,726)	(37)	(1,763)	5,940	(3,238)	2,702	(1,913)	(17)	(1,9
g-term debt	(374)	(955)	(1,329)	3,930	181	4,111	(1,215)	106	(1,1
ordinated ntures held by diary trusts	26	(2,023)	(1,997)	6,956	(2,977)	3,979	495	322	8
l change	15,772	(51,416)	(35,644)	51,308	(56,720)	(5,412)	2,755	17,239	19,9

ease (decrease) in net interest me[1]	$ 3,733	$ 3,639	$ 7,372	$ 35,520	$ 1,453	$ 36,973	$ 18,224	$ (5,840)	$ 12,3

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

(2) Includes interest on federal funds purchased and other borrowed funds.

Provision for Loan Losses

Effects of the broad recession began to impact our market areas in 2008. Ongoing stress from weakening economic conditions in 2008 and 2009 resulted in higher levels of non-performing loans, particularly real estate development loans. Fluctuations in provisions for loan losses reflect our assessment of the estimated effects of current economic conditions on our loan portfolio. The provision for loan losses increased $11.9 million, or 35.8%, to $45.3 million in 2009, as compared to $33.4 million in 2008. Quarterly provisions for loan losses during 2009 increased from $9.6 million during the first quarter to $13.5 million during the fourth quarter.

The provision for loan losses increased $25.6 million, or 330.4%, to $33.4 million in 2008, as compared to $7.8 million in 2007. The majority of the increase in provisions for loan losses in 2008, as compared to 2007, occurred during the fourth quarter when we recorded provisions of $20.0 million, as compared to $5.6 million recorded in third quarter 2008 and $2.1 million recorded in fourth quarter 2007. For additional information concerning non-performing assets, see Financial Condition Non-Performing Assets herein.

Non-Interest Income

Non-interest income decreased $27.9 million, or 21.7%, to $100.7 million in 2009, from $128.6 million in 2008. Non-interest income increased $36.2 million, or 39.2%, to $128.6 million in 2008 from $92.4 million in 2007. Significant components of these fluctuations are discussed below.

Income from the origination and sale of loans increased $18.6 million, or 151.7%, to $30.9 million in 2009, from $12.3 million in 2008, and 9.3% to $12.3 million in 2008, from $11.2 million in 2007. Low market interest rates increased demand for residential mortgage loans, which we generally sell into the secondary market with servicing rights retained. In June 2009, long-term interest rates increased causing a slowdown in application activity associated with fixed rate secondary market loans during the second half of 2009. If long-term rates remain at their existing levels or increase, income from the origination and sale of loans will likely decrease in future periods. Approximately $224,000 of the 2008 increase, as compared to 2007, was attributable to the acquired First Western entities.

Other service charges, commissions and fees increased $554,000, or 2.0%, to $28.7 million in 2009, from $28.2 million in 2008. The increase was primarily due to additional fee income from higher volumes of debit card transactions. This increase was partially offset by decreases in insurance and other commissions of $709,000.

Other service charges, commissions and fees increased $4.0 million, or 16.4%, to $28.2 million in 2008, from $24.2 million in 2007. Approximately $1.8 million of the 2008 increase was attributable to the acquired First Western entities. The remaining increase in 2008 was primarily due to additional fee income from higher volumes of credit and debit card transactions and increases in insurance commissions.

Service charges on deposit accounts decreased $389,000, or 1.9%, to $20.3 million in 2009, from $20.7 million in 2008, primarily due to decreases in the number of overdraft fees assessed. Service charges on deposit accounts increased $2.9 million, or 16.4%, to $20.7 million in 2008, from $17.8 million in 2007. Substantially all of the 2008 increase was attributable to the acquired First Western entities.

Wealth management revenues decreased $1.5 million, or 12.4%, to $10.8 million in 2009, from $12.4 million in 2008. Approximately 61% of the decrease occurred in investment services revenues, primarily the result of decreases in brokerage transaction volumes. In addition, fees earned for management of trust funds, which are generally based on the market value of trust assets managed, were lower in 2009 due to declines in the market values of assets under trust administration. Wealth management revenues increased 5.3% to $12.4 million in 2008, from $11.7 million in 2007, due to the addition of new trust and investment services customers in 2008.

On December 31, 2008, we completed the sale of our technology services subsidiary, i_Tech, to a national technology services provider. We recorded a $27.1 million net gain on the sale in 2008. i_Tech provided technology support services to us, our Bank and nonbank subsidiaries and to non-affiliated customers in our market areas and nine additional states. During 2008 and 2007, i_Tech generated $17.7 million and $19.1 million, respectively, in non-affiliate revenues. Subsequent to the sale, we no longer receive technology services revenues from non-affiliates.

Technology services revenues decreased $1.4 million, or 7.2%, to $17.7 million in 2008, from $19.1 million in 2007. This decrease was primarily due to a $2.0 million contract termination fee

recorded in 2007. In addition, item processing income decreased $718,000 in 2008, as compared to 2007, primarily due to the introduction of imaging technology that permits items to be captured electronically rather than through physical processing and transporting of the items. These decreases were offset by an increase of $1.8 million in core data processing revenues resulting from increases in the number of core data processing customers and the volume of core data transactions processed.

Other income decreased $420,000, or 4.1%, to $9.7 million in 2009, from $10.2 million in 2008. During third quarter 2009, we recorded a non-recurring gain of $2.1 million on the sale of our shares of Visa Inc. Class B common stock. This increase was offset by first quarter 2008 non-recurring gains of $1.6 million on the mandatory redemption of Visa Inc. Class B common stock and $1.1 million from the release of escrow funds related to the December 2006 sale of our interest in an internet bill payment company. For additional information regarding the conversion and sale of our shares of Visa Inc. Class B common stock, see Notes to Consolidated Financial Statement Commitments and Contingencies.

Other income increased $1.9 million, or 23.2%, to $10.2 million in 2008, from $8.2 million in 2007. Exclusive of the acquired First Western entities, non-interest income decreased $1.7 million, or 20.2%, in 2008, as compared to 2007. During first quarter 2008, we recorded a gain of $1.6 million resulting from the mandatory redemption of our Class B shares of Visa Inc. The net gain was split between our community banking and technology services operating segments. In addition, during first quarter 2008, we recorded a nonrecurring gain of $1.1 million due to the release of funds escrowed in conjunction with the December 2006 sale of our interest in an internet bill payment company. These gains were offset by decreases in earnings of securities held under deferred compensation plans and one-time gains recorded in 2007 of $986,000 on the sale of mortgage servicing rights and $737,000 from the conversion and subsequent sale of our MasterCard stock.

Non-Interest Expense

Non-interest expense decreased $4.8 million, or 2.2%, to $217.7 million in 2009, from $222.5 million in 2008. Non-interest expense increased $43.8 million, or 24.5%, to $222.5 million in 2008, from $178.8 million in 2007. Significant components of these fluctuations are discussed below.

Salaries, wages and employee benefits expense decreased $455,000, or less than 1.0%, to $113.6 million in 2009 compared to $114.0 million in 2008. Normal inflationary and other increases in salaries, wages and employee benefits were offset by a reduction of approximately 120 full-time equivalent employees due to the sale of i_Tech in December 2008.

Salaries, wages and employee benefits expense increased $15.9 million, or 16.2%, to $114.0 million in 2008, from $98.1 million in 2007. Approximately $12.2 million of the 2008 increase was attributable to the acquired First Western entities. The remaining increase was primarily due to higher group health insurance costs and wage increases. These increases were partially offset by decreases in incentive bonus and profit sharing accruals to reflect 2008 performance results.

Occupancy expense decreased $463,000, or 2.8%, to $15.9 million in 2009, from $16.4 million in 2008. The decrease in occupancy expense was due to the discontinuation of a building lease in conjunction with the sale of i_Tech in December 2008. Occupancy expense increased $1.6 million, or 11.0%, to $16.4 million in 2008, from $14.7 million in 2007 due to the acquired First Western entities.

Furniture and equipment expense decreased $6.5 million, or 34.3%, to $12.4 million in 2009, from $18.9 million in 2008. The decrease in equipment maintenance and depreciation was due primarily to the sale of i_Tech in December 2008. Furniture and equipment expense increased $2.7 million, or 16.3%, to $18.9 million in 2008, from $16.2 million

in 2007. Approximately $1.2 million of the increase was attributable to the acquired First Western entities. The remaining increase was primarily due to higher depreciation and maintenance expenses resulting from the addition, replacement and repair of equipment in the ordinary course of business.

FDIC insurance premiums increased $9.2 million, or 316.6%, to $12.1 million in 2009, from $2.9 million in 2008. For the first quarter of 2009 only, the FDIC increased all FDIC deposit assessment rates by 7 basis points and on February 27, 2009, the FDIC issued a final rule setting base assessment rates for Risk Category I institutions at 12 to 16 basis points, beginning April 1, 2009. On May 22, 2009, the FDIC issued a final rule which levied a special assessment applicable to all insured depository institutions totaling 5 basis points of each institution s total assets less tier 1 capital as of June 30, 2009, not to exceed 10 basis points of domestic deposits. Increases in deposit insurance expense were due to increases in fee assessment rates during 2009 and the special assessment of $3.1 million. The increases were also partly related to the additional 10 basis point per annum assessment paid on covered transaction accounts exceeding $250,000 under the deposit insurance coverage guarantee program and the full utilization of available credits to offset assessments during the first nine months of 2008. We expect FDIC insurance premiums to remain at their current high levels for the foreseeable future.

FDIC insurance premiums increased $2.5 million, or 555.9%, to $2.9 million in 2008, from $444,000 in 2007. During the first half of 2008, we fully utilized a one-time credit provided by the FDIC to offset the cost of FDIC insurance premiums for well-managed banks. In addition, we elected to participate in the deposit insurance coverage guarantee program during fourth quarter 2008. The fee assessment for deposit insurance coverage on deposits insured under this program is 10 basis points per annum.

Outsourced technology services expense increased $6.6 million, or 163.1%, to $10.6 million in 2009, from $4.0 million in 2008. Concurrent with the December 31, 2008 sale of i_Tech, we entered into a service agreement with the purchaser to receive data processing, electronic funds transfer and other technology services previously provided by i_Tech. This increase in outsourced technology services expense was largely offset by decreases in salaries, wages and benefits; furniture and equipment; occupancy; and other expenses. Outsourced technology services expense increased $900,000, or 28.9%, to $4.0 million in 2008, from $3.1 million in 2007, primarily due to increases in ATM fees resulting from higher transaction volumes.

Mortgage servicing rights amortization increased $1.7 million, or 27.9%, to $7.6 million in 2009, from $5.9 million in 2008 and $1.5 million, or 33.3%, to $5.9 million in 2008, from $4.4 million in 2007. During 2009, we reversed previously recorded impairment of $7.2 million, as compared to a recording additional impairment of $10.9 million in 2008 and $1.7 million in 2007.

OREO expense was $6.4 million in 2009, as compared to $215,000 in 2008. This increase was primarily due to a $4.3 million write-down of the carrying value of one real estate development property due to a decline in the estimated market value of the property. During 2008, we recorded OREO expense of $215,000, compared to OREO income of $81,000 recorded in 2007.

Core deposit intangibles represent the intangible value of depositor relationships resulting from deposit liabilities assumed and are amortized based on the estimated useful lives of the related deposits. We recorded core deposit intangibles of $14.9 million in conjunction with the acquisition of the First Western entities. These intangibles are being amortized using an accelerated method over their weighted average expected useful lives of 9.2 years. Core deposit intangible amortization expense was $2.1 million in 2009, compared to $2.5 million in 2008 and $174,000 in 2007. Core deposit intangible amortization expense is expected to decrease 18.0% to $1.7 million in 2010. For additional information regarding core deposit intangibles, see Notes to Consolidated Financial Statements Summary of Significant Accounting Policies.

Other expenses decreased $2.5 million, or 5.4%, to $44.3 million in 2009, from $46.8 million in 2008. This decrease was primarily the result of a $1.3 million other-than-temporary impairment charge related to an available-for-sale corporate security and fraud losses of $708,000 recorded during 2008. Also contributing to the decrease in other expenses were reductions in expense due to the sale of i_Tech in December 2008 and a continuing focus on reducing

targeted controllable expenses during

2009. These reductions were partially offset by higher debit card expense resulting from higher transaction volumes.

Other expenses increased $6.9 million, or 17.3%, to $46.8 million in 2008, from $39.9 million in 2007. Exclusive of other expenses of the acquired First Western entities, which included a $1.3 million other-than-temporary impairment charge on an available-for-sale corporate investment security, other expenses decreased $1.9 million, or 4.9%, in 2008, as compared to 2007. During 2007, we recorded loss contingency accruals of $1.5 million related to an indemnification agreement with Visa USA and two potential operational losses incurred in the ordinary course of business. During 2008, we reversed $625,000 of the loss contingency accrual related to our indemnification agreement with Visa USA. In addition, during 2008 we recorded expenses of $450,000 related to employee recruitment and relocation and $708,000 related to fraud losses.

Income Tax Expense

Our effective federal tax rate was 29.1% for the year ended December 31, 2009, 30.3% for the year ended December 31, 2008 and 31.0% for the year ended December 31, 2007. State income tax applies primarily to pretax earnings generated within Montana and South Dakota. Wyoming levies no corporate income tax. Our effective state tax rate was 4.2% for the year ended December 31, 2009, 4.4% for the year ended December 31, 2008 and 3.9% for the year ended December 31, 2007. Changes in effective federal and state income tax rates are primarily due to fluctuations in tax exempt interest income as a percentage of total income.

Net Income Available to Common Stockholders

Net income available to common stockholders was $50.4 million, or $1.59 per diluted share, in 2009, as compared to $67.3 million, or $2.10 per diluted share, in 2008 and $68.6 million, or $2.06 per diluted share in 2007.

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Summary of Quarterly Results

The following table presents unaudited quarterly results of operations for each of the quarters in the fiscal years ended December 31, 2009 and 2008.

Quarterly Results

(Dollars in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Year Ended December 31, 2009:					
Interest income	$ 81,883	$ 81,148	$ 82,325	$ 82,678	$ 328,034
Interest expense	22,820	21,958	21,026	19,094	84,898
Net interest income	59,063	59,190	61,299	63,584	243,136
Provision for loan losses	9,600	11,700	10,500	13,500	45,300
Net interest income after provision for loan losses	49,463	47,490	50,799	50,084	197,836
Non-interest income	26,213	27,267	25,000	22,210	100,690
Non-interest expense	50,445	54,737	57,376	55,152	217,710
Income before income taxes	25,231	20,020	18,423	17,142	80,816
Income tax expense	8,543	6,684	6,105	5,621	26,953
Net income	16,688	13,336	12,318	11,521	53,863
Preferred stock dividends	844	853	862	863	3,422
Net income available to common stockholders	$ 15,844	$ 12,483	$ 11,456	$ 10,658	$ 50,441
Basic earnings per share of common stock	$ 0.50	$ 0.40	$ 0.37	$ 0.34	$ 1.61
Diluted earnings per share of common stock	0.49	0.39	0.36	0.34	1.59
Dividends per share of common stock	0.16	0.11	0.11	0.11	0.50
Year Ended December 31, 2008:					
Interest income	$ 91,109	$ 88,068	$ 89,928	$ 86,814	$ 355,919
Interest expense	34,306	29,697	29,234	27,305	120,542
Net interest income	56,803	58,371	60,694	59,509	235,377
Provision for loan losses	2,363	5,321	5,636	20,036	33,356
Net interest income after provision for loan losses	54,440	53,050	55,058	39,473	202,021
Non-interest income	26,383	25,240	24,389	52,585	128,597
Non-interest expense	53,169	49,677	55,190	64,505	222,541
Income before income taxes	27,654	28,613	24,257	27,553	108,077
Income tax expense	9,578	9,988	8,362	9,501	37,429
Net income	18,076	18,625	15,895	18,052	70,648
Preferred stock dividends	768	853	863	863	3,347

Net income available to common stockholders	$ 17,308	$ 17,772	$ 15,032	$ 17,189	$ 67,301
Basic earnings per share of common stock	$ 0.55	$ 0.57	$ 0.48	$ 0.54	$ 2.14
Diluted earnings per share of common stock	0.53	0.55	0.47	0.53	2.10
Dividends per share of common stock	0.16	0.16	0.16	0.16	0.65

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Financial Condition

Total assets increased $509 million, or 7.7%, to $7,138 million as of December 31, 2009, from $6,628 million as of December 31, 2008, due to organic growth. Total assets increased $1,412 million, or 27.1%, to $6,628 million as of December 31, 2008, from $5,217 million as of December 31, 2007, primarily due to the First Western acquisition in January 2008. As of the date of acquisition, the acquired entities had combined total assets of $913 million, combined total loans of $727 million, combined premises and equipment of $27 million and combined total deposits of $814 million. In connection with the acquisition, we recorded goodwill of $146 million and core deposit intangibles of $15 million.

Loans

Our loan portfolio consists of a mix of real estate, consumer, commercial, agricultural and other loans, including fixed and variable rate loans. Fluctuations in the loan portfolio are directly related to the economies of the communities we serve. While each loan originated generally must meet minimum underwriting standards established in our credit policies, lending officers are granted certain levels of authority in approving and pricing loans to assure that the banking offices are responsive to competitive issues and community needs in each market area.

Total loans decreased $245 million, or 5.1%, to $4,528 million as of December 31, 2009 from $4,773 million as of December 31, 2008, primarily due to weak loan demand in our market areas. Total loans increased 34.1% to $4,773 million as of December 31, 2008, from $3,559 million as of December 31, 2007. Approximately $723 million of the 2008 increase was attributable to the acquired First Western entities. Excluding loans of the acquired entities, total loans increased $491 million, or 13.8%, in 2008, with the most significant growth occurring in commercial, commercial real estate, construction and residential real estate loans.

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

Loans Outstanding

					As of December 31,				
nds)	**2009**	**%**	**2008**	**%**	**2007**	**%**	**2006**	**%**	**2005**
	$ 1,556,273	34.4%	$ 1,483,967	31.1%	$ 1,018,831	28.6%	$ 937,695	28.3%	$ 926,
	636,892	14.1	790,177	16.5	664,272	18.7	579,603	17.5	403,
	539,098	11.9	587,464	12.3	419,001	11.8	402,468	12.2	408,
	195,045	4.3	191,831	4.0	142,256	4.0	137,659	4.1	116,
	36,430	0.8	47,076	1.0	26,080	0.7	25,360	0.8	19,
	677,548	14.9	669,731	14.0	608,002	17.1	605,858	18.3	587,

	750,647	16.6	853,798	17.9	593,669	16.7	542,325	16.4	494,8
	134,470	3.0	145,876	3.1	81,890	2.3	76,644	2.3	74,3
	1,601		2,893	0.1	4,979	0.1	2,751	0.1	2,9
	4,528,004	100.0%	4,772,813	100.0%	3,558,980	100.0%	3,310,363	100.0%	3,034,3
r loan	103,030		87,316		52,355		47,452		42,4
	$ 4,424,974		$ 4,685,497		$ 3,506,625		$ 3,262,911		$ 2,991,9
to	2.28%		1.83%		1.47%		1.43%		1

Real Estate Loans. We provide interim construction and permanent financing for both single-family and multi-unit properties, medium-term loans for commercial, agricultural and industrial property and/or buildings and equity lines of credit secured by real estate. Residential real estate loans are typically sold in the secondary market. Those residential real estate loans not sold are typically secured by first liens on the financed property and generally mature in less than 5 years.

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Commercial real estate loans. Commercial real estate loans increased $72 million, or 4.9%, to $1,556 million as of December 31, 2009 from $1,484 million as of December 31, 2008. Management attributes this increase to the current year permanent financing for loans on projects under construction as of December 31, 2008 combined with increased refinancing activity. Approximately 53% of our commercial real estate loans as of December 31, 2009 and 2008 were owner occupied, which typically involves less risk than loans on investment property. Commercial real estate loans increased 45.7% to $1,484 million as of December 31, 2008, from $1,019 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, commercial real estate loans increased 15.3% as of December 31, 2008, as compared to December 31, 2007, primarily due to real estate development loans. Demand for improved lots declined in 2008 reducing the cash flow of real estate developers, which resulted in increases in outstanding loan balances.

Construction loans. Real estate construction loans are primarily to commercial builders for residential lot development and the construction of single-family residences and commercial real estate properties. Construction loans are generally underwritten pursuant to the same guidelines used for originating permanent commercial and residential mortgage loans. Terms and rates typically match those of permanent commercial and residential mortgage loans, except that during the construction phase the borrower pays interest only. Construction loans decreased $153 million, or 19.4%, to $637 million as of December 31, 2009 from $790 million as of December 31, 2008. Management attributes this decrease to general declines in demand for housing, particularly in markets dependent upon resort communities and second home sales; the movement of lower quality loans out of our loan portfolio through charge-off, pay-off or foreclosure; and replacement of construction loans with loans for permanent financing. Construction loans increased 19.0% to $790 million as of December 31, 2008, from $664 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, construction loans increased 2.9% as of December 31, 2008, as compared to December 31, 2007. Growth in construction loans in 2008 and 2007 was primarily the result of demand for housing and overall growth in our market areas.

As of December 31, 2009, our real estate construction loan portfolio was divided among the following categories: approximately $135 million, or 21.2%, residential construction; approximately $98 million, or 15.4%, commercial construction; and approximately $404 million, or 63.4%, land acquisition and development.

Residential real estate loans. Residential real estate loans decreased $48 million, or 8.2%, to $539 million as of December 31, 2009 from $587 million as of December 31, 2008. The decrease occurred primarily in 1-4 family residential real estate loans, which decreased $31 million as compared to 2008. In addition, home equity loans and lines of credit, which are typically secured by first or second liens on residential real estate and generally do not exceed a loan to value ratio of 80%, decreased $17 million to $364 million as of December 31, 2009, from $381 million as of December 31, 2008.

Residential real estate loans increased 40.2% to $587 million as of December 31, 2008, from $419 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, residential real estate loans increased 25.4% as of December 31, 2008, as compared to December 31, 2007. The 2008 increases in residential real estate loans primarily occurred in home equity loans and lines of credit.

Agricultural real estate loans. Agricultural real estate loans increased $3 million, or 1.7%, to $195 million as of December 31, 2009 from $192 million as of December 31, 2008. Agricultural real estate loans increased 34.8% to $192 million as of December 31, 2008, from $142 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, agricultural real estate loans increased 12.5% as of December 31, 2008, as compared to December 31, 2007.

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Consumer Loans. Our consumer loans include direct personal loans, credit card loans and lines of credit; and indirect loans created when we purchase consumer loan contracts advanced for the purchase of automobiles, boats and other consumer goods from the consumer product dealer network within the market areas we serve. Personal loans and indirect dealer loans are generally secured by automobiles, boats and other types of personal property and are made on an installment basis. Credit cards are offered to individual and business customers in our market areas. Lines of credit are generally floating rate loans that are unsecured or secured by personal property. Approximately 62% and 61% of our consumer loans as of December 31, 2009 and December 31, 2008, respectively, were indirect dealer loans.

Consumer loans increased $8 million, or 1.2%, to $678 million as of December 31, 2009 from $670 million as of December 31, 2008. Consumer loans increased 10.2% to $670 million as of December 31, 2008, from $608 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, consumer loans increased 4.4% as of December 31, 2008, as compared to December 31, 2007.

Commercial Loans. We provide a mix of variable and fixed rate commercial loans. The loans are typically made to small and medium-sized manufacturing, wholesale, retail and service businesses for working capital needs and business expansions. Commercial loans generally include lines of credit, business credit cards and loans with maturities of five years or less. The loans are generally made with business operations as the primary source of repayment, but also include collateralization by inventory, accounts receivable, equipment and/or personal guarantees.

Commercial loans decreased $103 million, or 12.1%, to $751 million as of December 31, 2009 from $854 million as of December 31, 2008. Management attributes this decrease to the continuing impact of the broad recession on borrowers in our market areas and, to a lesser extent, the movement of lower quality loans out of our loan portfolio through charge-off, pay-off or foreclosure. Commercial loans increased 43.8% to $854 million as of December 31, 2008, from $594 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, commercial loans increased 23.0% as of December 31, 2008, as compared to December 31, 2007. Management attributes 2008 growth to an overall increase in borrowing activity during most of 2008 due to retail business expansion in our market areas. This expansion began to decline in late 2008 as retail businesses in our market areas were impacted by the effects of the recession.

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

Agricultural loans decreased $11 million, or 7.8%, to $134 million as of December 31, 2009 from $146 million as of December 31, 2008. Agricultural loans increased 78.1% to $146 million as of December 31, 2008, from $82 million as of December 31, 2007. Excluding increases attributable to the acquired First Western entities, agricultural loans increased 16.6% as of December 31, 2008, as compared to December 31, 2007.

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The following table presents the maturity distribution of our loan portfolio as of December 31, 2009:

Maturity Distribution of Loan Portfolio

(Dollars in thousands)	Within One Year	One Year to Five Years	After Five Years	Total
Real estate	$ 1,944,565	$ 901,020	$ 118,153	$ 2,963,738
Consumer	349,664	302,390	25,494	677,548
Commercial	608,652	131,102	10,893	750,647
Agricultural	121,664	12,728	78	134,470
Other loans	1,601			1,601
Total loans	$ 3,026,146	$ 1,347,240	$ 154,618	$ 4,528,004
Loans at fixed interest rates	$ 913,394	$ 1,332,110	$ 139,927	$ 2,385,431
Loans at variable interest rates	1,997,722	15,130	14,691	2,027,543
Nonaccrual loans	115,030			115,030
Total loans	$ 3,026,146	$ 1,347,240	$ 154,618	$ 4,528,004

Non-Performing Assets

Non-performing assets include loans past due 90 days or more and still accruing interest, nonaccrual loans, loans renegotiated in troubled debt restructurings and OREO. Restructured loans are loans on which we have granted a concession on the interest rate or original repayment terms due to financial difficulties of the borrower that we would not otherwise consider. OREO consists of real property acquired through foreclosure on the collateral underlying defaulted loans. We initially record OREO at fair value less estimated costs to sell by a charge against the allowance for loan losses, if necessary. Estimated losses that result from the ongoing periodic valuation of these properties are charged to earnings in the period in which they are identified.

The following tables set forth information regarding non-performing assets as of the dates indicated:

Non-Performing Assets by Quarter

(Dollars in thousands)	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 200

Non-performing loans: &nds held by our named executive officers as of December 31, 2015.

Name	Option Awards Number of Securities	Number of Securities	Option Exercise	Option Expiration	Stock Awards Number of Shares or

	Underlying Unexercised Options (#) Exercisable	Underlying Unexercised Options (#) Unexercisable	Price ($/Sh)	Date	Units of Stock That Have Not Vested (#)
John Melo	279,979(1)(2)(7)	—	3.93	08/25/2018	
	298,004(3)(8)	—	20.41	04/20/2020	
	84,000(4)(12)	—	26.84	04/15/2021	
	91,666(4)(14)	8,334	3.86	04/09/2022	
	240,666(5)(17)	120,334	2.87	06/03/2023	
	125,000(5)(19)	175,000	3.51	05/05/2024	
	—	425,000(5)(23)	1.96	06/08/2025	
	—	450,000(5)(24)	1.63	11/09/2025	
					1,004,666(6)(17)(19)(22)(24)
Raffi Asadorian	—	300,000(5)(21)	1.75	01/20/2025	
					200,000(6)(20)
Paulo Diniz(26)	237,500(2)(13)	—	26.84	04/15/2021	
	18,333(4)(14)	—	3.86	04/09/2022	
	40,000(5)(17)	—	2.87	06/03/2023	
	28,750(5)(19)	—	3.51	05/05/2024	
					—
Joel Cherry	163,500(1)(2)(9)	—	4.31	09/14/2019	
	20,000(1)(2)(10)	—	9.32	01/07/2020	
	25,000(4)(12)	—	26.84	04/15/2021	
	22,916(4)(14)	2,084	3.86	04/09/2022	
	112,666(5)(17)	56,334	2.87	06/03/2023	
	38,333(5)(19)	53,667	3.51	05/05/2024	
	—	110,000(5)(23)	1.96	06/08/2025	
	—	110,000(5)(24)	1.63	11/09/2025	
					282,583(6)(17)(19)(22)(24)
Nicholas Khadder	25,000(2)(11)	—	16.00	12/10/2020	
	4,800(4)(15)	800	3.86	04/09/2022	
	8,625(4)(16)	1,875	2.60	06/11/2022	
	30,000(5)(17)	15,000	2.79	07/22/2023	
	54,166(5)(18)	45,834	2.94	12/16/2023	
	27,916(5)(19)	39,084	3.51	05/05/2024	
	—	100,000(5)(23)	1.96	06/08/2025	
	—	80,000(5)(24)	1.63	11/09/2025	
					206,832(6)(17)(18)(19)(22)(24)

Susanna McFerson(27)	—	—	—	—	
	—	—	—	—	
					—

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(1)
Options were granted under the 2005 Stock Option/Stock Issuance Plan to our named executive officers and were immediately exercisable, regardless of vesting schedule.

(2)
Options vest as to 20% of the original number of shares on the first anniversary of the vesting commencement date, which is a date fixed by the Board or Leadership Development and Compensation Committee when granting equity awards, and as to an additional 1/60th of the original number of shares each month thereafter until the fifth anniversary of the vesting commencement date, subject to continued service through each vesting date.

(3)
Options vest at a rate of 1/60th of the original number of shares each month from the vesting commencement date until the fifth anniversary of the vesting commencement date, subject to continued service through each vesting date.

(4)
Options vest at a rate of 1/48th of the original number of shares each month from the vesting commencement date until the fourth anniversary of the vesting commencement date, subject to continued service through each vesting date.

(5)
Options vest as to 25% of the original number of shares on the first anniversary of the vesting commencement date, and as to an additional 1/48th of the original number of shares each month thereafter until the fourth anniversary of the vesting commencement date, subject to continued service through each vesting date.

(6)
Restricted stock units vest at a rate of 1/3rd of the original number of units annually from the vesting commencement date until the third anniversary of the vesting commencement date, subject to continued service through each vesting date.

(7)
The vesting commencement date of this award was June 3, 2008.

(8)
The vesting commencement date of this award was April 20, 2010.

(9)
The vesting commencement date of this award was November 3, 2008.

(10)
The vesting commencement date of this award was October 27, 2009.

(11)
The vesting commencement date of this award was October 25, 2010.

(12)
The vesting commencement date of this award was January 1, 2011.

(13)
The vesting commencement date of this award was March 1, 2011.

(14)
The vesting commencement date of this award was April 1, 2012.

(15)
The vesting commencement date of this award was April 9, 2012.

(16)
The vesting commencement date of this award was May 1, 2012.

(17)
The vesting commencement date of this award was April 1, 2013.

(18)
The vesting commencement date of this award was October 1, 2013.

(19)
The vesting commencement date of this award is April 1, 2014.

(20)
The vesting commencement date of this award is January 1, 2015.

(21)
The vesting commencement date of this award is January 6, 2015.

(22)
The vesting commencement date of this award is June 1, 2015.

(23)
The vesting commencement date of this award is June 8, 2015.

(24)
The vesting commencement date of this award is November 1, 2015.

(25)
Calculated by multiplying the number of units that had not vested as of December 31, 2015 by $1.62, the closing price of our common stock on NASDAQ on December 31, 2015.

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(26)
Mr. Diniz ceased serving as interim Chief Financial Officer effective January 6, 2015, at which time Mr. Asadorian was named Chief Financial Officer and Mr. Diniz assumed a new role as chairman of Amyris Brasil, a non-executive officer position, until his resignation effective September 1, 2015. Mr. Diniz served as a consultant for the company pursuant to a consulting agreement between Mr. Diniz and the company from September 2, 2015 until December 31, 2015. Pursuant to his consulting agreement, Mr. Diniz's previously granted equity awards continued to vest through the termination of his consulting agreement on December 31, 2015. Upon the termination of his consulting agreement, Mr. Diniz's outstanding equity awards ceased vesting: all of his vested options remained exercisable for a period of three months after December 31, 2015, and all of his unvested options and restricted stock units were forfeited.

(27)
Ms. McFerson resigned from the company effective January 16, 2015. Upon the termination of her employment, Ms. McFerson's outstanding equity awards ceased vesting: all of her vested options remained exercisable for a period of three months after January 16, 2015, and all of her unvested options and restricted stock units were forfeited.

Option Exercises and Stock Vested During 2015

The following table sets forth information regarding the exercise of options and vesting of restricted stock units held by our named executive officers during 2015.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(1)
John Melo	—	—	122,552	481,016
Raffi Asadorian	—	—	—	—
Paul Diniz(2)	—	—	45,666	111,882
Joel Cherry	—	—	53,865	210,700
Nicholas Khadder	—	—	34,088	125,282
Susanna McFerson(3)	—	—	—	—

(1)
Value realized on vesting is calculated by multiplying the number of units vesting by the closing price of our common stock on NASDAQ on the date of vesting.

(2)
Mr. Diniz ceased serving as interim Chief Financial Officer effective January 6, 2015, at which time Mr. Asadorian was named Chief Financial Officer and Mr. Diniz assumed a new role as chairman of Amyris Brasil, a non-executive officer position, until his resignation effective September 1, 2015. Mr. Diniz served as a consultant for the company pursuant to a consulting agreement between Mr. Diniz and the company from September 2, 2015 until December 31, 2015. Pursuant to his consulting agreement, Mr. Diniz's previously granted equity awards continued to vest through the termination of his consulting agreement on December 31, 2015. Upon the termination of his consulting agreement, Mr. Diniz's outstanding equity awards ceased vesting: all of his vested options remained exercisable for a period of three months after December 31, 2015, and all of his unvested options and restricted stock units were forfeited.

(3)

Ms. McFerson resigned from the company effective January 16, 2015. Upon the termination of her employment, Ms. McFerson's outstanding equity awards ceased vesting: all of her vested options remained exercisable for a period of three months after January 16, 2015, and all of her unvested options and restricted stock units were forfeited.

Pension Benefits

None of our named executive officers participates in, or has an account balance in, a qualified or non-qualified defined benefit plan sponsored by us.

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Non-Qualified Deferred Compensation

None of our named executive officers participates in, or has account balances in, a traditional non-qualified deferred compensation plan or other deferred compensation plans maintained by us.

Potential Payments upon Termination and upon Termination Following a Change in Control

In November 2013, the Leadership Development and Compensation Committee of the Board adopted the Amyris, Inc. Executive Severance Plan (or the "Plan"). The Plan has an initial term of 36 months, which expires in November 2016, and thereafter will be automatically extended for successive additional one-year periods unless the company provides six months' notice of non-renewal prior to the end of the applicable term. The Leadership Development and Compensation Committee adopted the Plan to provide a consistent and updated severance framework for Amyris executives that aligns with peer practices. All continuing named executive officers, and all senior level employees of Amyris that are eligible to participate in the Plan (collectively, "participants"), have entered into participation agreements to participate in the Plan. The benefits under the Plan supersede and replace any rights the participants have in connection with any change of control or severance benefits contained in such participants' employment offer letters, equity award agreements or any other agreement that specifically relates to accelerated vesting of equity awards. In connection with the execution of a participation agreement, the participants are eligible for the following benefits under the Plan.

Upon termination by Amyris of a participant's employment other than for "cause" (as defined below) or the death or disability of the participant, or resignation by the participant of such participant's employment for "good reason" (as defined below) (collectively referred to as an "Involuntary Termination"), the participant becomes eligible for the following severance benefits from Amyris:

- 12 months of base salary continuation (18 months for the Chief Executive Officer)
- 12 months of health benefits continuation (18 months for the Chief Executive Officer)

Upon an Involuntary Termination of a participant at any time within the period beginning three months before and ending 12 months after a change of control (as defined below) of Amyris, each participant becomes eligible for the following severance benefits from Amyris:

- 18 months of base salary continuation (24 months for the Chief Executive Officer)
- 18 months of health benefits continuation (including for the Chief Executive Officer)
- Automatic acceleration of vesting and exercisability of all outstanding equity awards then held by the participant

In each case, the benefits are contingent upon the participant complying with various requirements, including non-solicitation and confidentiality obligations to Amyris, and on execution, delivery and non-revocation by the participant of a standard company release of claims within 60 days of the participant's separation from service (as defined in Section 409A of the Internal Revenue Code of 1986, as amended, or the "Code"). The benefits are subject to forfeiture if, among other things, the participant breaches any of his or her obligations under the Plan and related agreements. The benefits are also subject to adjustment and deferral based on applicable tax rules relating change-in-control payments and deferred compensation.

Under the Plan, "cause" generally encompasses the participant's: (i) gross negligence or intentional misconduct; (ii) failure or inability to satisfactorily perform any assigned duties; (iii) commission of any act of fraud or misappropriation of property or material dishonesty; (iv) conviction of a felony or a crime involving moral turpitude; (v) unauthorized use or disclosure of the confidential information or trade secrets of Amyris or any of our affiliates that use causes material harm to Amyris; (vi) material breach of contractual obligations or policies; (vii) failure to

cooperate in good faith with investigations; or (viii) failure to comply with confidentiality or intellectual property agreements. Prior to any determination that "cause" under the Plan has occurred, we are generally required to provide notice to the participant specifying the event or actions giving rise to such determination and a 10-day cure period (30 days in the case of failure or inability to satisfactorily perform any assigned duties).

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Under the Plan, "good reason" generally means: (i) a material reduction of the participant's role at Amyris; (ii) certain reductions of base salary; (iii) a workplace relocation of more than 50 miles; or (iv) our failure to obtain the assumption of the Plan by a successor. In order for a participant to assert good reason for his or her resignation, he or she must provide us with written notice within 90 days of the occurrence of the condition and allow us 30 days to cure the condition. Additionally, if we fail to cure the condition within the cure period, the participant must terminate employment with us within 30 days of the end of the cure period.

Under the Plan, a "change of control" will generally be deemed to occur if (i) Amyris completes a merger or consolidation after which Amyris's stockholders before the merger do not own at least a majority of the outstanding voting securities of the acquiring or surviving entity after such merger or consolidation, (ii) Amyris sells all or substantially all of its assets, (iii) any person or entity acquires 50% or more of Amyris's outstanding voting securities or (iv) a majority of Amyris's directors cease to be directors over any one-year period.

To the extent any severance benefits to a named executive officer constitute deferred compensation subject to Section 409A of the Code and such officer is deemed a "specified employee" under Section 409A, we will defer payment of such benefits to the extent necessary to avoid adverse tax treatment.

We believe that the Plan appropriately balances our need to offer a competitive level of severance protection to our executives and to induce our executives to remain in our employ through the potentially disruptive conditions that may exist around the time of a change in control, while not unduly rewarding executives for a termination of their employment.

Ms. McFerson became eligible for certain of the non-change of control related benefits under the Plan in connection with her separation from the company in January 2015, as set forth below and in the "Summary Compensation" table above. Mr. Diniz was not eligible for and did not receive any benefits under the Plan in connection with his separation from the company.

The following table summarizes the potential amounts payable to each of our named executive officers under the Plan upon an Involuntary Termination (i) other than in connection with a change of control and (ii) in connection with a change of control, assuming, except as noted below, that such Involuntary Termination occurred on December 31, 2015.

	Involuntary Termination Not in Connection with a Change of Control			Involuntary Termination In Connection with a Change of Control		
Name	Base Salary ($)	Continuing Health Benefits ($)	Value of Accelerated Options or Shares ($)(1)	Base Salary ($)	Continuing Health Benefits ($)	Value of Accelerated Options or Shares ($)(2)
John Melo	825,000	31,281	—	1,100,000	31,281	1,627,559
Raffi Asadorian	450,000	21,708		675,000	32,563	324,000
Paulo Diniz(3)	—	—	—	—	—	—
Joel Cherry	358,750	119	—	538,125	179	457,784
Nicholas Khadder	300,000	21,508		450,000	32,262	335,068
Susanna McFerson(4)	375,000	6,962	—	—	—	—

(1)
Accelerated vesting is only applicable in the event of an Involuntary Termination in conjunction with a change of control event.

(2)
With respect to outstanding options as of December 31, 2015, calculated by multiplying the number of shares underlying unvested options that would vest as a result of an Involuntary Termination in connection with a change of

control by the excess of $1.62, the closing price of our common stock on NASDAQ on December 31, 2015, over the exercise price of the options. With respect to outstanding restricted stock units as of December 31, 2015, calculated by multiplying the number of outstanding unvested units that would vest as a result of an Involuntary Termination in connection with a change

of control by $1.62, the closing price of our common stock on NASDAQ on December 31, 2015. Options with exercise prices higher than $1.62 are excluded from the calculation. As of December 31, 2015, all outstanding unvested options held by our named executive officers had exercise prices higher than $1.62.

(3)
Mr. Diniz ceased serving as interim Chief Financial Officer effective January 6, 2015, at which time Mr. Asadorian was named Chief Financial Officer and Mr. Diniz assumed a new role as chairman of Amyris Brasil, a non-executive officer position, until his resignation effective September 1, 2015. Mr. Diniz was not eligible for and did not receive any benefits under the Plan in connection with his separation from the company.

(4)
Represents amounts paid to Ms. McFerson under the Plan in connection with her separation from the company in January 2015.

Agreements with Executive Officers

We do not have formal employment agreements with any of our named executive officers. The initial compensation of each named executive officer was set forth in an employment offer or promotion letter that we executed with him or her at the time his or her employment with us commenced (or at the time of his or her promotion, as the case may be). Each employment offer letter provides that the named executive officer's employment is "at will."

As a condition to their employment, our named executive officers entered into non-competition, non-solicitation and proprietary information and inventions assignment agreements. Under these agreements, each named executive officer has agreed (i) not to solicit our employees during his or her employment and for a period of 12 months after the termination of his or her employment, (ii) not to compete with us or assist any other person to compete with us during his or her employment, and (iii) to protect our confidential and proprietary information and to assign to us intellectual property developed during the course of his or her employment.

See above "Executive Compensation — Potential Payments upon Termination and upon Termination Following a Change in Control" for a description of potential payments to our named executive officers upon termination of employment, including in connection with a change of control.

Limitation of Liability and Indemnification

Our certificate of incorporation limits the personal liability of directors for breach of fiduciary duty to the maximum extent permitted by the Delaware General Corporation Law, or DGCL, and provides that no director will have personal liability to us or to our stockholders for monetary damages for breach of fiduciary duty or other duty as a director. However, these provisions do not eliminate or limit the liability of any of our directors for:

- any breach of the director's duty of loyalty to us or our stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- voting or assenting to unlawful payments of dividends, stock repurchases or other distributions; or
- any transaction from which the director derived an improper personal benefit.

Any amendment to or repeal of these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission or claim that occurred or arose prior to such amendment or repeal. If the DGCL is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the DGCL.

In addition, our bylaws provide that we must indemnify our directors and officers and we must advance expenses, including attorneys' fees, to our directors and officers in connection with legal proceedings, subject to very limited

exceptions.

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We maintain an insurance policy that covers certain liabilities of our directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers.

Certain of our non-employee directors may, through their relationships with their employers, be insured and/or indemnified against certain liabilities incurred in their capacity as members of the Board.

We have entered into indemnification agreements with each of our directors and executive officers that may be broader than the specific indemnification provisions contained in the DGCL. These indemnification agreements require us, among other things, to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. These indemnification agreements also require us to advance all expenses incurred by the directors and executive officers in investigating or defending any such action, suit or proceeding. We believe that these agreements are necessary to attract and retain qualified individuals to serve as directors and executive officers.

We are not presently aware of any pending litigation or proceeding involving any person who is or was one of our directors, officers, employees or other agents or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling our company pursuant to the foregoing provisions, we have been informed that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Rule 10b5-1 Sales Plans

During 2015, certain of our directors and executive officers had written plans, known as Rule 10b5-1 plans, under which they contracted with a broker to buy or sell shares of our common stock on a periodic basis. Under a Rule 10b5-1 plan, a broker executes trades pursuant to parameters established by the director or officer when entering into the plan, without further direction from them. The director or executive officer may amend or terminate the plan in some circumstances. Our directors and executive officers may also buy or sell additional shares outside of a Rule 10b5-1 plan when they are not in possession of material, nonpublic information. As of February 29, 2016, all such Rule 10b5-1 plans held by our directors and officers had expired.

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Director Compensation

Mr. Melo did not receive any compensation in connection with his service as a director due to his status as an employee. The compensation that we pay to Mr. Melo is discussed in the "Executive Compensation" section of this Proxy Statement.

Director Compensation for 2015

During the fiscal year ended December 31, 2015, our non-employee directors who served during 2015 received the compensation set forth below.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)(9)	Option Awards ($)(2)(9)	All Other Director Compensation ($)	Total ($)(10)
Philippe Boisseau(3)	40,000	—	—	—	40,000
Nam-Hai Chua	19,657(4)	—	—	—	19,657
John Doerr	54,000	5,070	6,660	—	65,730
Geoffrey Duyk	47,500	5,070	6,660	—	59,230
Margaret Georgiadis	1,739(5)	49,200(6)	49,050(6)	—	99,989
Abraham Klaeijsen	22,527(7)	5,070	32,660(8)	—	60,257
Carole Piwnica	54,500	5,070	6,660	—	66,230
Fernando de Castro Reinach	47,500	5,070	6,660	—	59,230
HH Sheikh Abdullah bin Khalifa Al Thani	40,000	5,070	6,660	—	51,730
R. Neil Williams	70,000	5,070	6,660	—	81,730
Patrick Yang	40,000	5,070	6,660	—	51,730

(1)
Reflects board, committee chair and committee member retainer fees earned during 2015.

(2)
The amounts in the "Stock Awards" and "Option Awards" columns reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. The assumptions made in the valuation of the awards are discussed in Note 11, "Stock-Based Compensation Plans" of "Notes to Consolidated Financial Statements" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. These amounts do not correspond to the actual value that may be recognized by our non-employee directors.

(3)
All cash compensation earned by Mr. Boisseau during 2015 was paid directly to Total Energies Nouvelles Activités USA (formerly known as Total Gas & Power USA, SAS), which designated Mr. Boisseau to serve on the Board, and Mr. Boisseau did not receive any cash benefit from such payments. In addition, Mr. Boisseau has to date declined each equity award granted to him pursuant to our non-employee director compensation program, without prejudice to future awards.

(4)
Mr. Chua resigned from the Board in June 2015, and the fees earned by him in 2015 represent retainer fees earned for the portion of 2015 that he served on the Board.

(5)

Ms. Georgiadis joined the Board in December 2015, and the fees earned by her in 2015 represent retainer fees earned for the portion of 2015 that she served on the Board.

(6)
Upon joining the Board in December 2015, Ms. Georgiadis received an initial award under our 2010 Equity Incentive Plan of an option to purchase 45,000 of our common stock and 30,000 restricted stock units. This award was contemplated by our amended director compensation program (described in “Narrative to Director Compensation Tables” below). The option award vests in equal quarterly installments over three years and the restricted stock unit award vests in three equal annual installments, in each case from a vesting commencement date of December 1, 2015. The grant date fair value for these awards, as calculated under FASB ASC Topic 718, is as shown:

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Name	Date of Grant	Number of Shares of Stock or Units (#)	Number of Securities Underlying Options (#)	Exercise Price Per Share ($)	Stock Awards ($)(2)	Option Awards ($)(2)
Margaret Georgiadis	12/21/2015	—	45,000	1.64	—	49,050
Margaret Georgiadis	12/21/2015	30,000	—	—	49,200	—

(7)
Mr. Klaeijsen joined the Board in June 2015, and the fees earned by him in 2015 represent retainer fees earned for the portion of 2015 that he served on the Board.

(8)
Upon joining the Board in June 2015, Mr. Klaeijsen received an initial award under our 2010 Equity Incentive Plan of an option to purchase 20,000 shares of our common stock. This award was contemplated by our previous director compensation program (described in “Narrative to Director Compensation Tables” below). This award vests in equal quarterly installments over three years from a vesting commencement date of June 7, 2015. The grant date fair value for this award, as calculated under FASB ASC Topic 718, is as shown:

Name	Date of Grant	Number of Shares of Stock or Units (#)	Number of Securities Underlying Options (#)	Exercise Price Per Share ($)	Stock Awards ($)(2)	Option Awards ($)(2)
Abraham Klaeijsen	06/15/2015	—	20,000	1.98	—	26,000

(9)
In July 2015, each of our non-employee directors other than Mr. Boisseau (and excluding Mr. Chua, who resigned from the Board in June 2015, and Ms. Georgiadis, who joined the Board in December 2015) received an annual award under our 2010 Equity Incentive Plan of an option to purchase 6,000 shares of our common stock and 3,000 restricted stock units. Mr. Boisseau declined the award. These awards were contemplated by our previous director compensation program (described in “Narrative to Director Compensation Tables” below). These option and restricted stock unit awards will vest on August 11, 2016. The grant date fair value for these awards, as calculated under FASB ASC Topic 718, is as shown:

Name	Date of Grant	Number of Shares of Stock or Units (#)	Number of Securities Underlying Options (#)	Exercise Price Per Share ($)	Stock Awards ($)(2)	Option Awards ($)(2)
John Doerr	7/30/2015	—	6,000	1.69	—	6,660
John Doerr	7/30/2015	3,000	—	—	5,070	—
Geoffrey Duyk	7/30/2015	—	6,000	1.69	—	6,660
Geoffrey Duyk	7/30/2015	3,000	—	—	5,070	—
Abraham Klaeijsen	7/30/2015	—	6,000	1.69	—	6,660
Abraham Klaeijsen	7/30/2015	3,000	—	—	5,070	—

Carole Piwnica	7/30/2015	—	6,000	1.69	—	6,660
Carole Piwnica	7/30/2015	3,000	—	—	5,070	—
Fernando de Castro Reinach	7/30/2015	—	6,000	1.69	—	6,660
Fernando de Castro Reinach	7/30/2015	3,000	—	—	5,070	—
HH Sheikh Abdullah bin Khalifa Al Thani	7/30/2015	—	6,000	1.69	—	6,660
HH Sheikh Abdullah bin Khalifa Al Thani	7/30/2015	3,000	—	—	5,070	—
R. Neil Williams	7/30/2015		6,000	1.69	—	6,660
R. Neil Williams	7/30/2015	3,000	—	—	5,070	
Patrick Yang	7/30/2015	—	6,000	1.69	—	6,660
Patrick Yang	7/30/2015	3,000	—	—	5,070	—

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(10)
As of December 31, 2015, the non-employee directors who served during 2015 held the following outstanding equity awards:

Name	Outstanding Options (Shares)	Outstanding Stock Awards (Units)
Philippe Boisseau(3)	—	—
Nam-Hai Chua(11)	—	—
John Doerr	50,000	3,000
Geoffrey Duyk	44,000	3,000
Margaret Georgiadis	45,000	30,000
Abraham Klaeijsen	26,000	3,000
Carole Piwnica	50,000	3,000
Fernando de Castro Reinach	50,000	3,000
HH Sheikh Abdullah bin Khalifa Al Thani	44,000	3,000
R. Neil Williams	38,000	3,000
Patrick Yang	152,000(12)	3,000

(11)
Upon Mr. Chua's resignation from the Board in June 2015, his outstanding equity awards ceased vesting: all of his vested options remained exercisable for a period of three months after June 7, 2015, and all of his unvested options and restricted stock units were forfeited.

(12)
Includes options to purchase 120,000 shares of our common stock which Dr. Yang received for consulting work provided to the company in 2013 – 2014 prior to his appointment to the Board.

Narrative to Director Compensation Tables

In December 2010, the Board adopted a non-employee director compensation program that took effect on January 1, 2011. In February 2012, October 2013, November 2013 and November 2014, the Leadership Development and Compensation Committee determined that it would not recommend to the Board any changes to such program for 2012, 2013, 2014 or 2015, respectively. In February 2015, due to the commitment required for the role and consistent with similarly situated companies, the Board approved an increase to the annual cash retainer payable to the chair of the Audit Committee from $15,000 to $30,000, effective January 1, 2015. In November 2015, following a review with Compensia, the Leadership Development and Compensation Committee recommended to the Board that it increase the equity component of the non-employee director compensation program to provide for awards at approximately the 50th market percentile. In December 2015, the Board approved an increase to the equity component of the non-employee director compensation program, which had previously consisted of an initial award upon joining the Board of an option to purchase 20,000 shares of our common stock and an annual award of an option to purchase 6,000 shares of our common stock and 3,000 restricted stock units. Under the amended program, in each case subject to final approval by the Board with respect to equity awards:

- Each non-employee director receives an annual cash retainer of $40,000, an initial equity award upon joining the Board of an option to purchase 45,000 shares of our common stock and 30,000 restricted stock units and an annual equity award of an option to purchase 26,000 shares of our common stock and 17,000 restricted stock units. The initial option award vests in equal quarterly installments over three years from the vesting commencement date, which is a date set by the Board at the time of grant, the initial restricted stock unit award vests in equal annual installments over

three years from the vesting commencement date, and the annual option and restricted stock unit awards become fully vested on the first anniversary of the grant date, in each case subject to continued service through each vesting date.

- The chair of the Audit Committee receives an additional annual cash retainer of $30,000.

- The chair of the Leadership Development and Compensation Committee receives an additional annual cash retainer of $10,000.

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- The chair of the Nominating and Governance Committee receives an additional annual cash retainer of $9,000.

- Audit Committee, Leadership Development and Compensation Committee and Nominating and Governance Committee members (other than the chair) receive an additional annual cash retainer of $7,500, $5,000 and $4,500, respectively.

In general, all of the retainers described above are paid quarterly in arrears. In cases where a non-employee director serves for part of the year in a capacity entitling him or her to a retainer payment, the retainer is prorated to reflect his or her period of service in that capacity. Non-employee directors are also eligible for reimbursement of their expenses incurred in attending Board and committee meetings.

Compensation Committee Interlocks and Insider Participation

The members of the Leadership Development and Compensation Committee during 2015 were Nam-Hai Chua (until his resignation from the Board on June 7, 2015), John Doerr and Carole Piwnica. None of these directors was an officer or employee of Amyris or any of our subsidiaries during 2015, nor are any of these directors former officers of Amyris or any of our subsidiaries. Except as set forth under "Transactions with Related Persons" below, none of these directors has any relationships with us of the type that are required to be disclosed under Item 404 of Regulation S-K. None of our executive officers has served as a member of the board of directors or as a member of the compensation or similar committee of any entity that has one or more executive officers who have served on our Board or Leadership Development and Compensation Committee during 2015. Mr. Doerr and Ms. Piwnica may be deemed to have interests in certain transactions with us, as more fully described in "Transactions with Related Persons" below.

Transactions with Related Persons

The following is a description of each transaction since the beginning of 2015, and each currently proposed transaction, in which:

- we have been or are to be a participant;

- the amount involved exceeds $120,000; and

- any of our directors, executive officers or holders of more than 5% of any class of our capital stock at the time of the transactions in issue, or any immediate family member of or person sharing the household with any of these individuals, had or will have a direct or indirect material interest.

January 2015 Sale of R&D Note

Following successful completion of the remaining closing conditions, and in accordance with the technology license, development, research and collaboration agreement (as amended, the "Collaboration Agreement") between us and Total Energies Nouvelles Activités USA (formerly known as Total Gas & Power USA, SAS) ("Total"), on January 27, 2015, we sold and issued a 1.5% Senior Secured Convertible Note Due 2017 to Total in the face amount of $10.85 million (the "January 2015 R&D Note"). As of February 29, 2016, Total beneficially owned 80,187,442 shares of our common stock, representing approximately 36.0% of our outstanding common stock (this includes the assumed conversion and exercise of certain convertible promissory notes and warrants, respectively, held by Total, as described above under the Section titled "Security Ownership of Certain Beneficial Owners and Management"), and Philippe Boisseau, one of our directors, is an officer of Total and was designated to serve on our Board by Total pursuant to a letter agreement between us and Total (as described above under the Section titled "Arrangements Concerning Selection of Directors"). The January 2015 R&D Note sale was completed under that certain Securities Purchase Agreement, dated as of July 30, 2012 (as amended, the "R&D Purchase Agreement"), by and between us and Total. The January 2015 R&D Note has a March 1, 2017 maturity date and an initial conversion price equal to $4.11 per share of our common stock,

which is subject to adjustment for proportional adjustments to our outstanding common stock and under anti-dilution provisions in case of certain dividends and

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distributions. The January 2015 R&D Note becomes convertible into our common stock or payable by us to Total depending on various conditions, including whether or not Total makes certain "Go" or "No-Go" decisions with respect to its participation in the fuels collaboration between us and Total. Specifically, the January 2015 R&D Note becomes convertible into our common stock (i) within 10 trading days prior to maturity (if it is not canceled prior to its maturity date based on a Go decision), (ii) on a change of control of Amyris, (iii) if Total is no longer our largest stockholder following a No-Go decision (subject to a six-month lock-up with respect to any shares of our common stock issued upon conversion), and (iv) on a default by Amyris. If Total makes a final Go decision, then the January 2015 R&D Note would be exchanged by Total for equity interests in the fuels joint venture contemplated by the Collaboration Agreement, after which the January 2015 R&D Note would not be convertible and any obligation to pay principal or interest on the January 2015 R&D Note will be extinguished. If Total makes a No-Go decision, the January 2015 R&D Note would remain outstanding and become payable at maturity. The January 2015 R&D Note bears interest at a rate of 1.5% per year (with a default rate of 2.5% per year), accruing from January 27, 2015 and payable at maturity or on conversion or a change of control where Total exercises its right to require us to repurchase the January 2015 R&D Note at a price equal to 101% of the principal amount thereof. Accrued interest is canceled if the January 2015 R&D Note is canceled based on a Go decision. The January 2015 R&D Note was issued in a private placement pursuant to the exemption from registration under Section 4(2) of the Securities Act and Regulation D promulgated under the Securities Act.

Naxyris Securities Purchase Agreement

On March 30, 2015, we entered into a Securities Purchase Agreement (the "Naxyris SPA") for the sale of up to $10.0 million in principal amount of an unsecured convertible note (the "Naxyris Note") to Naxyris, S.A. ("Naxyris"), an investment vehicle owned by Naxos Capital Partners SCA Sicar (director Carole Piwnica is Director of NAXOS UK, which is affiliated with Naxos Capital Partners SCA Sicar, and was designated to serve on our Board by Naxyris pursuant to a letter agreement between us, Naxyris and the other parties thereto (as described above under the Section titled "Arrangements Concerning Selection of Directors")). As of February 29, 2016, Naxyris beneficially owned 8,107,351 shares of our common stock, representing approximately 3.9% of our outstanding common stock (this includes the assumed exercise of certain warrants held by Naxyris). The Naxyris SPA contemplated that the Naxyris Note may be issued in one closing to occur at any time prior to the earlier of March 31, 2016 or Amyris completing a new financing (or series of financings) of equity, debt or similar instruments in the amount of at least $10.0 million in the aggregate (excluding amounts that may be raised under existing commitments and agreements in existence as of March 30, 2015), following the satisfaction of certain closing conditions, including the receipt of certain third party consents, and required that we pay a commitment availability fee of $0.2 million to Naxyris on April 1, 2015. Upon the closing of the 2015 Private Placement (as defined below), the Naxyris SPA terminated without the Naxyris Note being issued.

July 2015 Private Placement

On July 24, 2015, we entered into a Securities Purchase Agreement (the "July 2015 Purchase Agreement") with purchasers named therein for the sale of 16,025,642 shares of our common stock to the purchasers for a per share purchase price of $1.56 per share, representing aggregate proceeds to us of $25 million (the "2015 Private Placement"). The purchasers include existing beneficial owners of more than 5% of our outstanding common stock at the time of the transaction: Foris Ventures, LLC ("Foris"), an entity affiliated with director John Doerr, which as of February 29, 2016 beneficially owned 15,133,732 shares of our common stock, representing approximately 7.2% of our outstanding common stock (this includes the assumed conversion and exercise of certain convertible promissory notes and warrants, respectively, held by Foris, as described above under the Section titled "Security Ownership of Certain Beneficial Owners and Management"), which purchased 9,615,384 shares; Total, which purchased 1,282,051 shares; and Naxyris, which purchased 2,243,594 shares. The 2015 Private Placement closed on July 29, 2015.

Pursuant to the July 2015 Purchase Agreement, we granted to each of the investors in the 2015 Private Placement a warrant, exercisable at an exercise price of $0.01 per share, for the purchase of a number of shares of our common stock equal to 10% of the shares purchased by such investor (collectively, the "2015 Private Placement Warrants"). The exercisability of the 2015 Private Placement Warrants was subject to

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stockholder approval, which was obtained at a Special Meeting of Stockholders held on September 17, 2015. In connection therewith, we entered into Voting Agreements with Total, Maxwell, Naxyris, Kleiner Perkins Caufield & Byers, Foris, and Biolding Investment SA (“Biolding”), each of which is affiliated with one of our directors, and certain of the investors in the 2015 Private Placement pursuant to which such existing stockholders and investors agreed to vote in favor of the approval of the issuance of shares of our common stock issuable upon exercise of the 2015 Private Placement Warrants. The shares of common stock and the 2015 Private Placement Warrants were issued in a private placement pursuant to the exemption from registration under Section 4(2) of the Securities Act and Regulation D promulgated under the Securities Act.

We and the investors in the 2015 Private Placement also entered into a letter agreement (the “Registration Rights Letter”) that sets forth certain obligations of Amyris, including the obligation to register, via a Registration Statement filed with the SEC, shares of our common stock sold and issued in the 2015 Private Placement and shares of our common stock issuable upon exercise of the 2015 Private Placement Warrants. The Registration Statement registering the resale of all of the shares of our common stock issued in the 2015 Private Placement and issuable upon exercise of the 2015 Private Placement Warrants was filed with the Securities and Exchange Commission on August 12, 2015 and was declared effective by the Securities and Exchange Commission on November 10, 2015.

Exchange Agreement and Related Arrangements

On July 26, 2015 we entered into a series of agreements providing for the exchange and restructuring of approximately $175 million of our outstanding convertible debt (including the January 2015 R&D Note), as described below.

Background on Outstanding Convertible Promissory Notes

Existing Total Agreements and R&D Notes. In June 2010, we entered into the Collaboration Agreement with Total, which sets forth the terms for the research, development, production and commercialization of chemical and/or fuel products using our synthetic biology platform. In July 2012, we entered into a Master Framework Agreement with Total which amended the Collaboration Agreement in order for the parties to establish a 50/50 joint venture (the “JV”) for the production and commercialization of renewable diesel and jet fuel products. At such time, Total agreed also to provide funding to Amyris in exchange for convertible notes (“R&D Notes”). Interest on the R&D Notes accrues from the date of funding and is payable at maturity or upon conversion or a change of control where Total exercises the right to require us to repurchase the R&D Notes at a price equal to 101% of the principal amount thereof. Under the terms and conditions of the JV-related agreements with Total, each of us and Total owned a 50% interest in the JV provided that Total continued to make certain “go” decisions scheduled for specified times to continue to pursue the JV. As a result of our issuance of R&D Notes to Total (including the January 2015 R&D Note) and several subsequent agreements by which Total exchanged R&D Notes for other of our securities, and our issuing substitute R&D Notes in exchange for existing R&D Notes, as of July 24, 2015, Total held outstanding R&D Notes in an aggregate principal amount of $75 million, with conversion prices ranging from $3.08 to $7.0682 per share.

Existing Maxwell Tranche Notes. In October 2013, we sold convertible promissory notes (“Tranche I Notes”) to Maxwell (Mauritius) Pte Ltd, an affiliate of Temasek Holdings (Private) Limited (collectively referred to as “Maxwell”), Total and other investors in an aggregate principal amount of $51.8 million. As of February 29, 2016, Maxwell beneficially owned 72,389,780 shares of our common stock, representing approximately 34.5% of our outstanding common stock (this includes the assumed conversion and exercise of certain convertible promissory notes and warrants, respectively, held by Maxwell, as described above under the Section titled “Security Ownership of Certain Beneficial Owners and Management”), and Abraham (Bram) Klaeijsen, one of our directors, was designated to serve on our Board by Maxwell pursuant to a letter agreement between us and Maxwell (as described above under the Section titled “Arrangements Concerning Selection of Directors”). In January 2014, we sold additional convertible promissory notes (“Tranche II Notes” and, together with Tranche I Notes, “Tranche Notes”) to Maxwell, Total and another investor in an aggregate principal amount of $34.0 million. The Tranche I Notes are due 60 months from the date of issuance and are convertible into our common stock at an initial per share

conversion price of $2.44. The Tranche II Notes are due 60 months from the date of issuance and are convertible into our common stock at an initial per share conversion price equal to $2.87. The conversion prices of the Tranche I Notes and Tranche II Notes are subject to adjustment (i) according to proportional adjustments to our outstanding common stock in the case of certain dividends and distributions, (ii) according to anti-dilution provisions, and (iii) with respect to Tranche Notes held by any purchaser other than Total, in the event that Total exchanges existing convertible notes for new securities of Amyris in connection with future financing transactions in excess of its pro rata amount. Interest accrues on the Tranche I Notes at a rate of 5% per six months, compounded semiannually, with interest for the first 30 months payable in kind and added to the principal every six months. After the first 30 months, we have the option to pay interest in cash or in kind by adding to the principal every six months. Interest accrues on the Tranche II Notes at a rate of 10% per annum, compounded annually, with interest for the first 36 months payable in kind and added to the principal annually. After the first 36 months, we have the option to pay interest in cash or in kind by adding to the principal every six months.

2014 144A Notes. In May 2014, we sold and issued $75.0 million aggregate principal amount of 6.50% Convertible Senior Notes due 2019 (the “2014 144A Notes”) to certain qualified institutional buyers (the “2014 144A Offering”), including Total. In addition, in connection with obtaining a waiver from Total of its preexisting contractual right to exchange R&D Notes previously issued by us for new notes issued in the 2014 144A Offering, we used approximately $9.7 million of the net proceeds from the 2014 144A Offering to repurchase previously issued R&D Notes (representing the amount of 2014 144A Notes issued to Total). Additionally, Foris and Maxwell each participated in the 2014 144A Offering and purchased $5.0 million and $10.0 million, respectively, of the 2014 144A Notes sold thereunder. The 2014 144A Notes bear interest at a rate of 6.50% per year, payable semiannually in arrears on May 15 and November 15 of each year, beginning November 15, 2014. The 2014 144A Notes will mature on May 15, 2019 unless earlier converted or repurchased. The 2014 144A Notes are convertible into shares of our common stock at any time prior to the close of business day on May 15, 2019 at an initial conversion rate of 267.0370 shares of common stock per $1,000 principal amount of 2014 144A Notes (subject to adjustment in certain circumstances), representing an initial effective conversion price of approximately $3.74 per share of common stock. For any conversion on or after May 15, 2015, in the event that the last reported sale price of our common stock for 20 or more trading days (whether or not consecutive) in a period of 30 consecutive trading days ending within five trading days immediately prior to the date we receive a notice of conversion exceeds the conversion price in effect on each such trading day, the holders, in addition to the shares deliverable upon conversion, will be entitled to receive a cash payment equal to the present value of the remaining scheduled payments of interest that would have been made on the notes being converted from the earlier of the date that is three years after the date we receive such notice of conversion and maturity.

Exchange Agreement

On July 26, 2015, we entered into an Exchange Agreement (the “Exchange Agreement”) with Maxwell and Total. Under the Exchange Agreement, Maxwell would exchange its Tranche Notes and Total would exchange certain of its R&D Notes for shares of our common stock at an exchange price of $2.30 per share (the “Exchange Price”), to be paid by the exchange and cancellation of outstanding principal of Tranche Notes and R&D Notes, as the case may be, including PIK and accrued interest in the case of Maxwell’s Tranche Notes. On July 29, 2015, Maxwell cancelled all Tranche Notes held by it, having an aggregate principal amount of $71.0 million, in exchange for approximately 30.86 million shares of our common stock, and Total cancelled all but $5.0 million of R&D Notes held by it, such cancelled notes having in an aggregate principal amount of $70 million, in exchange for approximately 30.4 million shares of our common stock (collectively, the “Exchange”).

Pursuant to the terms of the Exchange Agreement, in addition to shares of our common stock Total received the following warrants:

- A warrant to purchase that number of shares equal to the difference between the number of shares of our common stock that Total would have received if it had exchanged the $70 million in principal amount of R&D Notes at the price of the shares being sold in a private placement of up to $60 million of our common stock in a private placement approved by our Board of Directors and the number of Shares that Total receives pursuant to the Exchange based on the Exchange

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Price, at an exercise price of $0.01 per share (the “Total Funding Warrant”). As a result of the 2015 Private Placement, the Total Funding Warrant became exercisable for 18,924,191 shares of our common stock. Total exercised the Total Funding Warrant in whole on October 14, 2015 through a “net exercise” provision, which resulted in the issuance of 18,844,140 shares of our common stock to Total.

- A warrant to purchase 2,000,000 shares of our common stock at an exercise price of $0.01 per share that will only be exercisable if we fail, as of March 1, 2017, to achieve a target cost per liter to manufacture farnesene (the “Total R&D Warrant”). The Total Funding Warrant and the Total R&D Warrant are collectively referred to as the “Total Warrants.”

Additionally, pursuant to the terms of the Exchange Agreement, in addition to shares of our common stock Maxwell received the following warrants:

- A warrant to purchase 14,677,861 shares of our common stock at an exercise price of $0.01 per share, which was exercised in full by Maxwell on September 30, 2015.

- A warrant exercisable for that number of shares of our common stock equal to (1) (A) the number of shares for which Total exercises the Total Funding Warrant plus (B) the number of additional shares for which the Tranche Notes remaining outstanding following the completion of the Exchange may become exercisable as a result of a reduction in the conversion price of such remaining notes as of a result of and/or subsequent to the date of the Exchange plus (C) that number of additional shares in excess of 2,000,000, if any, for which the Total R&D Warrant becomes exercisable multiplied by a fraction equal to 30.6% divided by 69.4 plus (2) (A) the number of any additional shares for which 2014 144A Notes may become exercisable as a result of a reduction to the conversion price of such 2014 144A Notes multiplied by (B) a fraction equal to 13.3% divided by 86.7%, at an exercise price of $0.01 per share. Maxwell exercised the warrant with respect to 12,700,244 of the warrant shares thereunder on December 11, 2015.

- A warrant exercisable for that number of shares of our common stock equal to 880,339 multiplied by a fraction equal to the number of shares for which Total exercises the Total R&D Warrant divided by 2,000,000, at an exercise price of $0.01 per share. If Total is entitled to, and does, exercise the Total R&D Warrant in full, this warrant would be exercisable for 880,339 shares.

The above-referenced warrants issued to Maxwell are referred to as the “Maxwell Warrants” and together with the Total Warrants, the “Warrants.” The shares of common stock and the Warrants were issued in a private placement pursuant to the exemption from registration under Section 4(2) of the Securities Act and Regulation D promulgated under the Securities Act.

In addition to the grant of the Maxwell Warrants, a warrant for 1,000,000 shares of our common stock at an exercise price of $0.01 per share issued to Maxwell in October 2013 in conjunction with the issuance of the Tranche Notes (the “2013 Warrant”) became exercisable in full upon the completion of the Exchange. The 2013 Warrant was exercised in full by Maxwell on August 30, 2015.

The exercisability of all of the Warrants was subject to stockholder approval, which was obtained at a Special Meeting of Stockholders held on September 17, 2015. In connection therewith, we entered into Voting Agreements with Total, Maxwell, Naxyris, Kleiner Perkins Caufield & Byers, Foris and Biolding, each of which is affiliated with one of our directors, and certain of the investors in the 2015 Private Placement pursuant to which such existing stockholders and investors agreed to vote in favor of the approval of the issuance of shares of our common stock issuable upon exercise of the Warrants.

Maturity Treatment Agreement

Additionally, in connection with the Exchange, we entered into a Maturity Treatment Agreement with Maxwell and Total pursuant to which Total and Maxwell agreed to convert any Tranche Notes or 2014 144A Notes held by them and that were not cancelled pursuant to the Exchange (the “Remaining Notes”) into shares of our common stock in

accordance with the terms of such Remaining Notes upon maturity, provided that certain events of default have not occurred with respect to the applicable Remaining Notes.

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Investors’ Rights Agreement Amendment

Additionally, we, Total, Maxwell and the investors in the 2015 Private Placement agreed to amend, effective upon the closing of the Exchange, our Amended and Restated Investors’ Rights Agreement to provide that shares issued pursuant to the Exchange (including pursuant to the Warrants) and the 2015 Private Placement (including the 2015 Private Placement Warrants) would be subject to the registration rights contained therein.

February 2016 Private Placement

On February 12, 2016, we entered into a Note and Warrant Purchase Agreement with the purchasers named therein for the sale of $18.0 million in aggregate principal amount of unsecured promissory notes (the “2016 Notes”) to the purchasers, as well as warrants to purchase 2,571,428 shares of our common stock at an exercise price of $0.01 per share, representing aggregate proceeds to us of $18 million (the “Initial Sale”). On February 15, an additional purchaser joined the Note and Warrant Purchase Agreement and purchased $2.0 million in aggregate principal amount of the 2016 Notes, as well as warrants to purchase 285,714 shares of our common stock at an exercise price of $0.01 per share, representing aggregate proceeds to us of $2 million (the “Subsequent Sale” and together with the Initial Sale, the “2016 Private Placement”). The 2016 Notes and the warrants were issued in a private placement pursuant to the exemption from registration under Section 4(2) of the Securities Act and Regulation D promulgated under the Securities Act. The purchasers are our existing stockholders, each of which is affiliated with a member of our Board of Directors: Foris, which purchased $16.0 million aggregate principal amount of the 2016 Notes and warrants to purchase 2,285,714 shares of our common stock; Naxyris, which purchased $2.0 million aggregate principal amount of the 2016 Notes and warrants to purchase 285,714 shares of our common stock; and Biolding, a fund affiliated with director HH Sheikh Abdullah bin Khalifa Al Thani, which as of February 29, 2016 beneficially owned 7,484,601 shares of our common stock, representing approximately 3.6% of our outstanding common stock, which purchased $2.0 million aggregate principal amount of the 2016 Notes and warrants to purchase 285,714 shares of our common stock. The Initial Sale closed on February 12, 2016, and the Subsequent Sale closed on February 15, 2016.

The 2016 Notes are our unsecured obligations and are subordinate to our obligations under our senior secured credit facility pursuant to a Subordination Agreement, dated as of February 12, 2016, by and among Amyris, the purchasers and the administrative agent under our senior secured credit facility. Interest will accrue on the 2016 Notes from and including, with respect to the Initial Sale, February 12, 2016, and with respect to the Subsequent Sale, February 15, 2016, at a rate of 13.50% per annum and is payable on May 15, 2017, the maturity date of the 2016 Notes, unless the 2016 Notes are prepaid in accordance with their terms prior to such date.

The exercisability of the warrants sold in the 2016 Private Placement, which each have a term of five years, will be subject to stockholder approval. We are soliciting such approval at our 2016 Annual Meeting of Stockholders. See “Proposal 4 — Approval of the issuance of shares of our common stock issuable upon the exercise of warrants issued in a private placement transaction in February 2016, in accordance with NASDAQ Marketplace Rule 5635(c).” If Proposal 4 had been approved as of February 29, 2016, the number of shares beneficially owned by Foris would have been 17,419,446 shares, representing approximately 8.2% of our outstanding common stock, the number of shares beneficially owned by Naxyris would have been 8,393,065 shares, representing approximately 4.0% of our outstanding common stock, and the number of shares beneficially owned by Biolding would have been 7,770,315 shares, representing approximately 3.8% of our outstanding common stock.

Total JVCO Restructuring

On July 26, 2015, we entered into a Letter Agreement with Total (as amended on February 12, 2016, the “JVCO Letter Agreement”) regarding the restructuring of the ownership and rights of Total Amyris BioSolutions B.V. (“TAB”), the jointly owned entity incorporated on November 29, 2013 to house a fuels joint venture between us and Total (the “Restructuring”), pursuant to which the parties agreed to enter into an Amended & Restated Jet Fuel License Agreement between us and TAB (the “Jet Fuel Agreement”), a License Agreement regarding Diesel Fuel in the European Union (“EU”) between us and Total (the “EU Diesel Fuel Agreement”, and together with the Jet Fuel Agreement, the “Commercial Agreements”), and an

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Amended and Restated Shareholders' Agreement among us, Total and TAB (together with the Commercial Agreements, the "Restructuring Agreements"), and file a Deed of Amendment of Articles of Association of TAB, all in order to reflect certain changes to the ownership structure of TAB and license grants and related rights pertaining to TAB. Additionally, in connection with the proposed Restructuring, on July 26, 2015, we and Total entered into Amendment #1 (the "Pilot Plant Amendment") to that certain Pilot Plant Services Agreement dated as of April 4, 2014 (as amended, the "Pilot Plant Agreement") whereby we and Total agreed to restructure the payment obligations of Total under the Pilot Plant Agreement. Under the original Pilot Plant Agreement, for a five year period, we are providing certain fermentation and downstream separations scale-up services and training to Total and receive an aggregate annual fee payable by Total for all services in the amount of up to approximately $900,000. Such annual fee is due in three equal installments payable on March 1, July 1 and November 1 each year during the term. Under the Pilot Plant Amendment, in connection with the proposed Restructuring, we agreed to waive a portion of these fees, up to approximately $2.0 million, over the term of the Pilot Plant Agreement.

On March 21, 2016, we, Total and TAB closed the Restructuring and entered into the Restructuring Agreements. Under the Jet Fuel Agreement, (a) we granted exclusive (excluding its Brazil jet fuel business), world-wide, royalty-free rights to TAB for the production and commercialization of farnesene- or farnesane-based jet fuel, (b) we granted TAB the option, until March 1, 2018, to purchase our Brazil jet fuel business at a price based on the fair value of the commercial assets and on our investment in other related assets, (c) we granted TAB the right to purchase farnesene or farnesane for its jet fuel business from us on a "most-favored" pricing basis and (d) all rights to farnesene- or farnesane-based diesel fuel previously granted to TAB by us reverted back to us.

Upon all farnesene- or farnesane-based diesel fuel rights reverting back to us, we granted to Total, pursuant to the EU Diesel Fuel Agreement, (a) an exclusive, royalty-free license to offer for sale and sell farnesene- or farnesane-based diesel fuel in the EU, (b) the right to make farnesene or farnesane anywhere in the world, provided Total must (i) use such farnesene or farnesane to produce diesel fuel to offer for sale or sell in the EU and (ii) pay us a to-be-negotiated, commercially reasonable, "most-favored" basis royalty and (c) the right to purchase farnesene or farnesane for its EU diesel fuel business from us on a "most-favored" pricing basis.

In addition, as part of the closing of the Restructuring and pursuant the JVCO Letter Agreement, on March 21, 2016, we sold to Total one half of our ownership stake in TAB (giving Total an aggregate ownership stake of 75% of TAB and giving us an aggregate ownership stake of 25% of TAB) in exchange for Total cancelling (i) approximately $1.3 million of R&D Notes previously issued under the R&D Purchase Agreement, plus all paid-in-kind and accrued interest under all outstanding R&D Notes (including all such interest that was outstanding as of July 29, 2015) and (ii) a note in the principal amount of Euro 50,000, plus accrued interest, issued to Total in connection with the original TAB capitalization. To satisfy its purchase obligation above, Total surrendered to us the remaining R&D Note of approximately $5 million in principal amount, and we executed and delivered to Total a new, senior convertible note (the "March 2016 R&D Note") in the principal amount of $3.7 million.

Other than it is unsecured and its payment terms are severed from TAB's business performance, the March 2016 R&D Note contains substantially similar terms and conditions to the R&D Notes. The March 2016 R&D Note has a March 1, 2017 maturity date and an initial conversion price equal to $3.08 per share of our common stock, which is subject to adjustment for proportional adjustments to our outstanding common stock and under anti-dilution provisions in case of certain dividends and distributions. The March 2016 R&D Note becomes convertible into our common stock (i) within 10 trading days prior to maturity, (ii) on a change of control of Amyris, and (iii) on a default by Amyris. The Note bears interest at a rate of 1.5% per year (with a default rate of 2.5% per year), accruing from March 21, 2016 and payable at maturity or on conversion of the March 2016 R&D Note or a change of control of Amyris where Total exercises its right to require us to repurchase the March 2016 R&D Note at a price equal to 101% of the principal amount thereof. The March 2016 R&D Note was issued in a private placement pursuant to the exemption from registration under Section 4(2) of the Securities Act.

As a result of, and in order to reflect, the changes to the ownership structure of TAB described above, on March 21, 2016, we, Total and TAB entered into an Amended and Restated Shareholders' Agreement and filed a Deed of Amendment of Articles of Association of TAB.

In addition, in connection with the Restructuring, on March 21, 2016, we entered into a termination agreement with Total to terminate in its entirety, effective March 21, 2016, the Amended and Restated Master Framework Agreement, dated December 2, 2013 and amended on April 1, 2015, between us and Total.

Each of the Related Person Transactions described above was reviewed and approved or ratified by our Audit Committee or another independent body of the Board in accordance with our Related Person Transaction Policy, described below.

Commercial Transactions with Total

We engage in sales of our products to entities affiliated with Total (including TAB) in the ordinary course of our business. In 2015, we made product sales to Total and its affiliates of $0.9 million, and held $1.2 million in accounts receivable from Total as of December 31, 2015.

In addition, as of December 31, 2015 we had received $1.7 million in cash from Total under the Pilot Plant Agreement and a Sublease Agreement pursuant to which we receive an annual base rent payable by Total of approximately $0.1 million per year.

Indemnification Arrangements

Please see "Executive Compensation — Limitation of Liability and Indemnification" above for information on our indemnification arrangements with our directors and executive officers.

Executive Compensation and Employment Arrangements

Please see "Executive Compensation" for information on compensation arrangements with our executive officers, including option grants and agreements with executive officers.

Investors' Rights Agreement and Registration Rights Agreements

Please see "Transactions with Related Persons — Exchange Agreement and Related Arrangements" and "Transactions with Related Persons — July 2015 Private Placement" for information on our investors' rights agreement and on registration rights agreements with certain entities affiliated with our directors or with holders of 5% or more of our outstanding common stock.

Related Person Transaction Policy

Our policy adopted by the Board requires that any transaction with a related party that must be reported under applicable SEC rules, other than compensation related matters, must be reviewed and approved or ratified by our Audit Committee. Another independent body of the Board must provide such approval or ratification if the related party is, or is associated with, a member of the Audit Committee or if it is otherwise inappropriate for the Audit Committee to review the transaction. The Audit Committee has not adopted policies or procedures for review of, or standards for approval of, these transactions.

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Householding of Proxy Materials

The Securities and Exchange Commission has adopted rules that permit companies and Intermediaries to satisfy the delivery requirements for proxy statements and annual reports, including Notices of Internet Availability of Proxy Materials, with respect to two or more stockholders sharing the same address by delivering a single Notice of Internet Availability of Proxy Materials (the "Notice") or other proxy materials addressed to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies.

A number of brokers with account holders who are Amyris stockholders may be "householding" our proxy materials. A single copy of the Notice or other proxy materials may be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be "householding" communications to your address, "householding" will continue until you are notified otherwise or you submit contrary instructions. If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate Notice or other proxy materials, you may: (1) notify your broker; (2) direct your written request to Amyris Investor Relations at 5885 Hollis Street, Suite 100, Emeryville, California 94608 or to investor@amyris.com; or (3) contact Amyris Investor Relations at (510) 740-7481. Stockholders who currently receive multiple copies of the Notice or other proxy materials at their addresses and would like to request "householding" of their communications should contact their brokers. In addition, we will promptly deliver, upon written or oral request to the address or telephone number above, a separate copy of the Notice or other proxy materials to a stockholder at a shared address to which a single copy of such documents was delivered.

Available Information

We will provide to any stockholder entitled to vote at our 2016 Annual Meeting of Stockholders, at no charge, a copy of our Annual Report on Form 10-K for 2015 filed with the Securities and Exchange Commission (SEC) on March 30, 2016, including the financial statements and the financial statement schedules contained in the Form 10-K. We make our Annual Report on Form 10-K, as well as our other SEC filings, available free of charge through the investor relations section of our website located at http://investors.amyris.com/index.cfm as soon as reasonably practicable after they are filed with or furnished to the SEC. Information contained on or accessible through our website or contained on other websites is not deemed to be part of this Proxy Statement. In addition, you may request a copy of the Annual Report on Form 10-K in writing by sending an e-mail request to Amyris Investor Relations at investor@amyris.com, calling (510) 740-7481, or writing to Amyris Investor Relations at 5885 Hollis Street, Suite 100, Emeryville, California 94608.

Incorporation of Information by Reference

The Securities and Exchange Commission allows us to "incorporate by reference" certain information we file with the Securities and Exchange Commission, which means that we can disclose important information by referring you to those documents. The information incorporated by reference is considered to be a part of this Proxy Statement. We incorporate herein the following information contained in or attached to our Annual Report on Form 10-K filed on March 30, 2016 and being delivered to stockholders along with this Proxy Statement: (1) the information under the heading "Executive Officers of the Registrant" in Item 1A, (2) Item 7 entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," (3) Item 7A entitled "Quantitative and Qualitative Disclosures About Market Risk," (4) Item 8 entitled "Financial Statements and Supplementary Data" and (5) Item 9 entitled "Changes in and Disagreements with Accountants on Accounting and Financial Disclosure."

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Stockholder Proposals to be Presented at Next Annual Meeting

Stockholder proposals may be included in our proxy statement for an annual meeting so long as they are provided to us on a timely basis and satisfy the other conditions set forth in SEC regulations under Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. For a stockholder proposal to be considered for inclusion in our proxy statement for the annual meeting to be held in 2017, we must receive the proposal at our principal executive offices, addressed to the Secretary, no later than December 16, 2016. In addition, a stockholder proposal that is not intended for inclusion in our proxy statement under Rule 14a-8 may be brought before the 2017 annual meeting so long as we receive information and notice of the proposal in compliance with the requirements set forth in our Bylaws, addressed to the Secretary at our principal executive offices, not later than March 3, 2017 nor earlier than February 1, 2017.

Other Matters

The Board knows of no other matters that will be presented for consideration at the annual meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

BY ORDER OF THE BOARD OF DIRECTORS,

Nicholas Khadder
SVP, General Counsel and Secretary
Emeryville, California
April 15, 2016

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