

FIRST INTERSTATE BANCSYSTEM INC

Form 10-Q

July 27, 2005

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

**Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2005**

OR

**Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____**

COMMISSION FILE NUMBER 000-49733

First Interstate BancSystem, Inc.

(Exact name of registrant as specified in its charter)

Montana

81-0331430

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

401 North 31st Street, Billings, MT 59116-0918

(Address of principal executive offices)

Zip Code)

Registrant's telephone number, including area code: 406/255-5390

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The Registrant had 7,980,610 shares of common stock outstanding on June 30, 2005.

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Quarterly Report on Form 10-Q

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Table of Contents**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES****Consolidated Balance Sheets***(Dollars in thousands, except share data)*

(Unaudited)

| | June 30, 2005 | December 31, 2004 |
|---|------------------|----------------------|
| Assets | | |
| Cash and due from banks | \$ 199,645 | \$ 235,251 |
| Federal funds sold | 32,000 | 37,590 |
| Interest bearing deposits in banks | 4,136 | 83,067 |
| Investment securities: | | |
| Available-for-sale | 789,672 | 766,669 |
| Held-to-maturity (estimated fair values of \$108,380 as of June 30, 2005 and \$103,754 as of December 31, 2004) | 105,784 | 100,646 |
| Total investment securities | 895,456 | 867,315 |
| Loans | 2,891,674 | 2,739,509 |
| Less allowance for loan losses | 43,368 | 42,141 |
| Net loans | 2,848,306 | 2,697,368 |
| Premises and equipment, net | 118,157 | 121,928 |
| Accrued interest receivable | 23,944 | 20,569 |
| Company-owned life insurance | 61,473 | 60,645 |
| Mortgage servicing rights, net of accumulated amortization and impairment reserve | 18,473 | 17,624 |
| Goodwill | 37,390 | 37,390 |
| Core deposit intangibles, net of accumulated amortization | 1,710 | 2,217 |
| Net deferred tax asset | 2,907 | 1,911 |
| Other assets | 34,013 | 34,418 |
| Total assets | \$4,277,610 | \$ 4,217,293 |
| Liabilities and Stockholders Equity | | |
| Deposits: | | |
| Noninterest bearing | \$ 783,674 | \$ 756,687 |
| Interest bearing | 2,526,698 | 2,564,994 |
| Total deposits | 3,310,372 | 3,321,681 |
| Securities sold under repurchase agreements | 499,404 | 449,699 |
| Accrued interest payable | 10,747 | 9,529 |
| Accounts payable and accrued expenses | 22,481 | 16,899 |
| Other borrowed funds | 7,568 | 7,995 |
| Long-term debt | 59,680 | 61,926 |
| Subordinated debenture held by subsidiary trust | 41,238 | 41,238 |

| | | |
|--|-------------|--------------|
| Total liabilities | 3,951,490 | 3,908,967 |
| Stockholders' equity: | | |
| Nonvoting noncumulative preferred stock without par value; authorized 100,000 shares; no shares issued or outstanding as of June 30, 2005 or December 31, 2004 | | |
| Common stock without par value; authorized 20,000,000 shares; issued and outstanding 7,980,610 shares as of June 30, 2005 and 7,980,300 shares as of December 31, 2004 | 36,466 | 36,803 |
| Retained earnings | 292,839 | 275,172 |
| Unearned compensation - restricted stock | (444) | (425) |
| Accumulated other comprehensive loss, net | (2,741) | (3,224) |
| Total stockholders' equity | 326,120 | 308,326 |
| Total liabilities and stockholders' equity | \$4,277,610 | \$ 4,217,293 |

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES****Consolidated Statements of Income***(Dollars in thousands, except per share data)*

(Unaudited)

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|--|---------------|--------------------------------------|---------------|
| | 2005 | 2004 | 2005 | 2004 |
| Interest income: | | | | |
| Interest and fees on loans | \$46,627 | \$39,562 | \$ 90,039 | \$78,585 |
| Interest and dividends on investment securities: | | | | |
| Taxable | 7,095 | 6,362 | 13,923 | 12,770 |
| Exempt from Federal taxes | 1,115 | 1,029 | 2,188 | 2,032 |
| Interest on deposits in banks | 139 | 6 | 304 | 7 |
| Interest on Federal funds sold | 568 | 87 | 1,057 | 219 |
| Total interest income | 55,544 | 47,046 | 107,511 | 93,613 |
| Interest expense: | | | | |
| Interest on deposits | 10,429 | 8,326 | 19,642 | 16,848 |
| Interest on Federal funds purchased | 22 | 33 | 22 | 33 |
| Interest on securities sold under repurchase agreements | 2,862 | 601 | 5,021 | 1,125 |
| Interest on other borrowed funds | 28 | 20 | 46 | 31 |
| Interest on long-term debt | 670 | 561 | 1,314 | 1,129 |
| Interest on subordinated debenture held by subsidiary trust | 661 | 452 | 1,261 | 911 |
| Total interest expense | 14,672 | 9,993 | 27,306 | 20,077 |
| Net interest income | 40,872 | 37,053 | 80,205 | 73,536 |
| Provision for loan losses | 1,365 | 2,541 | 2,990 | 4,959 |
| Net interest income after provision for loan losses | 39,507 | 34,512 | 77,215 | 68,577 |
| Noninterest income: | | | | |
| Other service charges, commissions and fees | 5,621 | 4,957 | 11,171 | 9,473 |
| Service charges on deposit accounts | 4,339 | 4,986 | 8,398 | 9,660 |
| Technology services | 3,288 | 3,198 | 6,630 | 6,094 |
| Income from origination and sale of loans | 2,011 | 2,351 | 3,790 | 4,074 |
| Income from fiduciary activities | 1,543 | 1,439 | 3,118 | 2,817 |
| Investment securities gains (losses), net | (438) | (740) | (1,130) | (710) |
| Other income | 1,476 | 1,078 | 2,812 | 2,343 |
| Total noninterest income | 17,840 | 17,269 | 34,789 | 33,751 |
| Noninterest expense: | | | | |
| Salaries, wages and employee benefits | 19,158 | 17,660 | 38,836 | 36,000 |
| Furniture and equipment | 4,014 | 3,728 | 8,001 | 7,273 |
| Occupancy, net | 3,620 | 2,913 | 6,931 | 5,601 |
| Mortgage servicing rights amortization expense | 1,189 | 901 | 2,360 | 1,752 |

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| | | | | |
|--|----------|----------|-----------|----------|
| Professional fees | 668 | 696 | 1,292 | 1,466 |
| Outsourced technology services | 647 | 564 | 1,078 | 1,121 |
| Core deposit intangible amortization expense | 254 | 283 | 507 | 566 |
| Other expenses | 8,093 | 5,557 | 15,034 | 14,092 |
| Total noninterest expense | 37,643 | 32,302 | 74,039 | 67,871 |
| Income before income taxes | 19,704 | 19,479 | 37,965 | 34,457 |
| Income tax expense | 6,824 | 6,907 | 13,126 | 12,167 |
| Net income | \$12,880 | \$12,572 | \$ 24,839 | \$22,290 |
| Basic earnings per common share | \$ 1.62 | \$ 1.59 | \$ 3.12 | \$ 2.82 |
| Diluted earnings per common share | \$ 1.59 | \$ 1.58 | \$ 3.06 | \$ 2.80 |

See accompanying notes to unaudited consolidated financial statements.

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders Equity and Comprehensive Income
(Dollars in thousands, except share and per share data)
(Unaudited)

| | Common stock | Retained earnings | Unearned compensation - restricted stock | Accumulated other comprehensive income (loss) | Total stockholders equity |
|--|-----------------|----------------------|--|--|---------------------------------|
| Balance at December 31, 2004 | \$36,803 | 275,172 | (425) | (3,224) | 308,326 |
| Comprehensive income: | | | | | |
| Net income | | 24,839 | | | 24,839 |
| Unrealized losses on available-for-sale investment securities, net of income tax benefit of \$132 | | | | (202) | (202) |
| Less reclassification adjustment for losses included in net income, net of income tax benefit of \$445 | | | | 685 | 685 |
| Other comprehensive income | | | | | 483 |
| Total comprehensive income | | | | | 25,322 |
| Common stock transactions: | | | | | |
| 31,687 shares retired | (1,945) | | | | (1,945) |
| 30,997 shares issued | 1,472 | | | | 1,472 |
| 1,000 shares issued pursuant to restricted stock plan | 56 | | (56) | | |
| Remeasurement of restricted stock awards | 80 | | (80) | | |
| Amortization of restricted stock awards | | | 117 | | 117 |
| Cash dividends declared: | | | | | |
| Common (\$0.90 per share) | | (7,172) | | | (7,172) |
| Balance at June 30, 2005 | \$36,466 | 292,839 | (444) | (2,741) | 326,120 |
| Balance at December 31, 2003 | \$33,187 | 242,105 | | (1,066) | 274,226 |
| Comprehensive income: | | | | | |

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| | | | | | |
|--|----------|---------|-------|---------|---------|
| Net income | | 22,290 | | | 22,290 |
| Unrealized losses on available-for-sale investment securities, net of income tax benefit of \$5,195 | | | | (8,009) | (8,009) |
| Less reclassification adjustment for losses included in net income, net of income tax benefit of \$279 | | | | 431 | 431 |
| Other comprehensive loss | | | | | (7,578) |
| Total comprehensive income | | | | | 14,712 |
| Common stock transactions: | | | | | |
| 35,627 shares retired | (1,821) | | | | (1,821) |
| 9,882 shares issued | 407 | | | | 407 |
| 9,000 shares issued pursuant to restricted stock plan | 459 | | (459) | | |
| Remeasurement of restricted stock awards | 13 | | (13) | | |
| Amortization of restricted stock awards | | | 39 | | 39 |
| Cash dividends declared: | | | | | |
| Common (\$0.74 per share) | | (5,848) | | | (5,848) |
| Balance at June 30, 2004 | \$32,245 | 258,547 | (433) | (8,644) | 281,715 |

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows***(Dollars in thousands)*

(Unaudited)

| | For the six months ended June 30, | |
|---|--------------------------------------|-----------|
| | 2005 | 2004 |
| Cash flows from operating activities: | | |
| Net income | \$ 24,839 | 22,290 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Equity in undistributed earnings of joint ventures | (236) | (472) |
| Provision for loan losses | 2,990 | 4,959 |
| Depreciation | 7,099 | 6,041 |
| Amortization of core deposit intangibles | 507 | 566 |
| Amortization of mortgage servicing rights | 2,360 | 1,751 |
| Net premium amortization on investment securities | 466 | 1,247 |
| Net loss on sale of investment securities | 1,130 | 710 |
| Net gain on sale of loans | (3,790) | (4,074) |
| Net loss on sale of property and equipment | 8 | 18 |
| Net impairment charges on mortgage servicing rights | (313) | (1,076) |
| Net increase in cash surrender value of company-owned life insurance | (828) | (845) |
| Write-down of property pending disposal | 16 | 65 |
| Amortization of restricted stock awards | 117 | 39 |
| Deferred income taxes | (1,307) | 586 |
| Changes in operating assets and liabilities: | | |
| Decrease in loans held for sale | (225) | (15,430) |
| Increase in interest receivable | (3,366) | (1,124) |
| Decrease (increase) in other assets | (152) | 554 |
| Increase (decrease) in accrued interest payable | 1,218 | (518) |
| Increase in accounts payable and accrued expenses | 5,582 | 3,809 |
| Net cash provided by operating activities | 36,115 | 19,096 |
| Cash flows from investing activities: | | |
| Purchases of investment securities: | | |
| Held-to-maturity | (7,500) | (6,741) |
| Available-for-sale | (495,900) | (247,800) |
| Proceeds from maturities and paydowns of investment securities: | | |
| Held-to-maturity | 2,319 | 1,865 |
| Available-for-sale | 387,364 | 223,282 |
| Proceeds from sales of available-for-sale investment securities | 84,650 | 25,411 |
| Net decrease in cash equivalent mutual funds classified as available-for-sale investment securities | 124 | 22 |
| Purchases and originations of mortgage servicing rights | (2,896) | (3,247) |
| Extensions of credit to customers, net of repayments | (151,504) | (92,661) |
| Recoveries of loans charged-off | 1,027 | 1,029 |
| Proceeds from sales of other real estate | 1,808 | 1,266 |
| Net capital expenditures | (3,832) | (11,108) |

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| | | |
|--|------------|------------|
| Net cash used in investing activities | (184,340) | (108,682) |
| Cash flows from financing activities: | | |
| Net increase (decrease) in deposits | (11,309) | 72,044 |
| Net increase in repurchase agreements | 49,705 | 42,952 |
| Net increase (decrease) in other borrowed funds | (427) | 1,129 |
| Borrowings of long-term debt | 8,000 | 14,025 |
| Repayments of long-term debt | (10,246) | (18,618) |
| Net decrease in debt issuance costs | 20 | 22 |
| Proceeds from issuance of common stock | 1,472 | 407 |
| Payments to retire common stock | (1,945) | (1,821) |
| Dividends paid on common stock | (7,172) | (5,848) |
| Net cash provided by financing activities | 28,098 | 104,292 |
| Net increase (decrease) in cash and cash equivalents | (120,127) | 14,706 |
| Cash and cash equivalents at beginning of period | 355,908 | 281,442 |
| Cash and cash equivalents at end of period | \$ 235,781 | \$ 296,148 |

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES****Notes to Unaudited Consolidated Financial Statements***(Dollars in thousands, except share and per share data)***(1) Basis of Presentation**

In the opinion of management, the accompanying unaudited consolidated financial statements of First Interstate BancSystem, Inc. (the Parent Company or FIBS) and subsidiaries (the Company) contain all adjustments (all of which are of a normal recurring nature) necessary to present fairly the financial position of the Company at June 30, 2005 and December 31, 2004 and the results of operations and cash flows for each of the three and six month periods ended June 30, 2005 and 2004, in conformity with U.S. generally accepted accounting principles. The balance sheet information at December 31, 2004 is derived from audited consolidated financial statements, however, certain reclassifications, none of which were material, have been made to conform to the June 30, 2005 presentation.

These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2004. Operating results for the three and six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

(2) Stock-Based Compensation

The Company has two stock-based employee compensation plans, the 2004 Restricted Stock Award Plan and the 2001 Stock Option Plan. The Company accounts for these plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25 (APB No. 25), Accounting for Stock Issued to Employees, and related interpretations. Compensation cost related to restricted stock awards is recorded each period from the date of grant to the measurement date based on the fair value of the Company s common stock at the end of the period. Stock options granted pursuant to the 2001 Stock Option Plan have an exercise price equal to the fair value of the Company s common stock at date of grant. Accordingly, the Company does not recognize compensation expense for stock option awards. The following table illustrates the effect on net income and earnings per share if compensation expense had been determined for stock option awards based on an estimate of fair value of the option at the date of grant consistent with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard (SFAS) No. 123, Accounting for Stock-Based Compensation, as amended.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|-----------|------------------------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Net income as reported | \$ 12,880 | \$ 12,572 | \$ 24,839 | \$ 22,290 |
| Deduct: total stock-based employee compensation expense determined using a fair value based method for fixed plan awards, net of tax effect | (122) | (97) | (225) | (181) |
| Pro forma net income | \$ 12,758 | \$ 12,475 | \$ 24,614 | \$ 22,109 |
| Basic earnings per share | \$ 1.62 | \$ 1.59 | \$ 3.12 | \$ 2.82 |

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| | | | | |
|--------------------------------------|---------|---------|---------|---------|
| Pro forma basic earnings per share | \$ 1.60 | \$ 1.58 | \$ 3.09 | \$ 2.80 |
| Diluted earnings per share | \$ 1.59 | \$ 1.58 | \$ 3.06 | \$ 2.80 |
| Pro forma diluted earnings per share | \$ 1.57 | \$ 1.57 | \$ 3.04 | \$ 2.77 |

The fair value of options was estimated at the grant date using a Black-Scholes option pricing model, which requires the input of subjective assumptions. Because the Company's common stock and stock options have characteristics significantly different from listed securities and traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of stock options. The weighted average fair values of options granted during the six months ended June 30, 2005 and 2004 were \$6.06 and \$6.44, respectively. Weighted average assumptions used in the valuation model include risk-free interest rates of 4.19% and 4.74% and expected stock price volatility of 8.4% and 7.8% for the six months ended June 30, 2005 and 2004, respectively; and, expected lives of options of 8.5 years and dividend yields of 3.05% in 2005 and 2004.

Table of Contents**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES****Notes to Unaudited Consolidated Financial Statements***(Dollars in thousands, except share and per share data)*

In December 2004, the FASB issued SFAS No. 123(Revised), Share-Based Payment (SFAS No. 123(R)), establishing accounting standards for a wide range of share-based compensation arrangements including stock options, restricted stock, performance-based stock awards, stock appreciation rights and employee stock purchase plans. SFAS No. 123(R) replaces existing requirements under SFAS No. 123 and eliminates the ability to account for share-based compensation transactions using APB Opinion No. 25. Effective April 21, 2005, the Securities and Exchange Commission amended the date for compliance with SFAS No. 123(R) to the first interim or annual reporting period of the first fiscal year beginning on or after June 15, 2005. Pursuant to this ruling, the provisions of SFAS No. 123(R) are effective for the Company on January 1, 2006. The approximate impact of adoption of SFAS No. 123(R) is illustrated by the pro forma disclosure of net income and earnings per share above. However, the Company has not yet determined that it will continue to use a Black-Scholes pricing model upon the adoption of SFAS No. 123(R). Additionally, expected stock price volatility assumptions used in pricing models have a significant impact on the estimated fair value of stock options. Because the Company's common stock is not actively traded and there is no established trading market for the stock, the Company bases expected stock price volatility assumptions on the historical volatility of the Company's common stock calculated using the quarterly appraised value of a minority interest over a ten year period. The Company is currently evaluating the reasonableness of this method of estimation under the new guidance provided by SFAS No. 123(R) and subsequent interpretations.

(3) Computation of Earnings per Share

Basic earnings per common share (EPS) is calculated by dividing net income by the weighted average number of common shares outstanding during the period presented. Diluted earnings per common share is calculated by dividing net income by the weighted average number of common shares and potential common shares outstanding during the period.

The following table sets forth the computation of basic and diluted earnings per share for the three and six month periods ended June 30, 2005 and 2004.

| | Three months ended June 30, | | Six months ended June 30, | |
|---------------------------------------|-----------------------------|-----------|---------------------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Net income basic and diluted | \$ 12,880 | \$ 12,572 | \$ 24,839 | \$ 22,290 |
| Average outstanding shares basic | 7,964,416 | 7,891,044 | 7,967,125 | 7,899,417 |
| Add: effect of dilutive stock options | 150,987 | 75,811 | 138,593 | 70,662 |
| Average outstanding shares diluted | 8,115,403 | 7,966,855 | 8,105,718 | 7,970,079 |
| Basic earnings per share | \$ 1.62 | \$ 1.59 | \$ 3.12 | \$ 2.82 |
| Diluted earnings per share | \$ 1.59 | \$ 1.58 | \$ 3.06 | \$ 2.80 |

(4) Financial Instruments with Off-Balance Sheet Risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the commitment contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. At June 30, 2005, commitments to extend credit to existing and new borrowers approximated \$771,120, which includes \$152,156 on unused credit card lines and \$200,453 with commitment maturities beyond one year.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. At June 30, 2005, the Company had outstanding standby letters of credit of \$80,984. The estimated fair value of the obligation undertaken by the Company in issuing the standby letters of credit is included in other liabilities in the Company's consolidated balance sheet.

Table of Contents**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES****Notes to Unaudited Consolidated Financial Statements***(Dollars in thousands, except share and per share data)***(5) Segment Reporting**

The Company has two operating segments, Community Banking and Technology Services. Community Banking encompasses commercial and consumer banking services offered to individuals, businesses and municipalities. Technology Services encompasses technology services provided to affiliated and non-affiliated financial institutions.

The Other category includes the net funding cost and other expenses of the Parent Company, the operational results of non-bank subsidiaries (except the Company's technology services subsidiary) and intercompany eliminations.

Selected segment information for the three and six month periods ended June 30, 2005 and 2004 follows:

| | Three months ended June 30, 2005 | | | |
|--|----------------------------------|------------------------|-----------|----------|
| | Community Banking | Technology Services | Other | Total |
| Net interest income (expense) | \$41,772 | \$ 23 | \$ (923) | \$40,872 |
| Provision for loan losses | 1,365 | | | 1,365 |
| Net interest income (expense) after provision | 40,407 | 23 | (923) | 39,507 |
| Noninterest income: | | | | |
| External sources | 14,434 | 3,288 | 118 | 17,840 |
| Internal sources | | 3,489 | (3,489) | |
| Total noninterest income | 14,434 | 6,777 | (3,371) | 17,840 |
| Noninterest expense | 34,225 | 4,940 | (1,522) | 37,643 |
| Income (loss) before income taxes | 20,616 | 1,860 | (2,772) | 19,704 |
| Income tax expense (benefit) | 7,231 | 738 | (1,145) | 6,824 |
| Net income (loss) | \$13,385 | \$ 1,122 | \$(1,627) | \$12,880 |
| Depreciation and core deposit intangibles amortization | \$ 3,765 | \$ | \$ 61 | \$ 3,826 |

| | Three Months Ended June 30, 2004 | | | |
|---|----------------------------------|------------------------|----------|----------|
| | Community Banking | Technology Services | Other | Total |
| Net interest income (expense) | \$37,835 | \$ 4 | \$ (786) | \$37,053 |
| Provision for loan losses | 2,541 | | | 2,541 |
| Net interest income (expense) after provision | 35,294 | 4 | (786) | 34,512 |

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| | | | | |
|--|----------|--------|-----------|----------|
| Noninterest income: | | | | |
| External sources | 14,063 | 3,198 | 8 | 17,269 |
| Internal sources | 1 | 3,321 | (3,322) | |
| Total noninterest income | 14,064 | 6,519 | (3,314) | 17,269 |
| Noninterest expense | 29,065 | 4,979 | (1,742) | 32,302 |
| Income (loss) before income taxes | 20,293 | 1,544 | (2,358) | 19,479 |
| Income tax expense (benefit) | 7,241 | 613 | (947) | 6,907 |
| Net income (loss) | \$13,052 | \$ 931 | \$(1,411) | \$12,572 |
| Depreciation and core deposit amortization expense | \$ 3,335 | \$ | \$ 49 | \$ 3,384 |

Table of Contents**FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES****Notes to Unaudited Consolidated Financial Statements***(Dollars in thousands, except share and per share data)*

| | Six Months Ended June 30, 2005 | | | Total |
|--|--------------------------------|------------------------|-----------|----------|
| | Community Banking | Technology Services | Other | |
| Net interest income (expense) | \$81,922 | \$ 40 | \$(1,757) | \$80,205 |
| Provision for loan losses | 2,990 | | | 2,990 |
| Net interest income (expense) after provision | 78,932 | 40 | (1,757) | 77,215 |
| Noninterest income: | | | | |
| External sources | 27,850 | 6,630 | 309 | 34,789 |
| Internal sources | 1 | 6,894 | (6,895) | |
| Total noninterest income | 27,851 | 13,524 | (6,586) | 34,789 |
| Noninterest expense | 67,338 | 9,802 | (3,101) | 74,039 |
| Income (loss) before income taxes | 39,445 | 3,762 | (5,242) | 37,965 |
| Income tax expense (benefit) | 13,814 | 1,491 | (2,179) | 13,126 |
| Net income (loss) | \$25,631 | \$ 2,271 | \$(3,063) | \$24,839 |
| Depreciation and core deposit amortization expense | \$ 7,484 | \$ | \$ 122 | \$ 7,606 |

| | Six Months Ended June 30, 2005 | | | Total |
|---|--------------------------------|------------------------|-----------|----------|
| | Community Banking | Technology Services | Other | |
| Net interest income (expense) | \$75,084 | \$ 8 | \$(1,556) | \$73,536 |
| Provision for loan losses | 4,959 | | | 4,959 |
| Net interest income (expense) after provision | 70,125 | 8 | (1,556) | 68,577 |
| Noninterest income: | | | | |
| External sources | 27,525 | 6,239 | 132 | 33,896 |
| Internal sources | 2 | 6,641 | (6,643) | |
| Total noninterest income | 27,527 | 12,880 | (6,511) | 33,896 |
| Noninterest expense | 61,528 | 9,816 | (3,328) | 68,016 |

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| | | | | |
|--|----------|----------|-----------|----------|
| Income (loss) before income taxes | 36,124 | 3,072 | (4,739) | 34,457 |
| Income tax expense (benefit) | 12,681 | 1,220 | (1,734) | 12,167 |
| Net income (loss) | \$23,443 | \$ 1,852 | \$(3,005) | \$22,290 |
| Depreciation and core deposit amortization expense | \$ 6,511 | \$ | \$ 96 | \$ 6,607 |

(6) Commitments and Contingencies

The Company guarantees the debt of a joint venture in which it has an ownership interest. As of June 30, 2005, the joint venture had indebtedness of \$5,788.

The Company had commitments to purchase investment securities of \$1,021 as of June 30, 2005.

The Company had commitments under construction contracts of \$1,173 as of June 30, 2005.

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FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

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

(7) Supplemental Disclosures to Consolidated Statement of Cash Flows

The Company paid cash of \$26,088 and \$20,595 for interest during the six months ended June 30, 2005 and 2004, respectively. The Company paid cash for income taxes of \$11,534 and \$7,774 during the six months ended June 30, 2005 and 2004, respectively.

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Item 2.

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

The following discussion should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2004, including the audited financial statements contained therein, filed with the Securities and Exchange Commission.

FORWARD LOOKING STATEMENTS

Certain statements contained in this document that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as believes, anticipates, expects, intends, plans and similar expressions are intended to identify forward-looking statements but not the exclusive means of identifying such statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such statements. Such factors include, among others, the following: general economic and business conditions in those areas in which the Company operates; demographic changes; competition; fluctuations in interest rates; changes in business strategy or development plans; changes in governmental regulation; credit quality; the availability of capital to fund the expected expansion of the Company's business; and, other factors identified in the Company's Annual Report on Form 10-K for the year ended December 31, 2004, including, without limitation, information under the caption Business Risk Factors included in Part I, Item 1. Given these uncertainties, shareholders and prospective investors are cautioned not to place undue reliance on such forward-looking statements. Forward-looking statements speak only as of the date on which such statements are made. The Company disclaims any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT ACCOUNTING POLICIES

The Company's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles and follow general practices within the industries in which it operates. 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. Actual results could differ significantly from those estimates.

The Company's accounting policies are fundamental to understanding Management's Discussion and Analysis of Financial Condition and Results of Operations. The most significant accounting policies followed by the Company are presented in Note 1 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

The Company has identified the allowance for loan losses and the valuation of mortgage servicing rights to be critical accounting estimates because they require management to make particularly difficult, subjective and/or complex judgments about matters that are inherently uncertain, and changes in the estimates 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 the Company's consolidated financial statements, results of operations or liquidity.

The allowance for loan losses represents management's estimate of probable credit losses inherent in the loan portfolio. 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, changes in the nature of the loan portfolio, industry concentrations and the impact of current local, regional and national economic factors on the quality of the loan portfolio, all of which may be susceptible to significant change. Note 1 of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 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 below.

The Company utilizes the expertise of a third-party consultant to estimate quarterly the fair value of its mortgage servicing rights. 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, costs to service, as well as interest rate assumptions that contemplate the risk involved. Management believes the valuation techniques and assumptions used by the consultant are reasonable. Management considers the determination of the fair value of mortgage servicing rights to be a critical accounting estimate because of the assets' sensitivity to changes in estimates and assumptions used, particularly loan repayment speeds and discount rates. Notes 1 and 7 of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 describe the methodology used to determine fair value of mortgage servicing rights.

Table of Contents**EXECUTIVE OVERVIEW**

During the first half of 2005, the Company remained focused on improving internal efficiency and generating additional revenue through sales initiatives and pricing opportunities. The Company reported net income of \$12.9 million, or \$1.59 per diluted share, for the quarter ended June 30, 2005 as compared to \$12.6 million, or \$1.58 per diluted share, for the same period in 2004. For the six months ended June 30, 2005, the Company reported net income of \$24.8 million, or \$3.06 per diluted share, as compared to \$22.3 million, or \$2.80 per diluted share, for the same period in 2004. Quarter-to-date and year-to-date improvements in earnings were primarily due to higher net interest income, largely the result of internal loan growth, higher yields on interest earning assets and lower provisions for loan losses in the current year. Noninterest income for the three and six months ended June 30, 2005 increased 3.3% and 3.1%, respectively, from the same periods in the prior year primarily due to increased debit and credit card interchange income and higher core data processing revenues. Noninterest expense for the three and six months ended June 30, 2005 increased 16.5% and 9.1%, respectively, from the same periods in the prior year primarily due to annual merit increases in salary and benefits expense, higher occupancy and depreciation costs associated with the addition and renovation of banking facilities and fluctuations in impairment charges or reversals related to capitalized mortgage servicing rights.

The Company has made a strategic decision to discontinue the operation of nine branch banking offices located inside Wal-Mart stores. As of June 30, 2005, operations at five of the nine Wal-Mart in-store branch banking offices had been discontinued and customer loan and deposit accounts had been transferred to existing branch banking offices located in the same communities. Management expects the discontinuation of operations at the four remaining Wal-Mart in-store branch banking offices and all resulting expenses will be completed within twelve months. During the six months ended June 30, 2005, the Company recorded expenses of \$897 thousand directly related to the discontinuation of operations, primarily including estimated costs to restore the leased facilities to their original conditions, lease termination fees and acceleration of depreciation on leasehold improvements and equipment attached to the premises.

RESULTS OF OPERATIONS

Net Interest Income. Net interest income, the Company's largest source of operating income, is derived from interest, dividends and fees received on interest earning assets, less interest expense incurred on interest bearing liabilities. The most significant impact on the Company's net interest income between periods is derived from the interaction of changes in the volume of and rates earned or paid on interest earning assets and interest bearing liabilities (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 spread, produces changes in the net interest income between periods.

The following tables present, for the periods indicated, condensed average balance sheet information for the Company, together with interest income and yields earned on average interest earning assets and interest expense and rates paid on average interest bearing liabilities.

Average Balance Sheets, Yields and Rates

(Dollars in thousands)

| | Three months ended June 30, | | | | | |
|--------------------------------------|-----------------------------|----------|-----------------|--------------------|----------|-----------------|
| | 2005 | | 2004 | | 2004 | |
| | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate |
| Interest earning assets: | | | | | | |
| Loans ⁽¹⁾ | \$2,830,362 | 46,865 | 6.64% | \$2,618,223 | 39,748 | 6.09% |
| Investment securities ⁽¹⁾ | 864,639 | 8,811 | 4.09 | 841,359 | 7,985 | 3.81 |
| Federal funds sold | 76,704 | 568 | 2.97 | 32,147 | 87 | 1.09 |
| | 20,287 | 139 | 2.75 | 607 | 6 | 3.96 |

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Interest bearing deposits in banks

| | | | | | | |
|---|-------------|--------|-------|-------------|--------|-------|
| Total interest earning assets | 3,791,992 | 56,383 | 5.96% | 3,492,336 | 47,826 | 5.49% |
| Noninterest earning assets | 458,597 | | | 459,164 | | |
| Total assets | \$4,250,589 | | | \$3,951,500 | | |
| Interest bearing liabilities: | | | | | | |
| Demand deposits | \$ 644,011 | 902 | 0.56% | \$ 572,262 | 362 | 0.25% |
| Savings deposits | 895,169 | 2,492 | 1.12 | 884,505 | 1,519 | 0.69 |
| Time deposits | 1,003,888 | 7,035 | 2.81 | 1,036,154 | 6,445 | 2.49 |
| Federal funds purchased | 2,954 | 22 | 2.99 | 13,478 | 33 | 0.98 |
| Borrowings ⁽²⁾ | 502,806 | 2,890 | 2.31 | 360,328 | 621 | 0.69 |
| Long-term debt | 63,176 | 670 | 4.25 | 49,228 | 561 | 4.57 |
| Subordinated debenture | 41,238 | 661 | 6.43 | 41,238 | 452 | 4.40 |
| Total interest bearing liabilities | 3,153,242 | 14,672 | 1.87% | 2,957,193 | 9,993 | 1.36% |
| Noninterest bearing deposits | 751,042 | | | 673,541 | | |
| Other noninterest bearing liabilities | 33,388 | | | 32,180 | | |
| Stockholders equity | 312,917 | | | 288,586 | | |
| Total liabilities & stockholders equity | \$4,250,589 | | | \$3,951,500 | | |

Table of Contents**Average Balance Sheets, Yields and Rates (continued)***(Dollars in thousands)*

| | Three months ended June 30, | | | | | Average Rate |
|---|-----------------------------|------------------|-----------------|--------------------|------------------|-----------------|
| | Average Balance | 2005 Interest | Average Rate | Average Balance | 2004 Interest | |
| Net FTE interest income | | \$41,711 | | | \$37,833 | |
| Less FTE adjustments | | (839) | | | (780) | |
| Net interest income from consolidated statements of income | | \$40,872 | | | \$37,053 | |
| Interest rate spread | | | 4.09% | | | 4.13% |
| Net FTE yield on interest earning assets ⁽³⁾ | | | 4.41% | | | 4.36% |

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

(2) Includes interest on federal funds purchased, securities sold under repurchase agreements and other borrowed funds. Excludes long-term debt.

(3) Net FTE yield on interest earning assets during the period equals

(i) the difference between annualized interest income on interest earning assets and annualized interest expense on interest bearing liabilities, divided by (ii) average interest earning assets for the period.

Average Balance Sheets, Yields and Rates

(Dollars in thousands)

| | Average Balance | 2005 | | Six months ended June 30, | | 2004 | |
|--------------------------------------|-----------------|----------|--------------|---------------------------|----------|--------------|--|
| | | Interest | Average Rate | Average Balance | Interest | Average Rate | |
| Interest earning assets: | | | | | | | |
| Loans ⁽¹⁾ | \$2,785,427 | 90,514 | 6.55% | \$2,588,254 | 78,971 | 6.14% | |
| Investment securities ⁽¹⁾ | 861,896 | 17,290 | 4.05 | 819,773 | 15,976 | 3.92 | |
| Federal funds sold | 77,327 | 1,057 | 2.76 | 42,251 | 219 | 1.04 | |
| Interest bearing deposits in banks | 24,844 | 304 | 2.47 | 452 | 7 | 3.11 | |
| Total interest earning assets | 3,749,494 | 109,165 | 5.87% | 3,450,730 | 95,173 | 5.55% | |
| Noninterest earning assets | 455,813 | | | 450,550 | | | |
| Total assets | \$4,205,307 | | | \$3,901,280 | | | |
| Interest bearing liabilities: | | | | | | | |
| Demand deposits | \$ 626,269 | 1,513 | 0.49% | \$ 565,868 | 711 | 0.25% | |
| Savings deposits | 907,309 | 4,575 | 1.02 | 879,034 | 3,006 | 0.69 | |
| Time deposits | 1,004,619 | 13,554 | 2.72 | 1,035,859 | 13,131 | 2.55 | |
| Federal funds purchased | 1,482 | 22 | 2.99 | 6,772 | 33 | 0.98 | |
| Borrowings ⁽²⁾ | 483,101 | 5,067 | 2.12 | 354,378 | 1,156 | 0.66 | |
| Long-term debt | 63,551 | 1,314 | 4.17 | 49,952 | 1,129 | 4.55 | |
| Subordinated debenture | 41,238 | 1,261 | 6.17 | 41,238 | 911 | 4.44 | |

| | | | | | | |
|--|-------------|-----------|-------|-------------|----------|-------|
| Total interest bearing liabilities | 3,127,569 | 27,306 | 1.76% | 2,933,101 | 20,077 | 1.38% |
| Noninterest bearing deposits | 734,113 | | | 655,819 | | |
| Other noninterest bearing liabilities | 31,053 | | | 30,017 | | |
| Stockholders equity | 312,572 | | | 282,343 | | |
| Total liabilities & stockholders equity | \$4,205,307 | | | \$3,901,280 | | |
| Net FTE interest income | | \$ 81,859 | | | \$75,096 | |
| Less FTE adjustments | | (1,654) | | | (1,560) | |
| Net interest income from consolidated statements of income | | \$ 80,205 | | | \$73,536 | |
| Interest rate spread | | | 4.11% | | | 4.17% |
| Net FTE yield on interest earning assets ⁽³⁾ | | | 4.40% | | | 4.38% |

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

(2) Includes interest on federal funds purchased, securities sold under repurchase agreements and other borrowed funds. Excludes long-term debt.

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

Net interest income, on a fully taxable equivalent (FTE) basis, increased \$3.9 million, or 10.3%, to \$41.7 million for the three months ended June 30, 2005 as compared to \$37.8 million for the same period in 2004. During the six month period ended June 30, 2005, FTE net interest income increased \$6.8 million, or 9.0%, to \$81.9 million as

compared to \$75.1 million for the same period in 2004. Quarter-to-date and year-to-date increases in FTE net interest margin as compared to the same periods in 2004 are primarily the result of internal loan growth (principally commercial, commercial real estate and construction loans) combined with higher yields earned on loans and investment securities. Average interest earning assets increased 8.6% and 8.7% for the three and six months ended June 20, 2005, respectively, as compared to the same periods in the prior year while the Company's funding sources grew at a slower rate of 6.6% for the three and six month periods ended June 30, 2005 as compared to the same periods in the prior year. Increases in FTE net interest income were partially offset by higher funding costs, the result of increases in market interest rates. The FTE net interest margin ratio increased 5 basis points to 4.41% for the three months ended June 30, 2005 as compared to 4.36% for the same period in the prior year and 2 basis points to 4.40% for the six months ended June 30, 2005 as compared to 4.38% for the same period in the prior year.

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

Analysis of Interest Changes Due To Volume and Rates

(Dollars in thousands)

| | Three months ended June 30, 2005 compared with 2004 | | | Six months ended June 30, 2005 compared with 2004 | | |
|---|--|--------------|--------------|--|--------------|---------------|
| | Volume | Rate | Net | Volume | Rate | Net |
| Interest earning assets: | | | | | | |
| Loans ⁽¹⁾ | \$ 3,221 | 3,896 | 7,117 | 5,999 | 5,544 | 11,543 |
| Investment securities ⁽¹⁾ | 221 | 605 | 826 | 819 | 495 | 1,314 |
| Interest bearing deposits in banks | 195 | (62) | 133 | 377 | (80) | 297 |
| Federal funds sold | 121 | 360 | 481 | 181 | 657 | 838 |
| Total change | 3,758 | 4,799 | 8,557 | 7,376 | 6,616 | 13,992 |
| Interest bearing liabilities: | | | | | | |
| Demand deposits | 45 | 495 | 540 | 76 | 726 | 802 |
| Savings deposits | 18 | 955 | 973 | 96 | 1,473 | 1,569 |
| Time deposits | (201) | 791 | 590 | (395) | 818 | 423 |
| Federal funds purchased | (26) | 15 | (11) | (26) | 15 | (11) |
| Borrowings ⁽²⁾ | 246 | 2,023 | 2,269 | 419 | 3,492 | 3,911 |
| Long-term debt | 159 | (50) | 109 | 307 | (122) | 185 |
| Subordinated debenture | | 209 | 209 | | 350 | 350 |
| Total change | 241 | 4,438 | 4,679 | 477 | 6,752 | 7,229 |
| Increase (decrease) in FTE net interest income | \$ 3,517 | 361 | 3,878 | 6,899 | (136) | 6,763 |

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

(2) Includes interest on federal funds purchased, securities sold under repurchase agreements and other borrowed funds.

Noninterest Income. The Company's principal sources of noninterest income include other service charges, commissions and fees; service charges on deposit accounts; technology services revenues; income from the origination and sale of loans; and, income from fiduciary activities. Noninterest income increased \$571 thousand, or 3.3%, to \$17.8 million for the three months ended June 30, 2005 as compared to \$17.3 million for the same period in 2004 and \$1.0 million, or 3.1%, to \$34.8 million for the six months ended June 30, 2005 as compared to \$33.8 million for the same period in 2004. Significant components of these increases are discussed below.

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Other service charges, commissions and fees primarily include debit and credit card interchange income, mortgage servicing fees, investment services revenues and ATM service charge revenues. Other service charges, commissions and fees increased \$664 thousand, or 13.4%, to \$5.6 million for the three months ended June 30, 2005 as compared to \$5.0 million for the same period in 2004 and \$1.7 million, or 17.9%, to \$11.2 million for the six months ended June 30, 2005 as compared to \$9.5 million for the same period in 2004 primarily due to increases in debit and credit card interchange income.

Service charges on deposit accounts decreased \$647 thousand, or 13.0%, to \$4.3 million for the three months ended June 30, 2005 as compared to \$5.0 million for the same period in 2004 and \$1.3 million, or 13.1%, to \$8.4 million for the six months ended June 30, 2004 as compared to \$9.7 million for the same period in 2004. Quarter-to-date and year-to-date decreases were primarily due to lower overdraft activity, the result of changes in consumer behavior. In addition, service charges on cash management deposit accounts decreased during the three and six months ended June 30, 2005 as compared to the same period in 2004 primarily due to higher earnings credit rates. The earnings credit rate, which is based on market interest rates, reflects the value of deposit balances maintained by cash management customers. The earnings credit is used to offset service charges incurred by cash management customers. Because market interest rates have trended upward since first quarter 2004, the earnings credit offset to service charges on cash management deposits is higher relative to 2004.

Technology services revenues increased \$90 thousand, or 2.8%, to \$3.3 million for the three months ended June 30, 2005 as compared to \$3.2 million for the same period in 2004 and \$536 thousand, or 8.8%, to \$6.6 million for the six months ended June 30, 2005 as compared to \$6.1 million for the same period in 2004 primarily due to increases in the number of accounts and volume of transactions processed by the Company's core data services. Lower cash card revenues partially offset the quarter-to-date increase over the same period in the prior year. Although cash card transactions volumes increased quarter over quarter, pricing decreases implemented during third quarter 2004 caused cash card revenues to decline.

Revenues from fiduciary activities, comprised principally of fees earned for management of trust assets, increased \$104 thousand, or 7.2%, to \$1.5 million for the three months ended June 30, 2005 as compared to \$1.4 million for the same period in 2004 and \$301 thousand, or 10.7%, to \$3.1 million for the six months ended June 30, 2005 as compared to \$2.8 million for the same period in 2004. Quarter-to-date and year-to-date increases are primarily due to higher asset management fees resulting from improved market performance of underlying trust account assets and the addition of new trust customers.

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 the level of income generated from the origination and sale of loans. Higher interest rates can substantially reduce the demand for home loans and loans to refinance existing mortgages. Conversely, lower interest rates generally stimulate home loan origination and refinancing. Income from the origination and sale of loans decreased \$340 thousand, or 14.5%, to \$2.0 million for the three months ended June 30, 2005 as compared to \$2.4 million for the same period in 2004 and \$284 thousand, or 7.0%, to \$3.8 million for the six months ended June 30, 2005 as compared to \$4.1 million for the same period in 2004 primarily due to lower demand for loan refinancing, largely the result of a sustained low interest rate environment.

The Company recorded net losses of \$438 thousand on sales of investment securities during the three months ended June 30, 2005 as compared to net losses on sales of \$740 thousand for the same period in 2004 and recorded net losses of \$1.1 million during the six months ended June 30, 2005 as compared to net losses of \$710 thousand for the same period in 2004. During 2005, lower yielding U.S. government agency securities were sold and the proceeds were reinvested in higher yielding mortgage-backed and U.S. government agency securities.

Other income primarily includes increases in the cash surrender value of company-owned life insurance, check printing income, agency stock dividends and gains on sales of assets other than investment securities. Other income increased \$398 thousand, or 36.9%, to \$1.5 million for the three months ended June 30, 2005 as compared to \$1.1 million for the same period in 2004 and \$469 thousand, or 20.0%, to \$2.8 million for the six months ended June 30, 2005 as compared to \$2.3 million for the same period in 2004 primarily due to increased earnings on securities held in trust for certain executive officers and directors of the Company who elected to defer a portion of

their compensation and higher revenues from customer webpage design and maintenance.

Noninterest Expense. Noninterest expense increased \$5.3 million, or 16.5%, to \$37.6 million for the three months ended June 30, 2005 as compared to \$32.3 million for the same period in 2004 and \$6.2 million, or 9.1%, to \$74.0 million for the six months ended June 30, 2005 as compared to \$67.9 million for the same period in 2004. Significant components of these increases are discussed below.

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Salaries, wages and employee benefits expense increased \$1.5 million, or 8.5%, to \$19.2 million for the three months ended June 30, 2005 as compared to \$17.7 million for the same period in 2004 and \$2.8 million, or 7.9%, to \$38.8 million for the six months ended June 30, 2005 as compared to \$36.0 million for the same period in 2004 primarily due to normal, annual merit increases and increases in accruals for incentive bonuses.

Furniture and equipment expenses increased \$286 thousand, or 7.7%, to \$4.0 million for the three months ended June 30, 2005 as compared to \$3.7 million for the same period in 2004 and \$728 thousand, or 10.0%, to \$8.0 million for the six months ended June 30, 2005 as compared to \$7.3 million for the same period in 2004 primarily due to expenses associated with furnishing new facilities and upgrading existing facilities.

Occupancy expense increased \$707 thousand, or 24.3%, to \$3.6 million for the three months ended June 30, 2005 as compared to \$2.9 million for the same period in 2004 and \$1.3 million, or 23.7%, to \$6.9 million for the six months ended June 30, 2005 as compared to \$5.6 million for the same period in 2004. The Company accelerated the depreciation of leasehold improvements at Wal-Mart in-store branch banking offices to the date of their expected closure resulting in additional expense of \$199 thousand and \$330 thousand during the three and six months ended June 30, 2005, respectively. The remaining quarter-to-date and year-to-date increases are primarily due to depreciation and other expenses associated with the addition of new facilities and higher depreciation expense associated with upgrades of existing facilities.

Mortgage servicing rights 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. Mortgage servicing rights amortization increased \$288 thousand, or 32.0%, to \$1.2 million for the three months ended June 30, 2005 as compared to \$901 thousand for the same period in 2004 and \$608 thousand, or 34.7%, to \$2.4 million for the six months ended June 30, 2005 as compared to \$1.8 million for the same period in 2004.

Other expenses include advertising and public relation costs; office supply, postage, freight, telephone and travel expenses; other losses; and, impairment charges or reversals related to capitalized mortgage servicing rights and long-lived assets pending disposition. Other expenses increased \$2.5 million, or 45.6%, to \$8.1 million for the three months ended June 30, 2005 as compared to \$5.6 million for the same period in 2004 primarily due to fluctuations in impairment charges related to capitalized mortgage servicing rights. The Company recorded impairment of \$150 thousand related to mortgage servicing rights during the three months ended June 30, 2005 as compared to a \$2.1 million reversal of impairment charges during the same period in 2004.

Other expenses increased \$942 thousand, or 6.7%, to \$15.0 million for the six months ended June 30, 2005 as compared to \$14.1 million for the same period in 2004 primarily due to fluctuations in impairment charges related to capitalized mortgage servicing rights. The Company reversed impairment charges of \$313 thousand during the six months ended June 30, 2005 as compared to impairment reversals of \$1.1 million during the same period in 2004. In addition, the Company recorded expenses of \$420 thousand during the six months ended June 30, 2005 related to the restoration of leased facilities and lease termination fees associated with the discontinuation of operations at Wal-Mart in-store branch banking offices.

Income Tax Expense. The Company's effective combined federal and state income tax rate was 34.6% and 35.3% for the six months ended June 30, 2005 and 2004, respectively. The lower effective tax rate in the current year as compared to the prior year is primarily due to higher volumes of tax exempt municipal securities and other tax-credit qualified investments.

OPERATING SEGMENT RESULTS

The Company's primary operating segment is Community Banking. The Community Banking segment represented over 90% of the combined revenues and income of the Company during the three and six months ended June 30, 2005 and 2004, and the consolidated assets of the Company as of June 30, 2005 and December 31, 2004.

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The following table summarizes net income (loss) for each of the Company's operating segments.

Operating Segment Results

(Dollars in thousands)

| | Net Income (Loss) | | | |
|---------------------|--------------------|---------|---------------------------|---------|
| | Three months ended | | Six months ended June 30, | |
| | June 30, 2005 | 2004 | 2005 | 2004 |
| Community Banking | \$13,385 | 13,052 | 25,631 | 23,443 |
| Technology Services | 1,122 | 931 | 2,271 | 1,852 |
| Other | (1,627) | (1,411) | (3,063) | (3,005) |
| Total | \$12,880 | 12,572 | 24,839 | 22,290 |

Net income from the Community Banking operating segment increased \$333 thousand, or 2.6%, to \$13.4 million for the three months ended June 30, 2005 as compared to \$13.1 million for the same period in the prior year. For the six months ended June 30, 2005, net income from the Community Banking operating segment increased \$2.2 million, or 9.3%, to \$25.6 million as compared to \$23.4 million for the same period in 2004. Quarter-to-date and year-to-date increases are primarily due to higher net interest income, the combined effect of internal growth in loans and higher yields on loans and investment securities; and, lower provisions for loan losses. These increases were partially offset by normal, annual merit increases in salaries and benefits expenses, fluctuations in impairment charges and reversals related to capitalized mortgage servicing rights and higher occupancy expenses associated with the addition of new branch banking offices, the upgrade of existing branch banking offices and expenses related to the discontinuation of operations at Wal-Mart in-store branch banking offices.

Net income from the Technology Services operating segment increased \$191 thousand, or 20.5%, to \$1.1 million for the three months ended June 30, 2005 as compared to \$931 thousand for the same period in the prior year and \$419 thousand, or 22.6%, to \$2.3 million for the six months ended June 30, 2005 as compared to \$1.9 million for the same period in 2004 primarily due to increases in the number of accounts and volume of transactions processed by the Company's core data services.

FINANCIAL CONDITION

Loans. Total loans increased \$152.2 million, or 5.6%, to \$2,891.7 million as of June 30, 2005 from \$2,739.5 million as of December 31, 2004 due to internal growth. All major categories of loans increased from December 31, 2004, with the largest growth occurring in commercial, commercial real estate and indirect consumer loans. Management attributes the Company's strong loan growth to its strategic focus on internal growth within the Company's market areas. While each loan originated must meet minimum underwriting standards established in the Company's credit policies, lending officers are granted certain levels of autonomy in approving and pricing loans to assure that the banking offices are responsive to competitive issues and community needs in each market area.

Investment Securities. The Company's investment portfolio is managed to attempt to obtain the highest yield while meeting the Company's risk tolerance and liquidity needs and satisfying pledging requirements for deposits of state and political subdivisions and securities sold under repurchase agreements. Investment securities increased \$28.1 million, or 3.2%, to \$895.5 million as of June 30, 2005 from \$867.3 million as of December 31, 2004. The Company evaluates its investment portfolio quarterly for other-than-temporary declines in the market value of individual investment securities. This evaluation includes monitoring credit ratings; market, industry and corporate news; volatility in market prices; and, determining whether the market value of a security has been below its cost for an extended period of time. As of June 30, 2005, the Company had investment securities with fair values of \$253.6 million that had been in a continuous loss position more than twelve months. Gross unrealized losses on these securities totaled \$3.9 million as of June 30, 2005 and were primarily attributable to changes in interest rates. The

Company recorded no impairment losses during the three or six months ended June 30, 2005 and 2004.

Cash and Cash Equivalents. Cash and cash equivalents include cash on hand, amounts due from banks, Federal funds sold for one day periods and interest bearing deposits in banks with original maturities of less than three months. Cash and cash equivalents of \$235.8 million as of June 30, 2005 decreased \$120.1 million, or 33.8%, from \$355.9 million as of December 31, 2004. Available liquidity was used to fund loan growth.

Deferred Tax Asset. Deferred tax asset of \$2.9 million as of June 30, 2005 increased \$996 thousand, or 52.1%, from \$1.9 million as of December 31, 2004 primarily due to temporary timing differences in the recognition of depreciation expense for financial statement and tax purposes.

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Deposits. Total deposits decreased \$11.3 million, or less than 1.0%, to \$3,310.4 million as of June 30, 2005 from \$3,321.7 million as of December 31, 2004. Decreases in time and savings deposits were partially offset by increases in interest bearing and noninterest bearing demand deposits. Seasonal declines in overall deposit growth have historically occurred during the first half of the year but have been offset in some years by acquisitions and/or internal growth generated through new branch openings.

Repurchase Agreements. In addition to deposits, repurchase agreements with primarily commercial depositors provide an additional source of funds for the Company. Under repurchase agreements, deposit balances are invested in short-term U.S. government agency securities overnight and are then repurchased the following day. All outstanding repurchase agreements are due in one day. Repurchase agreements increased \$49.7 million, or 11.1%, to \$499.4 million as of June 30, 2005 from \$449.7 million as of December 31, 2004 primarily due to high balances maintained by one large commercial customer. Increases in repurchase agreements were used, in part, to fund investment securities growth.

Accounts Payable and Accrued Expenses. Accounts payable and accrued expenses increased \$5.6 million, or 33.0%, to \$22.5 million as of June 30, 2005 from \$16.9 million as of December 31, 2004 primarily due to timing of corporate income tax payments.

ASSET QUALITY

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 other real estate owned (OREO). The following table sets forth information regarding non-performing assets as of the dates indicated:

Non-Performing Assets*(Dollars in thousands)*

| | June 30, 2005 | Mar. 31, 2005 | Dec. 31, 2004 | Sept. 30, 2004 | June 30, 2004 |
|---|------------------|------------------|------------------|-------------------|------------------|
| Non-performing loans: | | | | | |
| Nonaccrual loans | \$ 19,457 | 16,189 | 17,585 | 22,438 | 21,731 |
| Accruing loans past due 90 days or more | 2,668 | 3,490 | 905 | 1,474 | 1,207 |
| Restructured loans | 1,381 | 1,383 | 1,384 | 1,397 | 1,405 |
| Total non-performing loans | 23,506 | 21,062 | 19,874 | 25,309 | 24,343 |
| OREO | 1,290 | 2,701 | 1,828 | 1,647 | 1,724 |
| Total non-performing assets | \$ 24,796 | 23,763 | 21,702 | 26,956 | 26,067 |
| Non-performing assets to total loans and OREO | 0.86% | 0.86% | 0.79% | 1.01% | 0.98% |

Non-performing assets increased \$3.1 million, or 14.3%, to \$24.8 million as of June 30, 2005 as compared to \$21.7 million as of December 31, 2004 primarily due to one commercial loan placed on nonaccrual during second quarter 2005 and several small loans past due 90 days or more but in the process of renewal as of June 30, 2005.

Provision/Allowance for Loan Losses. The Company performs a quarterly assessment of the risks inherent in its loan portfolio, as well as a detailed review of each significant asset with identified weaknesses. Based on this analysis, the Company records a provision for loan losses in order to maintain the allowance for loan losses at a level considered sufficient to provide for known and inherent losses within the loan portfolio at each balance sheet date. Fluctuations in the provision for loan losses result from management's assessment of the adequacy of the allowance for

loan losses. The provision for loan losses decreased \$1.2 million, or 46.3%, to \$1.4 million for the three months ended June 30, 2005 as compared to \$2.5 million for the same period in the prior year and \$2.0 million, or 39.7%, to \$3.0 million for the six months ended June 30, 2005 as compared to \$5.0 million for the same period in 2004. Lower provisions for loan losses in 2005 as compared to 2004 reflect positive trends in several important credit quality measures including levels of internally classified loans and net charge-offs, improvement in average nonaccrual and past due loans as a percentage of total average loans and improvement in national and local economic factors. The allowance for loan losses was \$43.4 million, or 1.50% of total loans, as of June 30, 2005 as compared to \$42.1 million, or 1.54% of total loans, at December 31, 2004.

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The following table sets forth information regarding the Company's allowance for loan losses as of and for the periods indicated.

Allowance for Loan Losses

(Dollars in thousands)

| | Three months ended | | | | |
|---|--------------------|-----------------|-----------------|-----------------|-----------------|
| | Jun 30, 2005 | Mar 31, 2005 | Dec 31, 2004 | Sep 30, 2004 | Jun 30, 2004 |
| Balance at beginning of period | \$ 42,660 | 42,141 | 42,396 | 41,174 | 39,998 |
| Provision charged to operating expense | 1,365 | 1,625 | 1,387 | 2,387 | 2,541 |
| Less loans charged off | (1,092) | (1,698) | (2,373) | (1,673) | (1,864) |
| Add back recoveries of loans previously charged off | 435 | 592 | 731 | 508 | 499 |
| Net loans charged-off | (657) | (1,106) | (1,642) | (1,165) | (1,365) |
| Balance at end of period | \$ 43,368 | 42,660 | 42,141 | 42,396 | 41,174 |
| Period end loans | \$2,891,674 | 2,769,056 | 2,739,509 | 2,674,963 | 2,660,375 |
| Average loans | 2,830,362 | 2,740,492 | 2,690,004 | 2,651,383 | 2,618,223 |
| Annualized net loans charged off to average loans | 0.09% | 0.16% | 0.24% | 0.17% | 0.21% |
| Allowance to period end loans | 1.50% | 1.54% | 1.54% | 1.58% | 1.55% |

CAPITAL RESOURCES

A significant source of strength of a financial institution is its stockholders' equity. Stockholders' equity is influenced primarily by earnings, dividends and, to a lesser extent, sales and redemptions of common stock and changes in the unrealized holding gains or losses, net of taxes, on available-for-sale investment securities.

Stockholders' equity increased \$17.8 million, or 5.8%, to \$326.1 million as of June 30, 2005 from \$308.3 million as of December 31, 2004 primarily due to retention of earnings. At June 30, 2005, the Company and its bank subsidiary each exceeded the well-capitalized requirements issued by the Federal Reserve Board.

The Company paid dividends of \$0.42 and \$0.48 per common share during the first and second quarters of 2005, respectively, as compared to \$0.34 and \$0.40 per common share during the first and second quarters of 2004, respectively.

ASSET LIABILITY MANAGEMENT

The primary objective of the Company's asset liability management process is to optimize net interest income while prudently managing balance sheet risks by understanding the levels of risk accompanying its decisions and monitoring and managing these risks. The ability to optimize net interest margin is largely dependent on the achievement of an interest rate spread that can be managed during periods of fluctuating interest rates. Interest sensitivity is a measure of the extent to which net interest income will be affected by market interest rates over a period of time. Interest rate sensitivity is related to the difference between amounts of interest earning assets and interest bearing liabilities that reprice or mature within a given period of time. Management monitors the sensitivity of the net interest margin by utilizing income simulation models and traditional interest rate gap analysis. The Company's balance sheet structure is primarily short-term in nature with most interest earning assets and interest bearing liabilities repricing or maturing in

less than five years. The Company targets a mix of interest earning assets and interest bearing liabilities such that no more than 5% of the net interest margin will be at risk over a one-year period should short-term interest rates shift gradually up or down 2%.

As of June 30, 2005, the Company's income simulation model predicted net interest income would decrease \$437 thousand, or 0.3%, assuming a gradual 2% increase in short-term market interest rates and gradual 1.0% increase in long-term interest rates. This scenario predicts the Company's funding sources will reprice faster than its interest earning assets and at higher rates, thereby reducing interest rate spread and net interest margin. Conversely, assuming a gradual 2% decrease in short-term market interest rates and gradual 1.0% decrease in long-term interest rates, the Company's income simulation model predicted net interest income would decrease \$6.4 million, or 3.7%.

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

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LIQUIDITY MANAGEMENT

Liquidity measures the Company's ability to meet current and future cash flow needs as they become due. The Company manages its liquidity position to meet the daily cash flow needs of customers, while maintaining an appropriate balance between assets and liabilities to meet the return on investment objectives of its shareholders. The Company's liquidity position is supported by management of its liquid assets and liabilities. Liquid assets include cash, interest bearing deposits in banks, federal funds sold, available-for-sale investment securities and maturing or prepaying balances in the Company's held-to-maturity investment and loan portfolios. Liquid liabilities include core deposits, federal funds purchased, securities sold under repurchase agreements and borrowings. The Company does not engage in derivatives or related hedging activities to support its liquidity position.

Short-term and long-term liquidity requirements of the Company are primarily to fund on-going operations, including payment of interest on deposits and debt, extensions of credit, capital expenditures and shareholder dividends. These liquidity requirements are met primarily through cash flow from operations, redeployment of prepaying and maturing balances in the Company's loan and investment portfolios, debt obligations and customer deposits.

For additional information regarding the Company's operating, investing and financing cash flows, see Consolidated Statements of Cash Flows contained herein.

As a holding company, FIBS is a corporation separate and apart from its bank subsidiary and, therefore, provides for its own liquidity. Substantially all of FIBS' revenues are obtained from management fees and dividends declared and paid by its bank subsidiary. There are statutory and regulatory provisions that could limit the ability of the bank subsidiary to pay dividends to FIBS. Management of FIBS believes that such restrictions will not have an impact on the ability of FIBS to meet its ongoing cash obligations.

Item 3.

**QUANTITATIVE AND QUALITATIVE DISCLOSURES
ABOUT MARKET RISK**

As of June 30, 2005, there have been no material changes in the quantitative and qualitative information about market risk provided pursuant to Item 305 of Regulation S-K as presented in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

Item 4.

CONTROLS AND PROCEDURES

Management of the Company is responsible for establishing and maintaining effective disclosure controls and procedures, as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. As of June 30, 2005, an evaluation was performed, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, management concluded that the Company's disclosure controls and procedures as of June 30, 2005 were effective in ensuring that information required to be disclosed in this Quarterly Report on Form 10-Q was recorded, processed, summarized, and reported within the time period required by the Securities and Exchange Commission's rules and forms.

There were no changes in the Company's internal controls over financial reporting for the quarter ended June 30, 2005 that have materially affected, or are reasonably likely to materially affect, such controls.

PART II.

OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material changes in legal proceedings as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

Table of Contents**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

(a) During the three months ended June 30, 2005, the Company issued 1,323 unregistered shares to directors electing to receive their annual retainer in the form of common stock. The aggregate value of unregistered shares issued was \$83,349. The issuances were made in reliance upon the no sale provisions of Section 2(a)(3) of the Securities Act of 1933, and upon the exemptions from registration (to the extent applicable) under Section 4(2) of the Securities Act of 1933.

(b) Not applicable.

(c) The following table provides information with respect to purchases made by or on behalf of the Company or any affiliated purchasers (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of the Company's common stock during the three months ended June 30, 2005.

| Period | Total Number Of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans Or Programs ⁽¹⁾ | Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs |
|------------|---|---------------------------------------|--|---|
| April 2005 | 8,874 | 63.00 | 0 | Not Applicable |
| May 2005 | 2,598 | 63.32 | 0 | Not Applicable |
| June 2005 | 3,240 | 63.50 | 0 | Not Applicable |
| Total | 14,712 | \$ 61.17 | 0 | Not Applicable |

(1) The common stock of the Company is not actively traded, and there is no established trading market for the stock. There is only one class of common stock, with approximately 90.7% of the shares subject to contractual transfer restrictions set forth in shareholder agreements and

approximately 9.3% without such restrictions. The Company has a right of first refusal to repurchase the restricted stock. Additionally, restricted stock held by officers, directors and employees of the Company may be called by the Company under certain conditions. The Company has no obligation to purchase restricted or unrestricted stock, but has historically purchased such stock. All purchases indicated in the table above were effected pursuant to private transactions.

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

- (a) The Annual Meeting of Shareholders of First Interstate BancSystem, Inc. was held on May 6, 2005.
- (b) Five directors were elected to serve three year terms. Thomas W. Scott, Randall I. Scott, James W. Haugh, Michael J. Sullivan and Martin A. White were elected as directors with terms expiring in 2008. The following directors remained in office: Elouise C. Cobell, Richard A. Dorn, Lyle R. Knight, James R. Scott, Julie A. Scott and Sandra A. Scott Suzor with terms expiring in 2006; and, David H. Crum, William B. Ebzery, Charles M. Heyneman, Terry W. Payne and Homer A. Scott, Jr. with terms expiring in 2007.
- (c) The following matters were submitted to a vote of security holders at the Annual Meeting of Shareholders:

| Matter | For | Against | Not Voted |
|--------|-----|---------|-----------|
|--------|-----|---------|-----------|

Election of Directors

| | | | |
|--|--|-----------|---------|
| Nominees: | | | |
| Martin A. White | | 6,314,432 | 57,145 |
| Election of Directors | | | |
| Directors Continuing in Office: | | | |
| James W. Haugh | | 6,314,424 | 60,153 |
| Randall I. Scott | | 6,314,432 | 57,145 |
| Thomas W. Scott | | 6,314,432 | 57,145 |
| Michael J. Sullivan | | 6,314,424 | 60,153 |
| Appointment of McGladrey & Pullen LLP as Independent Certified | | | |
| Public Accountants | | 6,271,359 | 971 |
| | | | 102,247 |

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Item 5. Other Information

(a) Not applicable or required.

(b) None.

Item 6. Exhibits

| | |
|----------|---|
| 3.1(1) | Restated Articles of Incorporation dated February 27, 1986 |
| 3.2(2) | Articles of Amendment to Restated Articles of Incorporation dated September 26, 1996 |
| 3.3(2) | Articles of Amendment to Restated Articles of Incorporation dated September 26, 1996 |
| 3.4(6) | Articles of Amendment to Restated Articles of Incorporation dated October 7, 1997 |
| 3.5(17) | Restated Bylaws of First Interstate BancSystem, Inc. dated July 29, 2004 |
| 4.1(4) | Specimen of common stock certificate of First Interstate BancSystem, Inc. |
| 4.2(1) | Shareholder s Agreement for non-Scott family members |
| 4.3(11) | Shareholder s Agreement for non-Scott family members dated August 24, 2001 |
| 4.4(13) | Shareholder s Agreement for non-Scott family members dated August 19, 2002 |
| 4.5(9) | First Interstate Stockholders Agreements with Scott family members dated January 11, 1999 |
| 4.6(9) | Specimen of Charity Shareholder s Agreement with Charitable Shareholders |
| 4.7(14) | Junior Subordinated Indenture dated March 26, 2003 entered into between First Interstate and U.S. Bank National Association, as Debenture Trustee |
| 4.8(14) | Certificate of Trust of First Interstate Statutory Trust dated as March 11, 2003 |
| 4.10(14) | Amended and Restated Trust Declaration of First Interstate Statutory Trust |
| 4.11(14) | Form of Capital Security Certificate of First Interstate Statutory Trust (included as an exhibit to Exhibit 4.10) |
| 4.12(14) | Form of Common Security Certificate of First Interstate Statutory Trust (included as an exhibit to Exhibit 4.10) |
| 4.13(14) | Guarantee Agreement between First Interstate BancSystem, Inc. and U.S. Bank National Association |
| 10.1(18) | Credit Agreement dated June 30, 2005 between First Interstate BancSystem, Inc., as borrower, and Wells Fargo Bank, N.A. |

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| | |
|-----------|---|
| 10.2(18) | Revolving Line of Credit Note dated June 30, 2005 between First Interstate BancSystem, Inc. and Wells Fargo Bank, N.A. |
| 10.4(2) | Note Purchase Agreement dated August 30, 1996, between First Interstate BancSystem, Inc. and the Montana Board of Investments |
| 10.5(1) | Lease Agreement Between Billings 401 Joint Venture and First Interstate Bank Montana and addendum thereto |
| 10.6(5) | Credit Agreement between Billings 401 Joint Venture and Colorado National Bank dated as of September 26, 1995 |
| 10.7(1) | Stock Option and Stock Appreciation Rights Plan of First Interstate BancSystem, Inc., as amended |
| 10.8(8) | 2001 Stock Option Plan |
| 10.9(15) | Employee Stock Purchase Plan of First Interstate BancSystem, Inc., as amended and restated effective April 30, 2003 |
| 10.10(3) | Trademark License Agreements between Wells Fargo & Company and First Interstate BancSystem, Inc. |
| 10.12(10) | Employment Agreement between First Interstate BancSystem, Inc. and Lyle R. Knight |
| 10.13(10) | First Interstate BancSystem, Inc. Executive Non-Qualified Deferred Compensation Plan dated November 20, 1998 |
| 10.14(7) | First Interstate BancSystem s Deferred Compensation Plan dated December 6, 2000 |
| 10.15(11) | First Interstate BancSystem, Inc. 2004 Restricted Stock Award Plan |
| 10.16(16) | Form of First Interstate BancSystem, Inc. Restricted Stock Award Agreement |
| 10.17(16) | Form of First Interstate BancSystem, Inc. Restricted Stock Award Notice of Restricted Stock Award |
| 31.1 | Certification of Quarterly Report on Form 10-Q pursuant to Section 302 of the Sarbanes Oxley Act of 2002 by Chief Executive Officer |

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| | |
|------|---|
| 31.2 | Certification of Quarterly Report on Form 10-Q pursuant to Section 302 of the Sarbanes Oxley Act of 2002 by Chief Financial Officer |
| 32 | Certification of Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes Oxley Act of 2002. |

Management contract or compensatory plan or arrangement.

- (1) Incorporated by reference to the Registrant's Registration Statement on Form S-1, No. 33-84540.
- (2) Incorporated by reference to the Registrant's Form 8-K dated October 1, 1996.
- (3) Incorporated by reference to the Registrant's Registration Statement on Form S-1, No. 333-25633.
- (4) Incorporated by reference to the Registrant's Registration Statement on Form S-1, No. 333-3250.
- (5) Incorporated by reference to the Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-1, No. 33-84540.
- (6) Incorporated by reference to the Registrant's Registration Statement on Form S-1, No. 333-37847.
- (7) Incorporated by reference to the Registrant's Form 10-K for the fiscal year ended December 31, 2002.
- (8) Incorporated by reference to the Registrant's Registration Statement on Form S-8, No. 333-106495.
- (9) Incorporated by reference to the Registrant's Registration Statement on Form S-8, No. 333-76825.
- (10) Incorporated by reference to the Registrant's Form 10-K for the fiscal year ended December 31, 1999.
- (11) Incorporated by reference to the Registrant's Post-Effective Amendment No. 1 to Registration Statement on Form S-8, No. 333-76825.
- (12) Incorporated by reference to the Registrant's Form 10-K for the fiscal year ended December 31, 2000.
- (13) Incorporated by reference to the Registrant's Post-Effective Amendment No. 2 to Registration Statement on Form S-8, No. 333-76825.
- (14) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
- (15) Incorporated by reference to the Registrant's Post-Effective Amendment No. 3 to Registration Statement on Form S-8, No. 333-76825.
- (16) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
- (17) Incorporated by reference to Registrant's Post-Effective Amendment No. 4 to Registration Statement of Form S-8, No. 333-76825.

(18) Incorporated by reference to the Registrant's Form 8-K dated June 30, 2005.

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SIGNATURES

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

FIRST INTERSTATE BANCSYSTEM,
INC.

Date July 25, 2005

/s/ LYLE R. KNIGHT
Lyle R. Knight
President and Chief Executive Officer

Date July 25, 2005

/s/ TERRILL R. MOORE
Terrill R. Moore
Executive Vice President and
Chief Financial Officer
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