

FIRST INTERSTATE BANCSYSTEM INC
Form 10-Q
November 07, 2018

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 September 30, 2018
OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
COMMISSION FILE NUMBER 001-34653

FIRST INTERSTATE BANCSYSTEM, INC.
(Exact name of registrant as specified in its charter)

Montana	81-0331430
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

401 North 31st Street, Billings, MT	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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

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

September 30, 2018 – Class A common stock 38,107,555

September 30, 2018 – Class B common stock 22,501,994

Quarterly Report on Form 10-Q

FIRST INTERSTATE BANCSYSTEM, INC. AND SUBSIDIARIES

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September 30, 2018

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CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

(Unaudited)

	September 30, 2018	December 31, 2017
Assets		
Cash and due from banks	\$ 229.8	\$ 196.5
Interest bearing deposits in banks	686.8	562.3
Federal funds sold	48.4	0.1
Total cash and cash equivalents	965.0	758.9
Investment securities:		
Available-for-sale	2,158.8	2,208.7
Held-to-maturity (estimated fair values of \$407.4 and \$483.3 at September 30, 2018 and December 31, 2017, respectively)	417.8	484.5
Total investment securities	2,576.6	2,693.2
Loans held for investment	8,480.3	7,567.7
Mortgage loans held for sale	37.7	46.6
Total loans	8,518.0	7,614.3
Less allowance for loan losses	73.6	72.1
Net loans	8,444.4	7,542.2
Goodwill	546.4	444.7
Company-owned life insurance	273.7	260.6
Premises and equipment, net of accumulated depreciation	244.2	241.9
Accrued interest receivable	48.0	38.0
Mortgage servicing rights, net of accumulated amortization and impairment reserve	27.0	24.8
Core deposit intangibles, net of accumulated amortization	59.3	49.1
Other real estate owned ("OREO")	17.3	10.1
Deferred tax asset, net	—	4.0
Other assets	153.9	145.8
Total assets	\$ 13,355.8	\$ 12,213.3
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest bearing	\$ 3,261.2	\$ 2,900.0
Interest bearing	7,584.4	7,034.9
Total deposits	10,845.6	9,934.9
Securities sold under repurchase agreements	635.9	643.0
Accounts payable and accrued expenses	99.4	86.6
Accrued interest payable	6.7	5.6
Deferred tax liability, net	3.0	—
Long-term debt	22.4	13.1
Other borrowed funds	1.5	20.0
Subordinated debentures held by subsidiary trusts	86.9	82.5
Total liabilities	11,701.4	10,785.7
Stockholders' equity:		

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Nonvoting noncumulative preferred stock without par value; authorized 100,000 shares; no shares issued and outstanding as of September 30, 2018 or December 31, 2017	—	—
Common stock	865.5	687.0
Retained earnings	828.3	752.6
Accumulated other comprehensive loss, net	(39.4) (12.0)
Total stockholders' equity	1,654.4	1,427.6
Total liabilities and stockholders' equity	\$ 13,355.8	\$ 12,213.3
See accompanying notes to unaudited consolidated financial statements.		

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CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share data)

(Unaudited)

	Three Months		Nine Months	
	Ended September		Ended September	
	30,	30,	30,	30,
	2018	2017	2018	2017
Interest income:				
Interest and fees on loans	\$103.9	\$ 94.0	\$292.1	\$ 231.6
Interest and dividends on investment securities:				
Taxable	13.9	11.7	41.0	30.2
Exempt from federal taxes	0.6	0.8	1.8	2.5
Interest on deposits in banks	2.8	2.3	6.9	4.8
Total interest income	121.2	108.8	341.8	269.1
Interest expense:				
Interest on deposits	8.9	6.2	22.3	15.3
Interest on securities sold under repurchase agreements	0.7	0.4	1.8	0.9
Interest on other borrowed funds	0.1	0.4	0.2	0.4
Interest on other debt	0.4	0.2	0.9	1.2
Interest on subordinated debentures held by subsidiary trusts	1.1	0.8	3.0	2.3
Total interest expense	11.2	8.0	28.2	20.1
Net interest income	110.0	100.8	313.6	249.0
Provision for loan losses	2.0	3.4	7.0	7.5
Net interest income after provision for loan losses	108.0	97.4	306.6	241.5
Non-interest income:				
Payment services revenues	10.1	12.4	33.5	31.0
Mortgage banking revenues	6.7	8.2	19.3	22.5
Wealth management revenues	5.8	5.5	17.5	15.6
Service charges on deposit accounts	5.7	5.9	16.6	15.3
Other service charges, commissions and fees	3.4	3.6	11.1	9.6
Loss on termination of interest rate swap	—	(1.1)	(1.1
Investment securities gains (losses), net	—	0.8	—	0.8
Other income	4.5	3.0	11.0	10.9
Total non-interest income	36.2	38.3	109.0	104.6
Non-interest expense:				
Salaries and wages	36.8	34.7	105.7	88.4
Employee benefits	11.9	10.2	35.5	29.6
Outsourced technology services	6.8	6.6	20.9	17.9
Occupancy, net	6.5	6.1	18.8	16.0
Furniture and equipment	3.5	3.1	9.5	8.2
OREO expense, net of income	0.2	0.2	0.3	0.2
Professional fees	1.9	1.9	5.2	4.7
FDIC insurance premiums	1.4	1.7	4.3	3.4
Mortgage servicing rights amortization	0.8	0.8	2.3	2.1
Mortgage servicing rights recovery	—	—	—	(0.1
Core deposit intangibles amortization	2.0	1.9	5.5	3.6
Other expenses	15.8	14.5	48.1	40.9

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Acquisition related expenses	3.1	13.0	5.4	23.9
Total non-interest expense	90.7	94.7	261.5	238.8
Income before income tax expense	53.5	41.0	154.1	107.3
Income tax expense	12.1	13.7	34.3	35.0
Net income	\$41.4	\$ 27.3	\$119.8	\$ 72.3
Earnings per common share (Basic)	\$0.71	\$ 0.49	\$2.10	\$ 1.46
Earnings per common share (Diluted)	\$0.71	\$ 0.48	\$2.09	\$ 1.45
Weighted average common shares outstanding (Basic)	58,254,576	56,094,401	56,951,029	514,818
Weighted average common shares outstanding (Diluted)	58,640,475	56,530,868	57,330,017	517,000,882

See accompanying notes to unaudited consolidated financial statements.