

FEDERAL RESERVE SYSTEM

First Interstate BancSystem, Inc.
Billings, Montana

Order Approving the Merger of Bank Holding Companies

First Interstate BancSystem, Inc. (“FIB”), Billings, Montana, has requested the Board’s approval under section 3 of the Bank Holding Company Act (“BHC Act”)¹ to merge with Mountain West Financial Corp. (“MWF”) and thereby indirectly acquire its subsidiary bank, Mountain West Bank, National Association (“Mountain West Bank”), both of Helena, Montana.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (79 Federal Register 15344 (2014)).² The time for submitting comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

FIB, with consolidated assets of approximately \$7.6 billion, is the 115th largest insured depository organization in the United States, controlling approximately \$6.1 billion in deposits.³ FIB’s bank subsidiary, First Interstate Bank, operates in Montana, South Dakota, and Wyoming. First Interstate Bank is the second largest depository institution in Montana, controlling deposits of

¹ 12 U.S.C. § 1842.

² 12 CFR 262.3(b).

³ Asset data are as of March 31, 2014, and nationwide deposit-ranking data are as of December 31, 2013, unless otherwise noted.

approximately \$3.0 billion, which represent 15.2 percent of total deposits of insured depository institutions in that state.⁴

MWF, with total consolidated assets of approximately \$639.6 million, controls Mountain West Bank, which operates only in Montana. Mountain West Bank is the sixth largest insured depository institution in Montana, controlling deposits of approximately \$529.0 million, which represent 2.7 percent of the total deposits of insured depository institutions in that state.

On consummation of this proposal, FIB would become the 110th largest depository organization in the United States, with total consolidated assets of approximately \$8.2 billion, which represent less than 1 percent of the total amount of assets of insured depository institutions in the United States. FIB would have total deposits of approximately \$6.7 billion. In Montana, FIB would become the largest depository organization, controlling deposits of approximately \$3.5 billion, which represent 17.9 percent of the total deposits of insured depository institutions in the state.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant market. The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the

⁴ State deposit data are as of June 30, 2013. In this context, insured depository institutions include commercial banks, savings and loan associations, cooperative banks, industrial banks, and savings banks.

proposal in meeting the convenience and needs of the community to be served.⁵ FIB and MWF have subsidiary depository institutions that compete directly in the Montana banking markets of Bozeman, Great Falls, Helena, Kalispell, and Missoula.

A. Competitive Effects in the Banking Markets

The Board has reviewed the competitive effects of the proposal in each of the banking markets in which First Interstate Bank and Mountain West Bank compete. In particular, the Board has considered the number of competitors that would remain in the banking market; the relative shares of total deposits in depository institutions in the market (“market deposits”) controlled by FIB and MWF;⁶ the concentration levels of market deposits and the increase in those levels, as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);⁷ and other characteristics of the market.

⁵ 12 U.S.C. § 1842(c)(1).

⁶ Deposit and market share data are as of June 30, 2013, and are based on calculations in which the deposits of thrift institutions are included at 50 percent weight and deposits held by credit unions are assigned zero weight. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386, 387 (1989) and National City Corporation, 70 Federal Reserve Bulletin 743, 744 (1984). The Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52, 55 (1991).

⁷ Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice (“DOJ”) has informed the Board that a bank merger or acquisition generally would not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. Although the

Banking Markets Within Established Guidelines. Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines in the Bozeman, Great Falls, Kalispell, and Missoula banking markets.⁸ On consummation of the proposal, the Bozeman, Great Falls, and Missoula banking markets would remain moderately concentrated and the changes in market concentrations would be well within the DOJ Bank Merger Guidelines and Board precedent. The Kalispell banking market would remain highly concentrated, as measured by the HHI, and the change in the HHI in the market would be small. In each of these banking markets, numerous competitors would remain.

Banking Market Warranting Special Scrutiny. The structural effects that consummation of the proposal would have on the Helena banking market⁹ warrant a detailed review because the concentration level on consummation would exceed the threshold levels in the DOJ Bank Merger Guidelines. First Interstate Bank is the fifth largest depository institution in the market, controlling approximately \$69.7 million in deposits, which represent 5.7 percent of market deposits. Mountain West Bank is the third largest depository institution in the market, controlling approximately \$247.0 million in deposits, which represent 20.1 percent of market deposits. On consummation, the combined entity would be the largest depository institution in the Helena banking market, controlling approximately \$316.7 million in deposits, which

DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010 (see Press Release, Department of Justice (Aug. 19, 2010), www.justice.gov/opa/pr/2010/August/10-at-938.html), the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified.

⁸ These four banking markets and the competitive effects of the proposal in these markets are described in the Appendix.

⁹ The Helena banking market is defined as Lewis and Clark, Meagher, and Broadwater counties, the Boulder Division in Jefferson County, and the eastern half of the Avon-Elliston Division in Powell County, all in Montana.

would represent approximately 25.8 percent of market deposits. The HHI in this market would increase by 229 points, from 1640 to 1869.

The Board has considered whether other factors either mitigate the competitive effects of the proposal or indicate that the proposal would not have a significantly adverse effect on competition in the Helena banking market.¹⁰ Several factors indicate that the increase in concentration in the Helena banking market, as measured by the HHI and market share, overstates the potential competitive effects of the proposal in the market. After consummation of the proposal, 11 commercial bank competitors would remain, some with a significant presence in the market. The second and third largest bank competitors in the market would control approximately 21.1 percent and 19.7 percent of market deposits, respectively, and another bank competitor in the market would control approximately 6.6 percent of market deposits.

In addition, the Board has evaluated the competitive influence of American Federal Savings Bank (“American Federal”), a thrift institution operating in the Helena banking market.¹¹ American Federal’s commercial and industrial loan

¹⁰ The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the size of the increase in, and resulting level of, concentration in a banking market. See NationsBank Corp., 84 Federal Reserve Bulletin 129 (1998).

¹¹ The Board previously has indicated that it may consider the competitiveness of a thrift institution at a level greater than 50 percent of its deposits when appropriate if competition from the institution closely approximates competition from a commercial bank. See, e.g., Banknorth Group, Inc., 75 Federal Reserve Bulletin 703 (1989). Where, as here, the facts and circumstances of a banking market indicate that a particular thrift serves as a significant source of commercial loans and provides a broad range of consumer, mortgage, and other banking products, the Board has concluded that competition from such a thrift closely approximates competition from a commercial bank and that deposits controlled by the institution should be weighted at 100 percent in market-share calculations. See, e.g., River Valley Bancorp, FRB Order No. 2012-10 (October 17, 2012); Regions Financial Corporation, 93 Federal Reserve Bulletin C16 (2007); and Banknorth Group, Inc., supra.

portfolios are similar to those of commercial banks in the market, as measured in terms of the ratios of those types of loans to total loans and assets.¹² Moreover, American Federal provides a broad range of banking services similar to those normally provided by commercial banks. In addition, American Federal has recently announced plans to convert to a state-chartered commercial bank. Accordingly, the Board has concluded that deposits controlled by this institution should be weighted at 100 percent in the market-share calculations.

In addition, two community credit unions in the Helena banking market, Helena Community Credit Union and Rocky Mountain Credit Union, each offers a wide range of consumer banking products, operates street-level branches, and has broad membership criteria that include almost all of the residents in the Helena banking market. Accordingly, the Board finds that these circumstances warrant including the deposits of these credit unions on a 50 percent weighted basis.¹³

If the deposits held by the competitively active thrift are reweighted from 50 percent to 100 percent, and the deposits held by each of the competitively active credit unions are reweighted from zero percent to 50 percent, the pro forma

¹² American Federal has a ratio of commercial and industrial loans to assets of approximately 6 percent, which is comparable to, or greater than, the ratio for some commercial banks in the market and greater than the ratio for some thrift institutions that the Board has previously found to be full competitors of commercial banks.

¹³ The Board previously has considered competition from certain active credit unions with those features as a mitigating factor. See, e.g., Mitsubishi UFJ Financial Group, Inc., FRB Order No. 2012-12 (November 14, 2012); Old National Bancorp, FRB Order No. 2012-9 (August 30, 2012); United Bankshares, Inc. (order dated June 20, 2011), 97 Federal Reserve Bulletin 19 (2nd Quar. 2011); The PNC Financial Services Group, Inc., 94 Federal Reserve Bulletin C38 (2008); The PNC Financial Services Group, Inc., 93 Federal Reserve Bulletin C65 (2007); Regions Financial Corporation, *supra*; Passumpsic Bancorp, 92 Federal Reserve Bulletin C175 (2006); Wachovia Corporation, 92 Federal Reserve Bulletin C183 (2006).

deposit share of First Interstate Bank in the Helena banking market would be 22.7 percent, and the HHI would increase by 177 points to 1548. Reweighting the deposit shares of competitively active thrifts and credit unions in this manner is consistent with past Board precedent. The Board has concluded that the activities of these organizations exert a competitive influence that mitigates, in part, the potential effects of the proposal on the Helena banking market. In addition, numerous competitors would remain in the Helena banking market.

B. Views of Other Agencies and Conclusion on Competitive Considerations

The DOJ has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all of the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in the banking market in which First Interstate Bank and Mountain West Bank compete directly or in any other relevant banking market. Accordingly, the Board has determined that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In evaluating financial factors in expansionary proposals by banking organizations, the Board reviews the financial condition of the organizations involved on both a parent-only and a consolidated basis, as well as the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. The Board evaluates the

financial condition of the combined organization, including its capital position, asset quality, liquidity, and earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the combined organization to absorb the costs of the proposal and the proposed integration of the operations of the institutions. In assessing financial factors, the Board consistently has considered capital adequacy to be especially important. Further, the Board has considered the future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

The Board has considered the financial factors of the proposal. FIB and First Interstate Bank are well capitalized and would remain so on consummation of the proposed transaction. The proposed transaction is a bank holding company merger, structured as a cash and share exchange.¹⁴ The asset quality, earnings, and liquidity of First Interstate Bank are consistent with approval, and FIB appears to have adequate resources to absorb the costs of the proposal and to complete the integration of FIB's and MWF's operations. Based on its review of the record, the Board finds that the organization has sufficient financial resources to effect the proposal.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of FIB, MWF, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and

¹⁴ Each outstanding share of MWF common stock would be canceled and converted into a right to receive cash and FIB's Class A common stock based on an exchange ratio. FIB has the resources to fund the cash consideration portion of the transaction.

those of other relevant bank supervisory agencies with the organizations and their records of compliance with applicable banking and anti-money-laundering laws.

FIB and its subsidiary depository institution are each considered to be well managed. FIB's existing risk-management program and its directorate and senior management are considered to be satisfactory. The directors and senior executive officers of FIB have demonstrated knowledge of and experience in the banking and financial services sectors.

The Board also has considered FIB's plans for implementing the proposal. FIB is devoting sufficient financial and other resources to address all aspects of the post-acquisition integration process for this proposal. FIB would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, FIB's management has the experience and resources that should allow the combined organization to operate in a safe and sound manner.

FIB's supervisory record, managerial and operational resources, and plans for operating the combined organization after consummation provide a reasonable basis to conclude that managerial factors are consistent with approval.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal, as well as the records of effectiveness of FIB and MFW in combatting money-laundering activities, are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board must consider the effects of the proposal on the convenience and needs of the communities

to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act (“CRA”).¹⁵ The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation,¹⁶ and requires the appropriate federal financial supervisory agency to take into account a relevant depository institution’s record of meeting the credit needs of its entire community, including low- and moderate-income (“LMI”) neighborhoods, in evaluating bank expansionary proposals.¹⁷

The Board has considered all the facts of record, including reports of examination of the CRA performance of First Interstate Bank and Mountain West Bank, information provided by FIB, and confidential supervisory information.

A. Record of Performance under the CRA

As provided in the CRA, the Board evaluates an institution’s performance based on the CRA evaluation completed by that institution’s primary regulator.¹⁸ The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution’s record of meeting the credit needs of its entire community, including LMI neighborhoods.¹⁹ An institution’s most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, onsite

¹⁵ 12 U.S.C. § 1842(c)(2); 12 U.S.C. § 2901 et seq.

¹⁶ 12 U.S.C. § 2901(b).

¹⁷ 12 U.S.C. § 2903.

¹⁸ See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642, 11665 (2010).

¹⁹ 12 U.S.C. § 2906.

evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.

CRA Performance of First Interstate Bank

First Interstate Bank was assigned an overall "outstanding" rating at its most recent CRA performance evaluation by the Federal Reserve Bank of Minneapolis ("Reserve Bank") in July 2013 ("First Interstate Bank Evaluation"). First Interstate Bank received "outstanding" ratings for the Lending Test, the Investment Test, and the Service Test.²⁰ In addition to the overall "outstanding" rating that First Interstate Bank received, the bank received separate overall "outstanding" ratings in the states reviewed.²¹

In evaluating the Lending Test, Reserve Bank examiners found that the bank's overall lending activity was excellent. The bank originated a substantial majority of loans within its Montana, Wyoming, and South Dakota assessment areas and showed excellent responsiveness to credit needs throughout its assessment areas.

²⁰ The evaluation period was from January 1, 2011, through December 31, 2012.

²¹ The First Interstate Bank Evaluation was conducted using Large Institution CRA Examination Procedures and included full-scope reviews of at least one assessment area within each state where First Interstate Bank has an office. The First Interstate Bank Evaluation included a full-scope review of four assessment areas: the Billings, Montana Metropolitan Statistical Area ("MSA"); the Missoula, Montana MSA; the Casper, Wyoming MSA; and the Rapid City, South Dakota MSA. A limited scope review was performed in the Great Falls, Montana MSA; the Bozeman, Montana Assessment Area ("AA"); the Hamilton, Montana AA; the Hardin/Miles City, Montana AA; the Helena, Montana AA; the Kalispell, Montana AA; the Cheyenne, Wyoming MSA; the Jackson, Wyoming AA; the Laramie, Wyoming AA; the Riverton, Wyoming AA; the Sheridan, Wyoming AA; the Spearfish/Belle Fourche, South Dakota AA; and the Hot Springs/Edgemont/Custer, South Dakota AA. Examiners placed the greatest weight on the bank's performance in Montana because most of the bank's lending occurs in this state.

Examiners noted that the bank had an excellent record of lending to borrowers of different income levels and to businesses and farms of different sizes. Further, First Interstate Bank's overall geographic distribution of loans was excellent throughout the bank's assessment areas, including LMI geographies, and there were no unexplained gaps in the bank's lending patterns.

Examiners also noted that First Interstate Bank is a leader in making community development loans inside its assessment areas and uses flexible and innovative lending practices to serve credit needs, especially programs that support affordable homeownership. Since the previous evaluation, the bank originated 71 community development loans totaling approximately \$69.0 million, which represented an approximately \$22.2 million increase in community development lending from the previous evaluation.²²

In evaluating the Investment Test, Reserve Bank examiners found that First Interstate Bank had an overall excellent level of qualified investments that demonstrated excellent responsiveness to community development needs. Examiners highlighted numerous CRA-qualified investments that the bank made, as well as donations to organizations with a community development focus. The bank also participated in various CRA-qualified investment vehicles and made extensive use of innovative and complex investments, often in a leadership position, when opportunities existed. Examiners noted that First Interstate Bank's CRA-qualified

²² The bank also originated five loans totaling approximately \$18.9 million that benefitted areas outside of the bank's Montana and Wyoming assessment areas. Because the bank's activities adequately address the community development needs of its assessment areas, loans that benefit geographies outside of the bank's assessment areas can be considered in the evaluation of the bank's community development lending.

investments increased from approximately \$70.5 million to approximately \$75.1 million since the prior evaluation.

In evaluating the Service Test, examiners noted that the bank's retail services were accessible to all portions of the bank's assessment areas, including LMI census tracts. Examiners also noted that First Interstate Bank's opening and closing of branches had not adversely affected the accessibility of its products and services throughout the assessment areas. Examiners also found that the bank's services were tailored to the convenience and needs of LMI census tracts and individuals. Further, examiners highlighted that First Interstate Bank was a leader in providing community development services throughout its assessment areas.

CRA Performance of Mountain West Bank

Mountain West Bank was assigned an overall "satisfactory" rating at its most recent CRA performance evaluation by the Office of the Comptroller of the Currency in December 2011 ("Mountain West Bank Evaluation"), with ratings of "satisfactory" for the Lending Test and the Community Development Test.²³

In evaluating the Lending Test, examiners noted that the bank originated a substantial majority of its loans within its assessment areas.²⁴ Examiners also found that the bank's geographic dispersion of loans reflected reasonable penetration

²³ The Mountain West Bank Evaluation was conducted using the Intermediate Small Bank CRA Examination Procedures, and examiners reviewed the bank's commercial and residential real estate lending activity from August 19, 2008, to September 30, 2011, for the Lending Test. Commercial and residential real estate loans were selected for analysis because they represented 63 percent and 18 percent, respectively, of the bank's loan portfolio. The evaluation period for the Community Development Test was from August 19, 2008, to December 8, 2011.

²⁴ The Mountain West Bank Evaluation reviewed the bank's Helena, Montana non-MSA AA; the Great Falls, Montana MSA; and the Missoula, Montana MSA.

throughout its assessment areas and the bank's distribution of loans by revenue and income levels reflected a reasonable penetration among individuals of different income levels and businesses of different sizes. Further, examiners concluded that Mountain West Bank's loan-to-deposit ratio was more than reasonable given Mountain West Bank's size, financial condition, and the assessment areas' credit needs.

In evaluating the Community Development Test, examiners noted that Mountain West Bank's level of community development activities represented satisfactory responsiveness to community development needs in its assessment areas through qualified investments and community development services. Examiners also found that Mountain West Bank provided an excellent level of community development services through its employee involvement in community based organizations that benefit LMI individuals.

B. Additional Information on Convenience and Needs of Communities to be Served by the Combined Organization

In assessing the effects of a proposal on the convenience and needs of the communities to be served, the Board also considers the extent to which the proposal would result in public benefits.

FIB represents that the proposed transaction would provide Mountain West Bank's customers with access to additional wealth management services, cash management services, dealer financing, in-house mortgage products, adjustable rate mortgage products, and broader credit card programs. FIB also states that FIB's higher legal lending limit would allow it to provide additional credit availability and flexibility to meet the larger credit needs of Mountain West Bank's customers.

In addition, FIB represents that the merger would benefit current customers of Mountain West Bank through access to a broader network of branches

and ATMs. Although FIB plans to consolidate or close several branches following the merger, as there are some Mountain West Bank branches that are located within two miles of First Interstate Bank branches, Mountain West Bank customers will continue to have access to services in each of the communities currently served by Mountain West Bank.²⁵ In addition, FIB represents that these customers would gain access to services at branches and ATMs in each of the communities served by First Interstate Bank, including communities in Montana, Wyoming, and South Dakota. FIB also notes that its increased market presence in Mountain West Bank's markets would result in increased community service projects and philanthropic efforts in those markets.

C. Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including reports of examination of the CRA records of the institutions involved, information provided by FIB, and confidential supervisory information. Based on the Board's assessment of the CRA performance and consumer compliance programs of First Interstate Bank and Mountain West Bank, its review of examination reports, and its consultations with other agencies, the Board concludes that the convenience and needs factor, including the CRA records of the insured depository institutions involved in this transaction, is consistent with approval of the application.

Financial Stability

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") amended section 3 of the BHC Act to require the Board to

²⁵ Although FIB has not determined which branches will be closed, FIB represents that the closures will be made in accordance with FIB's branch closure policies and governing law and regulations.

consider “the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risk to the stability of the United States banking or financial system.”²⁶

To assess the likely effect of a proposed transaction on the stability of the U.S. banking or financial system, the Board considers a variety of metrics that capture the systemic “footprint” of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.²⁷ These categories are not exhaustive, and additional categories could inform the Board’s decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opaqueness and complexity of an institution’s internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage to the broader economy.²⁸

The Board has considered information relevant to risks to the stability of the U.S. banking or financial system. After consummation of the proposed

²⁶ Section 604(d) of the Dodd-Frank Act, Pub. L. No. 111-203, 124 Stat. 1376, codified at 12 U.S.C. § 1842(c)(7).

²⁷ Many of the metrics considered by the Board measure an institution’s activities relative to the U.S. financial system.

²⁸ For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (Feb. 14, 2012).

transaction, FIB would have approximately \$8.2 billion in consolidated assets and would be the 122nd largest financial institution in the United States as measured by assets. The Board generally presumes that a merger resulting in a firm with less than \$25 billion in total consolidated assets would not pose significant risks to the financial stability of the United States absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors. Such additional risk factors are not present in this transaction. The companies engage and would continue to engage in traditional commercial banking activities. The resulting organization would experience small increases in the metrics that the Board considers to measure an institution's complexity and interconnectedness, with the resulting firm generally ranking outside of the top 100 U.S. financial institutions in terms of those metrics. For example, FIB's intrafinancial assets and liabilities would comprise a negligible share of the systemwide total, both before and after the transaction, and the resulting firm would control less than 0.1 percent of the assets of all U.S. depository institutions. The resulting organization would not engage in complex activities, nor would it provide critical services in such volume that disruption in those services would have a significant impact on the macroeconomic condition of the United States by disrupting trade or resulting in increased resolution difficulties.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the U.S. banking or financial system. Based on these and all other facts of record, the Board has determined that considerations relating to financial stability are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by FIB with all the conditions imposed in this Order, including receipt of all required regulatory approvals, and on the commitments made to the Board in connection with the application. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the 15th calendar day after the effective date of this Order or later than three months thereafter unless such period is extended for good cause by the Board or the Reserve Bank, acting pursuant to delegated authority.

By order of the Board of Governors,²⁹ effective June 30, 2014.

Margaret McCloskey Shanks (signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

²⁹ Voting for this action: Chair Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard.

Appendix

FIB/MWF Banking Markets in Montana Consistent with Board Precedent and DOJ Bank Merger Guidelines						
Deposit data are as of June 30, 2013. All rankings, market deposit shares, and HHIs are based on thrift deposits weighted at 50 percent.						
Bozeman, Montana – includes Gallatin and Park counties, both in Montana.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>FIB Pre-Consummation</i>	2	\$381.9M	17.1	1190	44	17
<i>MWF</i>	13	\$28.6M	1.3			
<i>FIB Post-Consummation</i>	2	\$410.5M	18.4			
Great Falls, Montana – includes Teton, Cascade, Judith Basin, Glacier, Toole, and Pondera counties; and Fort Benton and Geraldine divisions in Chouteau County, all in Montana.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>FIB Pre-Consummation</i>	4	\$257.8M	12.5	1465	168	14
<i>MWF</i>	6	\$139.5M	6.7			
<i>FIB Post-Consummation</i>	1	\$397.3M	19.2			
Kalispell, Montana – includes Lincoln and Flathead counties; the Big Fork-Swan River Division; and the northern portion of Flathead Division that includes the communities of Polson, Finley Point, Big Arm, Elmo and Dayton in Lake County, all in Montana.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>FIB Pre-Consummation</i>	2	\$349.1M	16.3	2907	68	15
<i>MWF</i>	7	\$44.7M	2.1			
<i>FIB Post-Consummation</i>	2	\$393.8M	18.4			
Missoula Montana – includes Missoula County; the Superior and Alberton divisions in Mineral County; Helmville and the western half of Avon-Elliston divisions in Powell County; the southern half of Flathead Division in Sanders County; the southern portion of Flathead Division that includes the communities of Pablo, Kicking Horse, Post Creek, Moiese, Ravalli, Arlee, Charlo, Ronan, and Saint Ignatius in Lake County; the Drummond Division in Granite County; and Ravalli County (minus the eastern third of Sula-Edwards Division), all in Montana.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>FIB Pre-Consummation</i>	1	\$643.0M	24.2	1525	125	17
<i>MWF</i>	8	\$69.2M	2.6			
<i>FIB Post-Consummation</i>	1	\$712.1M	26.8			