

PUBLIC DISCLOSURE

February 2, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First Western Bank Sturgis
1200 Main Street
Sturgis, South Dakota 57785
RSSD 495352

Federal Reserve Bank of Minneapolis
90 Hennepin Avenue, P.O. Box 291
Minneapolis, MN 55480-0291

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a Glossary of Common CRA Terms is attached as Appendix A at the end of this performance evaluation.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The Community Reinvestment Act (CRA) performance of The First Western Bank Sturgis, Sturgis, South Dakota (FWB), is satisfactory. The bank's performance demonstrates responsiveness to credit needs and community development needs in the bank's two assessment areas. The CRA performance is based on the Lending Test and the Community Development Test for intermediate small banks (ISB). The bank's performance under the Lending Test and Community Development Test was weighted equally for purposes of determining the overall rating.

The bank's performance under the Lending Test is satisfactory based on the following criteria:

- The distribution of loans to borrowers of different income levels and to businesses and farms of different sizes is good for both assessment areas.
- The geographic distribution and dispersion of loans is good in both assessment areas.
- The bank extended a majority of small business, small farm, consumer, and residential real estate loans in the assessment areas.
- The net loan-to-deposit ratio is good given the bank's size and financial condition and competitive factors.

The bank's performance under the Community Development Test is satisfactory based on the following criteria:

- The community development activities show good responsiveness to community development needs.
- The bank's level and mix of community development lending, qualified investments, and community development services are good.

EVALUATION METHODOLOGY

Given the bank's asset size, the bank is subject to a CRA evaluation under the procedures for ISBs. These procedures were adopted on July 19, 2005, when the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (Agencies) approved final changes to their CRA regulations. The new rules became effective September 1, 2005. The Agencies did the following in the final rules:

- Adopted an ISB evaluation process for banks with assets of at least \$250 million as of December 31 for both of the prior two calendar years and less than \$1 billion as of December 31 for either of the prior two calendar years,¹
- Eliminated the CRA data reporting requirements for institutions with assets less than \$1 billion as of December 31 for either of the prior two calendar years,
- Modified the definition of community development to encourage bank activities in some rural and designated disaster areas, and
- Clarified when illegal lending practices by a bank or its affiliate might lead to the lowering of the bank's CRA rating.

¹The asset thresholds for defining ISBs adjust annually.

Under the ISB procedures, the following criteria were analyzed to determine the bank's Lending Test rating:

- Net loan-to-deposit ratio,
- Lending inside the assessment area,
- Lending to borrowers of different income levels and to businesses of different revenue sizes,
- Geographic distribution of loans, and
- Record of responding to complaints about the bank's CRA performance.

Also under the ISB procedures, the bank's qualified investments, community development services, and community development loans were reviewed to determine the Community Development Test rating. The Lending Test and Community Development Test were combined to determine the bank's overall rating.

SCOPE OF EXAMINATION

The bank's CRA performance context is based in part on information provided by bank management and community contacts. Information from these sources as well as economic and demographic characteristics of the assessment areas, competitive factors, and the size and financial condition of the bank were analyzed to understand the bank's performance. The evaluation period is September 12, 2005, through February 2, 2009.

Full-scope reviews were conducted for both the Rapid City metropolitan statistical area (MSA) assessment area and the Spearfish/Deadwood/Belle Fourche (Spearfish) assessment area. Equal weight was given to the bank's performance within each assessment area in assigning the overall rating based on the total assets at each office in the assessment area and the location of the main office.

As part of this evaluation, community contacts were made with individuals familiar with economic and demographic characteristics of and community development activities in both assessment areas. Information obtained from these community contacts was used to establish a performance context for the bank and is discussed in the applicable section of the evaluation for each assessment area.

Lending Test Scope

The scope of the Lending Test includes a review of loans based on the bank's major product lines. Table 1 shows the bank's lending activity from the bank's Federal Reserve System membership date, February 20, 2008, through October 10, 2008.

<i>Loan Type and Letters of Credit</i>	<i>Number of Loans</i>	<i>% of Total Number</i>	<i>Total Dollar Amount of Loans</i>	<i>% of Total Dollar Amount of Loans</i>
Consumer	758	44.9	\$ 7,610,920	4.9
Home Equity Lines of Credit	83	4.9	4,392,530	2.8
Purchase Land/Lot	17	1.0	933,971	0.6
Letters of Credit	6	0.4	488,709	0.3
Residential Real Estate	174	10.3	19,686,948	12.6
Small Business (< \$1 million)	311	18.4	37,606,999	24.1

<i>Loan Type and Letters of Credit</i>	<i>Number of Loans</i>	<i>% of Total Number</i>	<i>Total Dollar Amount of Loans</i>	<i>% of Total Dollar Amount of Loans</i>
Commercial (> \$1 million)	18	1.1	62,548,829	40.0
Small Farm (< \$500,000)	310	18.4	16,670,058	10.6
Agriculture (> \$500,000)	10	0.6	6,367,480	4.1
Total	1,687	100.0	\$156,306,444	100.0

The bank's Lending Test performance is based on residential real estate, commercial, agricultural, and consumer lending activity given the volume and dollar amount for each loan category. The bank has offices in an MSA and is therefore required to collect mortgage lending data in accordance with Regulation C--Home Mortgage Disclosure Act (HMDA). This data consist of information on home purchase, home improvement, refinance, and multifamily dwelling loans. The bank's residential real estate loan performance is based on the bank's 2007 HMDA and the first three quarters of the bank's 2008 HMDA data, 739 loans.² The bank's Lending Test performance is also based on a statistical sample of 115 small business, 106 small farm, and 153 consumer loans originated between April 10, 2008, and October 10, 2008.

The analysis of the bank's HMDA lending includes a comparison of the bank's lending activity in 2007 to the lending performance of all financial institutions (aggregate lenders) reporting HMDA loans in the bank's assessment areas. Aggregate lending data for 2008 was not available at the time of this evaluation.

For purposes of the Lending Test rating, the bank's small business lending activity received the greatest weight as it represents the largest percentage of the bank's loans in the sample period by dollar volume and commercial loans represent the largest percentage of the bank's loan portfolio as of December 31, 2008. Other products were weighted equally. Lending to borrowers of different income levels and to businesses and farms of different sizes received the greatest weight, followed by the geographic distribution of loans. The remaining criteria were weighted equally for purposes of determining the Lending Test rating.

Community Development Test Scope

In addition to the loan activity, the bank's community development lending, qualified investments, and community development services were reviewed in the bank's assessment areas. The bank's community development loans, qualified investments, and community development services evaluation period was September 12, 2005, through December 31, 2008.

DESCRIPTION OF INSTITUTION

General. The bank effectively meets the community credit needs in its assessment areas given its office locations, size, and products.

This is FWB's first CRA evaluation since the bank became a state member bank on February 20, 2008. The bank is wholly owned by First Interstate BancSystem, Inc., Billings, Montana (FIBS), a multibank holding company, which acquired the bank on January 10, 2008. The bank received a satisfactory rating

²The 2008 HMDA data, while only a partial year of data, will be referred to as 2008 HMDA data throughout the remainder of the evaluation.

at the last CRA performance evaluation, conducted September 12, 2005, by the Federal Deposit Insurance Corporation (FDIC) using the ISB evaluation procedures.

Offices and retail delivery systems. FWB is a full-service financial institution with its main office in Sturgis, South Dakota. FWB operates six full-service branch offices in South Dakota in addition to the main office. The bank has one branch office in Black Hawk, South Dakota (also known as the Piedmont Valley office); two branch offices in Spearfish, South Dakota; two in Deadwood, South Dakota; and one in Belle Fourche, South Dakota. The bank did not open or close any offices during the evaluation period. All seven offices are open Monday through Friday. With the exception of one Deadwood branch, all offices have drive-up facilities open on Saturdays and have extended hours during the week. All of the bank's offices are in middle-income census tracts.

The bank has nine automated teller machines (ATM). A deposit-taking ATM is located at the main office and each branch office. The two remaining ATMs are cash dispensing only. One of the cash-dispensing-only ATMs is located at a grocery store in Belle Fourche. The second cash-dispensing-only ATM is located at a convenience store in Piedmont Valley. All of the ATMs are in middle-income census tracts.

The bank offers 24-hour telephone banking service and has an Internet web site at www.firstwesternbank.com. The web site allows customers to view account balances, transfer funds, apply for mortgage loans, review periodic statements, make loan payments, pay bills, and review information about the bank's products and locations. The telephone banking service allows customers to process account transfers and review account transactions and balances.

Loan portfolio. According to the December 31, 2008, Report of Condition (ROC), the bank has total assets of \$511.5 million and total loans of \$353.6 million. The ROC data shows commercial loans are the largest portion of the bank's loan portfolio. The loan portfolio consists of 64.4% commercial, 10.3% agricultural, 18.4% residential real estate, 6.8% consumer, and 0.1% other loans. Since the previous evaluation, the bank's gross loan portfolio has experienced moderate growth at 31.1%, while total assets increased by 51.2%. This evaluation did not reveal any financial constraints on the bank's ability to lend or serve the needs of its assessment areas.

Credit products. The bank offers a wide variety of consumer, residential real estate, commercial, and agricultural loan products to fulfill the credit needs of the residents, businesses, and farms in both assessment areas. The bank provides financing for consumer, commercial, and agricultural borrowers through various open- and closed-end loan products and letters of credit. In addition to these types of conventional loan products, FWB offers loans through or guaranteed by the Federal Housing Administration, Department of Veterans Affairs, Small Business Administration, South Dakota Housing Development Authority, Farm Service Agency, Dakota Mac, Farmer Mac, U.S. Department of Agriculture Rural Development, and South Dakota Department of Agriculture. The bank also participated in the Rural Homeownership Fund program through the Federal Home Loan Bank of Des Moines. The Rural Homeownership Fund allows financial institutions to help eligible households purchase single-family, owner-occupied properties in rural locations. Financial institutions disburse the grants to provide down payment, closing cost, counseling, or rehabilitation assistance to individuals and families in their communities. In the past, the bank disbursed grants at loan closing to qualified borrowers for closing costs and down payments.

DESCRIPTION OF ASSESSMENT AREAS

FWB has two assessment areas for purposes of CRA. The first assessment area is defined as a part of the Rapid City, South Dakota, MSA. This assessment area consists of four rural census tracts in Meade

County. The Sturgis office and the Black Hawk branch are in the Rapid City MSA assessment area. The second assessment area includes two nonmetropolitan counties in South Dakota. FWB defines the nonmetropolitan assessment area as Lawrence and Butte counties. The Belle Fourche branch, both Deadwood branches, and both Spearfish branches are in the Spearfish assessment area. The bank's assessment areas have not changed since the previous evaluation. The bank's assessment areas are described in more detail in the assessment area sections of the evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's CRA rating is satisfactory. The CRA rating is based on the satisfactory ratings for the bank's Lending Test and Community Development Test performances.

LENDING TEST

The bank's performance under the Lending Test is rated satisfactory. The major factors supporting the Lending Test rating include:

- The bank's lending to borrowers of different income levels and to businesses and farms of different sizes in its assessment areas is good;
- The bank's residential real estate, small business, small farm, and consumer loans reflect good geographic distribution and dispersion;
- A majority of the bank's loans are originated in the assessment areas; and
- The bank's net loan-to-deposit ratio reflects a good level of lending.

Throughout this evaluation, the bank's lending activity is compared to the demographic data obtained from the 2000 U.S. Census data and Dun & Bradstreet data. Although the demographic data are used to understand and evaluate the bank's performance, comparisons to the demographic data should not be construed as defining an expected level of lending.

Since the bank has two assessment areas, a detailed discussion of the bank's lending to borrowers of different income and revenue levels and the geographic distribution of the bank's loans can be found in the individual assessment area sections of this evaluation. However, the net loan-to-deposit ratio and the comparison of lending inside and outside the assessment areas analyses are completed at the bank level. These two criteria are discussed below.

LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's net loan-to-deposit ratio reflects a good level of lending given the bank's asset size and financial condition and the assessment area's credit needs. The December 31, 2008, Uniform Bank Performance Report shows the bank's net loan-to-deposit ratio as 88.0%. The net loan-to-deposit ratio for the bank's national peer group is 89.4% for the same date. Since the last evaluation, the bank's quarterly net loan-to-deposit ratio ranged from a low of 82.5% on December 31, 2005, to a high of 91.9% on June 30, 2008. The bank's average net loan-to-deposit ratio for the 14 quarters since the last evaluation is 88.6%. This ratio is comparable to the national peer group ratio of 88.0% for the past 14 quarters. The national peer group includes all insured commercial banks with assets between \$300 million and \$1 billion. The 14-quarter average net loan-to-deposit ratios for the bank and three commercial banks with offices in or near the bank's assessment areas are shown in Table 2.

<i>Bank Name and Location</i>	<i>Assets as of December 31, 2008 (in thousands)</i>	<i>Average Net Loan-to-Deposit Ratio</i>
The First Western Bank Sturgis Sturgis, South Dakota	\$ 511,518	88.6%
Pioneer Bank & Trust Belle Fourche, South Dakota	\$ 356,124	55.7%
First Western Bank Wall, South Dakota	\$ 570,135	90.3%
Great Western Bank Watertown, South Dakota	\$4,294,977	90.6%

The bank is an active lender in a competitive market. The bank competes with community, regional, and national banks and credit unions for lending opportunities in its assessment areas. The bank's quarterly average net loan-to-deposit ratio is comparable to that of most similarly situated bank listed in Table 2, First Western Bank. The bank and First Western Bank are owned by the same holding company, FIBS. In addition, the bank's quarterly average net loan-to-deposit ratio appears good in comparison with the remaining two banks listed in Table 2.

Overall, the bank's quarterly average net loan-to-deposit ratio is good given the bank's asset size and financial condition and the competitor banks' ratios. The net loan-to-deposit ratio demonstrates the bank's willingness to fulfill the credit needs. Community contacts did not identify any unmet credit needs in the assessment areas. For these reasons, the bank's quarterly average net loan-to-deposit ratio is good.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

The bank's concentration of lending in its assessment areas is good. The bank originates a majority of the loans within its two assessment areas. Table 3 shows the number and percentage of loans that the bank extended within the assessment areas.

<i>Loan Category</i>	<i>Inside</i>				<i>Outside</i>			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Small Business	106	92.2	12,199	86.5	9	7.8	1,896	13.5
Small Farm	82	77.4	4,095	69.0	24	22.6	1,840	31.0
HMDA	642	86.9	77,427	85.1	97	13.1	13,537	14.9
Consumer	137	89.5	1,219	85.2	16	10.5	212	14.8
Total	967	86.9	94,940	84.4	146	13.1	17,486	15.6

Overall, the bank extended 86.9% of loans by volume and 84.4% by dollar amount in its assessment areas. The bank mainly originates loans to borrowers in its designated assessment areas but will also occasionally make loans in areas outside of its assessment areas to maintain good customer relationships. Although the bank's level of small farm lending within the assessment areas by number and dollar amount is lower than the levels for other loan types, it is nonetheless reasonable. The majority of the

small farm loans originated outside of the assessment areas were made in neighboring counties. It is reasonable that ranchers from those counties would conduct their banking business in the assessment areas given the lack of nearby financial institutions and they travel to the assessment areas for grocery shopping and other essential tasks. Overall, the bank originates the majority of its loans in its assessment areas, and the concentration is good.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES AND FARMS OF DIFFERENT SIZES

Overall, the bank's distribution of loans by borrower income and revenue size of businesses and farms is good. The bank lends to low- and moderate-income people and to businesses and farms with gross annual revenues of \$1 million or less. In 2008, the bank made a good level of small business and very good level of small farm loans to entities with gross annual revenues of \$1 million or less. The bank originated a good percentage of 2007 and 2008 HMDA loans to low- and moderate-income borrowers. Finally, the bank originated a good level of consumer loans to low- and moderate-income borrowers.

A detailed discussion of the distribution of lending by borrower incomes and revenue sizes of businesses and farms is included in the Conclusion with Respect to Performance Criteria section for each assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

Overall, the geographic distribution of the bank's small business, small farm, consumer, and HMDA loans in its assessment areas is good. There are no unexplained gaps in lending patterns in the bank's assessment areas. Community contacts and bank management did not identify any concentrations of low- or moderate-income individuals within the bank's assessment areas. The bank makes loans throughout both assessment areas.

A detailed discussion of the geographic distribution of loans is included in the Conclusions with Respect to Performance Criteria section for each assessment area.

RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

The bank has not received any CRA-related complaints since the previous evaluation.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test is rated satisfactory. The bank's community development activity reflects good responsiveness to community development needs in the bank's assessment areas. Overall, the level of community development activities is also good with the level of community development lending being very good. The bank's mix of community development activities is good and appropriately concentrated in the areas of lending and services given the assessment areas' opportunities and needs.

Since the previous evaluation, the bank originated seven community development loans totaling \$5.1 million for affordable housing projects and to organizations providing community services targeted to low- and moderate-income individuals. The bank operates in competitive markets for community development loans. Five of the bank's community development loans had an affordable housing purpose and addressed the affordable housing need noted in both of the bank's assessment areas.

Since the previous evaluation, bank management and staff have continued to provide services to community development organizations in its assessment areas. Bank management and staff are involved with organizations engaged in the following activities: affordable housing for low- and moderate-income residents, economic development, revitalization or stabilization of low- and moderate-income or distressed middle-income census tracts, and community services to low- and moderate-income individuals. Many of the organizations with a community development purpose in the assessment areas serve a region that includes the assessment area, and the bank is actively providing services to several of these organizations. Thus, most of the bank's community development services impact a broader regional or statewide area that includes the bank's assessment areas. The involvement of bank management and staff with organizations in its assessment areas demonstrates the bank's commitment to addressing community development needs.

The bank's total qualified investments are \$299,057 for the evaluation period. The bank purchased a new qualified investment for \$115,000. In addition, the bank continues to hold one qualified investment for \$85,000 from the previous evaluation period. The new investment is an equity equivalent investment in a rural enterprise entity for the state of South Dakota. The purpose of the investment is to provide financial resources to revolving loan funds and community development financial institutions in South Dakota. The bank continues to maintain another equity equivalent investment with the same purpose from the prior evaluation period. Since the previous evaluation, the bank made qualified investment donations of \$99,057. The majority of the bank's donations are to entities with a regional or statewide focus.

A detailed discussion of community development activities is included in the Conclusions with Respect to Performance Criteria section for each assessment area.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The evaluation did not reveal any violations of the substantive provisions of the fair lending and fair housing laws and regulations. Additionally, no illegal credit practices inconsistent with helping meet community credit needs were identified during the evaluation.

METROPOLITAN AREA

DESCRIPTION OF THE RAPID CITY MSA ASSESSMENT AREA

The bank operates two full-service offices and three ATMs in the Rapid City MSA assessment area. The bank's offices in the assessment area are in Sturgis and Black Hawk. These offices are not centrally located in the assessment area. Two deposit-taking ATMs are located at the bank offices, and one cash-dispensing-only ATM is located at a convenience store in Piedmont Valley.

According to the June 30, 2008, FDIC Deposit Market Share Report, the bank had total deposits of approximately \$171.7 million, representing 58.7% of the total county deposits, in Meade County. The Meade County deposits represent 46.9% of the bank's total deposits. The bank ranks first in market share of the four banks with offices in the county. The bank's assessment area is only part of Meade County; deposit market share data is not available for the specific census tracts in the assessment area. Deposit information does not include member share deposits with credit unions.

The bank is the fourth most active HMDA loan originator in the Rapid City MSA assessment area. Financial institutions reporting HMDA loans in the assessment area totaled 93. The bank originated 7.5% of HMDA loans reported for the assessment area.

The bank defines its Rapid City MSA assessment area as a part of Meade County. Specifically, the bank's Rapid City MSA assessment area consists of census tracts 201, 203.01, 203.02, and 204. The assessment area includes one moderate-income census tract and three middle-income census tracts. The moderate-income census tract is geographically large, stretching about 100 miles from the southwest corner to the northeast corner. The assessment area does not include any low- or upper-income census tracts. The following table states the demographic data about the Rapid City MSA assessment area.

<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	954	16.3
Moderate Income	1	25.0	1,007	17.2	121	12.0	1,133	19.3
Middle Income	3	75.0	4,850	82.8	383	7.9	1,691	28.9
Upper Income	0	0.0	0	0.0	0	0.0	2,079	35.5
Total Assessment Area	4	100.0	5,857	100.0	504	8.6	5,857	100.0
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		<i>#</i>	<i>%</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	2,182	794	13.2	36.4	510	23.4	878	40.2
Middle Income	7,083	5,205	86.8	73.5	1,432	20.2	446	6.3
Upper Income	0.0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	9,265	5,999	100.0	64.7	1,942	21.0	1,324	14.3

TABLE 4
Rapid City MSA Assessment Area Demographics

<i>Income Categories</i>	<i>Total Businesses by Tract</i>		<i>Businesses by Tract and Revenue Size</i>					
			<i>≤\$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	113	11.1	101	10.8	9	14.8	3	13.0
Middle Income	906	88.9	834	89.2	52	85.2	20	87.0
Upper Income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	1,019	100.0	935	100.0	61	100.0	23	100.0
Percentage of Total Businesses:			91.7		6.0		2.3	
<i>Income Categories</i>	<i>Total Farms by Tract</i>		<i>Farms by Tract and Revenue Size</i>					
			<i>≤\$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	118	63.1	117	63.2	1	50.0	0	0.0
Middle Income	69	36.9	68	36.8	1	50.0	0	0.0
Upper Income	0	0	0	0.0	0	0.0	0	0.0
Total Assessment Area	187	100.0	185	100.0	2	100.0	0	0.0
Percentage of Total Farms:			98.9		1.1		0.0	

Income. For purposes of classifying borrower incomes, this evaluation uses the Department of Housing and Urban Development’s (HUD) estimated median family income for the relevant area. For borrowers in the Rapid City MSA, this figure is \$53,500 for 2007 and \$57,400 for 2008. For purposes of classifying census tract income levels, this evaluation uses the 2000 median family income for the Rapid City MSA, which is \$43,702.

Population. The population of the Rapid City MSA assessment area is 20,746, according to 2000 U.S. Census data. The population of the Rapid City MSA in its entirety, according to the same source, is 112,818. The majority of the MSA population lives in the census tracts outside of the bank’s designated assessment area. The populations of Sturgis and Black Hawk, cities in the bank’s Rapid City MSA assessment area, are 6,442, and 2,432, respectively, according to 2000 U.S. Census data.

General economic conditions. According to community contacts, the economy in western South Dakota has been strong with continued growth during recent years. Although the national economy experienced a downturn recently, the assessment area’s economy has not. One community contact stated western South Dakota has a steady economy rather than one that fluctuates, like the national economy.

The bank’s Rapid City MSA assessment area is in western South Dakota in an area known as the Northern Black Hills, often referred to as the Northern Hills. Western South Dakota’s economy is primarily driven by tourism and agriculture. According to community contacts, the area experiences about a six-month period of tourism each year. The tourism season brings about three million visitors to the area. Sturgis is home to a motorcycle rally that brings in hundreds of thousands of people each summer. Sturgis also has tourist traffic throughout the entire tourism season. Many visitors pass through the area while traveling to see Mount Rushmore and other local attractions.

The agricultural economy mainly consists of livestock with some small grains. During the last five years, livestock prices have been reasonably good. During those five years, however, input costs have increased, especially gas prices at various times. According to community contacts, input costs generally did not increase as much as prices, which resulted in increased income to ranchers.

Home and commercial construction has expanded during the last three years and just recently started to slow. Although there has been ongoing home construction in the Northern Hills, according to bank management and community contacts, there is still a shortage of affordable housing. There is a shortage of low-priced homes for the work force, including low- and moderate-income people, to purchase. According to bank management, home prices in the area have experienced appreciation of 8% to 12% per year during recent years. With appreciation rates declining recently, housing prices have remained stable. Wages have not kept pace with the appreciation of housing prices. According to community contacts, two income earners are usually necessary in order to purchase a home.

The major employers in the Rapid City MSA assessment area include the Veterans Administration hospital, the school system, the local hospital, county government, and the bank. Many of the jobs in the assessment area are labor jobs, such as convenience store clerks, restaurant servers, and janitors, with low wages. People with these types of jobs are challenged to pay their living expenses. According to 2000 U.S. Census data, the unemployment rate in the assessment area was 3.8%. According to bank management, the unemployment rate in the Northern Hills is still low and is currently 3.0%.

Rapid City, which is not part of the bank's Rapid City MSA assessment area, serves as a regional trade and medical center for the residents of the assessment area. In addition, some residents of the assessment area commute to Rapid City for work. Black Hawk is largely a bedroom community for Rapid City.

According to community contacts, small businesses in western South Dakota have experienced some growth during the past few years. Bank management indicated demand for credit from small businesses has been stable. Bank management indicated few new small businesses entered the assessment area market and existing small businesses have not changed significantly during the past few years.

The bank operates in a competitive environment. The bank competes with community, regional, and national banks as well as credit unions in the assessment area and the surrounding area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance in the Rapid City MSA assessment area is good. The bank's lending to borrowers of different income levels and to businesses and farms of different sizes is good. The geographic distribution and dispersion of the bank's loans is also good. The bank's community development activity is responsive to the area's community development needs. Finally, the bank's community development activity level and mix are good overall.

LENDING TEST

FWB's lending reflects good responsiveness to credit needs in the Rapid City MSA assessment area. As mentioned, the Lending Test performance is based on the bank's 2007 and 2008 HMDA data and a statistical sample of small business, small farm, and consumer loans originated between April 10, 2008, and October 10, 2008. Table 5 sets forth data about the bank's 2007 and 2008 HMDA loans and the sample of 2008 small business, small farm, and consumer loans.

TABLE 5				
2007 HMDA Lending in the Rapid City MSA Assessment Area				
<i>Loan Type</i>	<i>Number of Loans</i>		<i>Amount of Loans (in thousands)</i>	
Home Purchase	42	52.5%	\$5,473	62.6%
Refinance	30	37.5%	\$3,009	34.4%
Home Improvement	8	10.0%	\$ 262	3.0%
Total 2007 HMDA Loans	80	100.0%	\$8,744	100.0%
2008 HMDA Lending in the Rapid City MSA Assessment Area				
<i>Loan Type</i>	<i>Number of Loans</i>		<i>Amount of Loans (in thousands)</i>	
Home Purchase	28	35.0%	\$3,991	45.8%
Refinance	33	41.3%	\$3,689	42.3%
Home Improvement	19	23.7%	\$1,038	11.9%
Total 2008 HMDA Loans	80	100.0%	\$8,718	100.0%
2008 Loan Sample in the Rapid City MSA Assessment Area				
<i>Loan Type</i>	<i>Number of Loans</i>		<i>Amount of Loans (in thousands)</i>	
Small Business	27	20.8%	\$2,228	52.1%
Small Farm	54	41.5%	\$2,898	40.1%
Consumer	49	37.7%	\$ 435	7.8%
Total 2008 Loan Sample	130	100.0%	\$5,561	100.0%

The bank extended 30.0% of loans made to borrowers in its two assessment areas to borrowers in the Rapid City MSA assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES

The bank's lending to borrowers of different income levels and to businesses and farms of different sizes is good in the Rapid City MSA assessment area.

Small business lending. The bank's small business lending is good and is detailed in Table 6.

TABLE 6				
Small Business Loans				
<i>Small Business Loans</i>	$\leq \$100,000$	$> \$100,000$ to $\leq \$250,000$	$> \$250,000$ to $\leq \$1,000,000$	<i>Total Originations</i>
Percentage of Small Business Loans	81.5%	11.1%	7.4%	100.0%
Percentage of Loans to Businesses with Revenues \leq \$1 Million	82.6%	13.0%	4.3%	85.2%

Overall, the bank originated 85.2% of its small business loans to businesses with gross annual revenues of \$1 million or less. According to reports published by Dun & Bradstreet, 91.8% of the businesses in the assessment area are small businesses. The bank's lending to small businesses is good given the local environment. According to bank management, few new small businesses have entered the market. In addition, existing small businesses seem to be growing but are not generally expanding. The bank also operates in a competitive area for small business loans.

The bank originates most small business loans in small-dollar amounts. The bank originated 95.6% of its loans to small businesses for amounts of \$250,000 or less as shown in Table 6.

Small farm lending. FWB's small farm lending is very good and is detailed in Table 7.

<i>Small Farm Loans</i>	$\leq \$100,000$	$> \$100,000$ to $\leq \$250,000$	$> \$250,000$ to $\leq \$500,000$	<i>Total Originations</i>
Percentage of Small Farm Loans	79.6%	16.7%	3.7%	100.0%
Percentage of Loans to Farms with Revenues \leq \$1 Million	80.0%	16.0%	4.0%	92.6%

Overall, the bank originated 92.6% of its small farm loans to farms with gross annual revenues of \$1 million or less. According to reports published by Dun & Bradstreet, 98.9% of the farms in the assessment area are small farms. As previously mentioned, although small farm input costs have increased, they did not go up as much as prices, which resulted in increased income to ranchers. According to bank management, demand for agricultural credit has been static. Given the loan demand and the competitive environment for small farm loans, the bank's small farm lending is very good.

The bank originates most small farm loans in small-dollar amounts. The bank originated 96.0% of its loans to small farms for amounts of \$250,000 or less as shown in Table 7.

Consumer lending. The bank's consumer lending to borrowers of different income levels is very good. The bank's consumer lending is detailed in Table 8.

	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>		<i>Unknown Income</i>	
	#	%	#	%	#	%	#	%	#	%
Consumer	13	26.5	11	22.4	16	32.7	5	10.2	4	8.2
Percentage of Families by Income Levels**	16.3%		19.3%		28.9%		35.5%		NA	
Percentage of Households by Income Levels**	20.0%		16.7%		24.2%		39.1%		NA	
*Based on median family income for the Rapid City MSA for 2007 and 2008.										
**Based on 2000 census data.										

The bank originated 26.5% and 22.4% of its consumer loans to low- and moderate-income borrowers, respectively. These levels compare favorably to demographic data, which indicate 16.3% of the families and 20.0% of the households in the assessment area are low income and 19.3% of the families and 16.7% of the households in the assessment area are moderate income. The bank is able to achieve very good penetration among low- and moderate-income borrowers because of the variety of closed-end and open-end consumer loan products offered to customers. The level of consumer lending to borrowers, including low- and moderate-income borrowers, demonstrates the bank's commitment to meeting the credit needs of all residents in its assessment area.

Residential real estate loans. The bank's lending of HMDA loans to borrowers of different income levels is good. Table 9 sets forth data about the bank's 2007 and 2008 HMDA lending.

TABLE 9										
Distribution of 2007 HMDA Loans by Income Level of Borrower*										
<i>Income Level of Borrower</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
<i>Loan Type</i>	#	%	#	%	#	%	#	%	#	%
Home Purchase	1	2.4	10	23.8	14	33.3	14	33.3	3	7.1
Refinance	3	10.0	6	20.0	4	13.3	15	50.0	2	6.7
Home Improvement	1	12.5	3	37.5	2	25.0	2	25.0	0	0.0
Total 2007 HMDA Loans	5	6.3	19	23.8	20	25.0	31	38.8	5	6.3
Distribution of 2008 HMDA Loans by Income Level of Borrower*										
<i>Income Level of Borrower</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
<i>Loan Type</i>	#	%	#	%	#	%	#	%	#	%
Home Purchase	3	10.7	6	21.4	5	17.9	10	35.7	4	14.3
Refinance	4	12.1	7	21.2	7	21.2	13	39.4	2	6.1
Home Improvement	3	15.8	5	26.3	8	42.1	1	5.3	2	10.5
Total 2008 HMDA Loans	10	12.5	18	22.5	20	25.0	24	30.0	8	10.0

*Based on median family income for the Rapid City MSA for 2007 and 2008.

The bank extended 6.3% of HMDA loans to low-income borrowers in 2007 and 12.5% in 2008. This lending is low given the demographic data, which indicate 16.3% of families are low income. However, the bank's 2007 HMDA lending to low-income borrowers compares favorably to the aggregate lenders, who originated 3.1% of their loans to low-income borrowers in 2007.

The bank extended 23.8% and 22.5% of HMDA loans to moderate-income borrowers in 2007 and 2008, respectively. This lending compares favorably to demographic data, which indicate 19.3% of families are moderate income. The bank's 2007 HMDA lending is better than the aggregate lenders, who originated 20.4% of their loans to moderate-income borrowers in 2007.

The bank's HMDA lending by loan type is good. For low-income borrowers, the bank's performance by loan type is low given the demographic data, but is good compared with the aggregate lenders' performance in 2007. For example, the bank extended 10.0% of refinance loans to low-income borrowers while aggregate lenders extended 3.3% of refinance loans to these borrowers. The bank's 2007 percentage of home purchase loans to low-income borrowers is similar with that for the aggregate lenders, who extended 2.9% of home purchase loans to low-income borrowers. For moderate-income borrowers, the bank's 2007 lending by HMDA-reportable loan type compares favorably with both the demographic data and the aggregate lenders' performance. For example, the bank originated 20.0% and aggregate lenders originated 18.8% of refinance loans to moderate-income borrowers. The comparable percentages for home purchase loans are 23.8% for the bank and 22.0% for the aggregate lenders.

Community contacts and bank management emphasized that there continues to be a shortage of affordable housing. Specifically, the bank's assessment area has a limited supply of housing considered affordable to many low-income and some moderate-income borrowers. As previously mentioned, the assessment area has experienced appreciation in home prices during the evaluation period. Wages have not kept pace with the appreciation in housing prices. There are some programs available to low- and moderate-income borrowers that provide first-time homebuyer counseling and down payment assistance.

Given the assessment area's characteristics and the aggregate lenders' performance, the bank's HMDA lending to low- and moderate-income borrowers is good.

Overall, the bank's lending reflects good penetration among individuals of different income levels and businesses and farms of different sizes in the Rapid City MSA assessment area. The bank's small business lending is good and received the most weight for purposes of this conclusion. The bank's performance in the other loan categories ranged from very good to good.

GEOGRAPHIC DISTRIBUTION OF LOANS

FWB extends loans throughout the Rapid City MSA assessment area, and the distribution of loans among census tracts of different income levels is good. The bank originated small business, small farm, consumer, and HMDA loans in all four census tracts in the assessment area, including the one moderate-income census tract. As previously mentioned, the Rapid City MSA does not include any low-income or upper-income census tracts. It includes one moderate-income and three middle-income census tracts. The bank offices are in middle-income census tracts in the southwest corner of the assessment area. Community contacts and bank management did not identify any concentrations of low- or moderate-income individuals within the Rapid City MSA assessment area.

Table 10 shows the geographic distribution data for the bank's small business, small farm, and consumer loans.

<i>Loan Type Sample</i>	<i>Moderate</i>		<i>Middle</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Small Business	4	14.8	23	85.2
Small Farm	28	51.9	26	48.1
Consumer	4	8.2	45	91.8
Number of Census Tracts	1		3	
Percentage of Census Tracts	25.0%		75.0%	
Percentage of Small Businesses	11.1%		88.9%	
Percentage of Small Farms	63.1%		36.9%	
Percentage of Families	17.2%		82.8%	
*Income classification of census tracts based on 2000 median family income for the Rapid City MSA.				

Small business lending. The distribution of small business loans is good. The bank extended 14.8% of small business loans in the moderate-income census tract. According to data reported by Dun & Bradstreet, 11.1% of the assessment area's small businesses are in the moderate-income census tract. According to bank management, most of the moderate-income census tract consists of agricultural land and several very small communities. Given this context and the demographic data, the bank's level of lending in the moderate-income census tract is good.

Small farm lending. The distribution of small farm loans is good. The bank originated 51.9% of its small farm loans in the moderate-income census tract. According to data reported by Dun & Bradstreet, 63.1% of the small farms in the assessment area are in the moderate-income census tract. As mentioned above,

most of the moderate-income census tract consists of agricultural land and several small communities; however, a bank in Faith, South Dakota, is in closer proximity than the bank to parts of the moderate-income census tract, which is geographically large. The location of the bank's offices in the southwest corner of the assessment area affect the geographic distribution of the bank's lending. Given this context and the demographic data, the bank's level of small farm lending in the moderate-income census tract is good.

Consumer lending. The bank's consumer loans are reasonably distributed throughout the assessment area. The bank originated 8.2% of consumer loans in the moderate-income census tract. This is somewhat low given that 16.4% of the assessment area's households live in the moderate-income census tract. As previously mentioned, the location of the bank's offices in the southwest corner of the assessment area affects the geographic distribution of the bank's lending. Given this factor, the distribution of consumer loans within the assessment area is reasonable.

Residential real estate lending. The distribution of HMDA loans throughout the assessment area is good. As shown in Table 11, the bank originated 7.5% and 6.3% of HMDA loans in moderate-income tracts in 2007 and 2008, respectively. In this assessment area, 17.2% of families reside in the moderate-income census tract, but only 13.2% of the assessment area's owner-occupied units are located in this tract. The bank's HMDA lending in the moderate-income census tract appears low given the demographic data; however, in 2007, aggregate lenders originated 6.3% of their loans in the moderate-income tract.

<i>Income Level of Borrower</i>	<i>Moderate</i>		<i>Middle</i>	
<i>Loan Type</i>	#	%	#	%
Home Purchase	3	7.1	39	92.9
Refinance	3	10.0	27	90.0
Home Improvement	0	0.0	8	100.0
Total 2007 HMDA Loans	6	7.5	74	92.5

<i>Income Level of Borrower</i>	<i>Moderate</i>		<i>Middle</i>	
<i>Loan Type</i>	#	%	#	%
Home Purchase	1	3.6	27	96.4
Refinance	3	9.1	30	90.9
Home Improvement	1	5.3	18	94.7
Total 2008 HMDA Loans	5	6.3	75	93.8

*Income classification based on 2000 median family income for the Rapid City MSA.

The bank's level of HMDA lending in the moderate-income census tract is good for several reasons. First, the bank's lending activity compares favorably with the aggregate lending data for 2007. Second, as previously mentioned, the location of the bank's offices in the southwest corner of the assessment area affects the geographic distribution of the bank's lending. Third, only 36.4% of the housing units in the moderate-income tract are owner-occupied units. The majority of housing units are vacant. Given the performance context, the geographic distribution of the bank's HMDA loans is good.

Overall, the geographic distribution and dispersion of the bank's loans is good. The bank originates loans in all census tracts in the assessment area. It also provides loans to borrowers in the moderate-income census tract at levels that range from good to reasonable depending on product type.

COMMUNITY DEVELOPMENT TEST

The bank's community development activity in the Rapid City MSA assessment area is good. The bank's community development activity reflects good responsiveness to community development needs. The bank makes community development loans and qualified investments and provides community development services at a good level and in an appropriate mix given the assessment area's opportunities and needs.

Since the previous evaluation, the bank originated five community development loans for \$2,991,013 in the Rapid City MSA assessment area. Two of the loans were to construct affordable housing in the assessment area. One loan financed improvements to an affordable housing complex in the assessment area. These three loans are responsive to the affordable housing needs in the Rapid City area. The remaining two loans were renewals of an operating line of credit to an organization that provides community services targeted to low- and moderate-income people.

During the evaluation period, bank officers and staff provided a variety of services to community development organizations in the Rapid City MSA assessment area. In the Rapid City MSA assessment area, bank management are involved with organizations that promote economic development at a regional level and organizations that provide community services targeted to low- and moderate-income individuals at both a local and regional or statewide level. The involvement of bank management with community development organizations, both in the bank's assessment area and in a broader regional or statewide area that includes the bank's assessment area, demonstrates the bank's commitment to addressing community development needs.

The bank did not purchase any new qualified investments in this assessment area since the previous evaluation given limited opportunities. It made qualified investment donations to organizations serving the assessment area and a broader regional or statewide area that includes the bank's assessment area. In the bank's Rapid City MSA assessment area, the bank donated \$9,065 to organizations with a community development purpose. Specifically, the bank donated to organizations that provide community services to low- and moderate-income individuals and to organizations focusing on affordable housing for low- and moderate-income people. Many of the organizations with a community development purpose that serve the assessment area have a regional focus.

Overall, the type, level, and mix of the bank's community development activities are good. The bank is responsive to community development needs in the assessment area. The bank's community development lending notably focused on addressing the affordable housing need in the assessment area. Also, the bank's qualified investments and community development services were responsive to a variety of assessment area community development needs.

NONMETROPOLITAN AREA

DESCRIPTION OF THE SPEARFISH ASSESSMENT AREA

The bank operates five full-service branches and six ATMs in the Spearfish assessment area. The bank has two branches in Spearfish, two branches in Deadwood, and one branch in Belle Fourche. Five deposit-taking ATMs are located at the bank offices, and one cash-dispensing-only ATM is located at a grocery store in Belle Fourche.

According to the June 30, 2008, FDIC Deposit Market Share Report, the bank had total deposits of approximately \$194.4 million, representing 32.4% of the total deposits in Lawrence and Butte counties, in the Spearfish assessment area. The Spearfish assessment area deposits represent 53.1% of the bank's total deposits. The bank ranks first in market share of the five banks with offices in the assessment area. Deposit information does not include member share deposits with credit unions in the area.

The bank is the second most active HMDA loan originator in the assessment area. Financial institutions reporting HMDA loans in the assessment area totaled 109. The bank originated 15.9% of HMDA loans reported for the assessment area.

The bank defines its Spearfish assessment area as Lawrence and Butte counties. Specifically, the bank's Spearfish assessment area consists of middle-income census tracts 9961.00, 9962.00, 9963.00, 9964.00, and 9965.00 in Lawrence County and middle-income census tracts 9976.00 and 9977.00 in Butte County. The assessment area does not include any low-, moderate-, or upper-income census tracts; however, the two census tracts in Butte County are distressed middle-income census tracts. The following table states demographic data about the Spearfish assessment area.

<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	1,546	19.2
Moderate Income	0	0.0	0	0.0	0	0.0	1,561	19.3
Middle Income	7	100.0	8,068	100.0	762	9.4	1,936	24.0
Upper Income	0	0.0	0	0.0	0	0.0	3,025	37.5
Total Assessment Area	7	100.0	8,068	100.0	762	9.4	8,068	100.0
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		<i>#</i>	<i>%</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	0	0	0.0	0.0	0	0.0	0	0.0
Middle Income	14,486	8,334	100.0	57.5	4,063	28.0	2,089	14.4
Upper Income	0.0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	14,486	8,334	100.0	57.5	4,063	28.0	2,089	14.4

TABLE 12
Spearfish Assessment Area Demographics

<i>Income Categories</i>	<i>Total Businesses by Tract</i>		<i>Businesses by Tract and Revenue Size</i>					
			<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	0	0.0	0	0.0	0	0.0	0	0.0
Middle Income	1,089	100.0	1,661	100.0	102	100.0	46	100.0
Upper Income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	1,809	100.0	1,661	100.0	102	100.0	46	100.0
Percentage of Total Businesses:				91.8		5.6		2.5
<i>Income Categories</i>	<i>Total Farms by Tract</i>		<i>Farms by Tract and Revenue Size</i>					
			<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	0	0.0	0	0.0	0	0.0	0	0.0
Middle Income	148	100.0	147	100.0	1	100.0	0	0.0
Upper Income	0	0	0	0.0	0	0.0	0	0.0
Total Assessment Area	148	100.0	147	100.0	1	100.0	0	0.0
Percentage of Total Farms:				99.3		0.7		0.0

Income. For purposes of classifying borrower incomes, this evaluation uses the HUD estimated median family income for the relevant area. For borrowers in the nonmetropolitan areas of South Dakota, the figure is \$48,700 for 2007 and \$51,600 for 2008. For purposes of classifying census tract income levels, this evaluation uses the 2000 median family income for the nonmetropolitan areas of South Dakota, which is \$43,237.

Population. The population of the Spearfish assessment area is 30,896 according to 2000 U.S. Census data. Significant cities in the assessment area are Spearfish, Deadwood, and Belle Fourche. Spearfish and Deadwood have populations of 8,606 and 1,380, respectively, according to 2000 U.S. Census data. According to the same data source, Belle Fourche has a population of 4,565.

General economic conditions. The economic conditions of the Spearfish assessment area do not vary greatly from those of the bank's Rapid City MSA assessment area. According to community contacts, the economy in western South Dakota has been strong with continued growth during recent years. According to bank management, the unemployment rate remains low at around 3.1%, which is considered full employment.

Spearfish is considered a retail center for the Northern Hills, similar to Rapid City but on a smaller scale. In addition, Spearfish has a large medical industry and timber industry, along with retail and service industries. Although there are jobs available in Spearfish, some residents drive to Gillette, Wyoming, to work in the mines due to the availability of high-paying jobs with the mining companies. Like the other areas throughout the Northern Hills, Spearfish's economy is also dependent on tourism and the agricultural industry. Spearfish is also home to Black Hills State University.

The small businesses in Spearfish do not seem to have been significantly affected by the decline in the national economy. Business costs have been manageable. According to bank management, some new small businesses have entered the market during the past few years, but some existing small businesses

have also closed. More franchise and national companies and retailers have been starting businesses in the area.

Deadwood's economy is centered on gaming and tourism. Deadwood's casinos are most of the major employers in the community. In addition to the casinos, the hospital, the local and county government (including the school district), and a gold mine are major employers. According to bank management, there are very few small businesses in Deadwood.

In Spearfish and Deadwood, there is a shortage of affordable housing. In Deadwood, the housing stock is inefficient and inadequate. There is a lack of housing, especially affordable housing, for the work force. According to bank management, approximately 50% of the Deadwood employees live in neighboring communities. Spearfish particularly needs affordable housing, according to community contacts. Community contacts stated the median home sales price in Spearfish was \$190,000 in 2007. Homes in Spearfish have appreciated at a rate of approximately 10% per year recently, but the appreciation rate has now slowed to 2% to 3%. The Northern Hills has limited buildable land due to being landlocked by National Forest Service land. The lack of buildable land and new home availability in conjunction with increasing housing demand from retirees, second homebuyers, and investors in the Deadwood and Spearfish areas have driven housing and land prices up. Although there is some affordable housing construction in the Northern Hills, it is not enough to satisfy the high demand. In general, wages have not kept pace with housing prices, making homeownership unaffordable for lower-income wage earners.

Belle Fourche, located in a distressed county, is a ranching community and a bedroom community to Spearfish. The major employers in Belle Fourche are the local government (including the school), a bentonite clay producer, and a variety of general retail and service businesses. During the last year, some small businesses have had to cut hours to control costs. In some cases, the businesses laid off employees. Generally, wages are not high in the community. Similar to some Spearfish residents, some Belle Fourche residents also drive to Gillette, Wyoming, to work in the mines.

The ranching economy in Belle Fourche has been strong until recently. Even considering higher input costs in recent years, ranchers were doing well. Prices, however, have now started to decline. Most of the agricultural activity in the Belle Fourche area is livestock operations.

Belle Fourche has had some new housing development during the past few years, but the activity has slowed significantly during the past several months. The appreciation of home prices has also slowed. According to bank management, there is some shortage of affordable housing in Belle Fourche. Generally, housing in Belle Fourche costs about \$30,000 to \$50,000 less than comparable housing in Spearfish.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance in the Spearfish assessment area is good. The distribution lending to borrowers of different income levels and to small businesses and farms of different sizes is good. The geographic dispersion of the bank's loans is also good. The bank's community development activity in the Spearfish assessment area is responsive to the area's community development needs. Finally, the community development activity level and mix are good overall.

LENDING TEST

FWB's level of lending reflects good responsiveness to credit needs in the Spearfish assessment area. The Lending Test consists of a review of the bank's 2007 and 2008 HMDA data and a statistical sample

of small business, small farm, and consumer loans originated between April 10, 2008, and October 10, 2008. Table 13 sets forth data about the bank's 2007 and 2008 HMDA loans and the sample of 2008 small business, small farm, and consumer loans.

TABLE 13				
2007 HMDA Lending in the Spearfish Assessment Area				
<i>Loan Type</i>	<i>Number of Loans</i>		<i>Amount of Loans (in thousands)</i>	
Home Purchase	145	54.5%	\$20,848	64.2%
Refinance	92	34.6%	\$ 9,386	28.9%
Home Improvement	21	7.9%	\$ 1,096	3.4%
Multifamily	8	3.0%	\$ 1,132	3.5%
Total 2007 HMDA Loans	266	100.0%	\$32,462	100.0%
2008 HMDA Lending in the Spearfish Assessment Area				
<i>Loan Type</i>	<i>Number of Loans</i>		<i>Amount of Loans (in thousands)</i>	
Home Purchase	91	42.1%	\$12,336	44.9%
Refinance	92	42.6%	\$13,930	50.6%
Home Improvement	33	15.3%	\$ 1,237	4.5%
Multifamily	0	0.0%	\$ 0	0%
Total 2008 HMDA Loans	216	100.0%	\$27,503	100.0%
2008 Loan Sample in the Spearfish Assessment Area				
<i>Loan Type</i>	<i>Number of Loans</i>		<i>Amount of Loans (in thousands)</i>	
Small Business	79	40.5%	\$ 9,971	83.4%
Small Farm	28	14.4%	\$ 1,197	10.0%
Consumer	88	45.1%	\$ 784	6.6%
Total 2008 Loan Sample	195	100.0%	\$11,952	100.0%

The bank extended 70.0% of loans made to borrowers in its two assessment areas to borrowers in the Spearfish assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES

The bank's lending to borrowers of different income levels and to businesses and farms of different sizes is good in the Spearfish assessment area.

Small business lending. The bank's small business lending is reasonable. The bank's small business lending is detailed in Table 14.

TABLE 14				
Small Business Loans				
<i>Small Business Loans</i>	<i>≤ \$100,000</i>	<i>> \$100,000 to ≤ \$250,000</i>	<i>> \$250,000 to ≤ \$1,000,000</i>	<i>Total Originations</i>
Percentage of Small Business Loans	60.8%	26.6%	12.7%	100.0%
Percentage of Loans to Businesses with Revenues ≤ \$1 Million	66.7%	23.3%	10.0%	75.9%

Overall, the bank originated 75.9% of its small business loans to businesses with gross annual revenues of \$1 million or less. According to reports published by Dun & Bradstreet, 91.8% of the businesses in the assessment area are small businesses. Nonetheless, the bank's lending to small businesses is reasonable for several reasons. As mentioned, in Belle Fourche, some small businesses have had to cut hours to control costs. In some cases, the businesses laid off employees. Bank management did not note any expansion by small businesses in the assessment area. In addition, bank management stated that some small business owners have used personal credit cards or home equity loans to pay for business costs in order to take advantage of better rates and for other personal reasons.

The bank originates most small business loans in small-dollar amounts. The bank originated 90.0% of its loans to small businesses for amounts of \$250,000 or less as shown in Table 14.

Small farm lending. The bank's small farm lending is very good and is detailed in Table 15.

<i>Small Farm Loans</i>	$\leq \$100,000$	$> \$100,000$ to $\leq \$250,000$	$> \$250,000$ to $\leq \$500,000$	<i>Total Originations</i>
Percentage of Small Farm Loans	92.9%	3.6%	3.6%	100.0%
Percentage of Loans to Farms with Revenues \leq \$1 Million	96.3%	3.7%	0.0%	96.4%

Overall, the bank originated 96.4% of its small farm loans to farms with gross annual revenues of \$1 million or less. According to reports published by Dun & Bradstreet, 99.3% of the farms in the assessment area are small farms. Agricultural conditions have resulted in stable demand for agricultural credit in the assessment area.

The bank originates most small farm loans in small-dollar amounts. The bank originated 100.0% of its loans to small farms for amounts of \$250,000 or less as shown in Table 15.

Consumer lending. The bank's consumer lending to borrowers of different income levels is reasonable. The bank's consumer lending is detailed in Table 16.

	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>		<i>Unknown Income</i>	
	#	%	#	%	#	%	#	%	#	%
Consumer	12	13.6	11	12.5	27	30.7	34	38.6	4	4.5
Percentage of Families by Income Levels**	19.2%		19.3%		24.0%		37.5%		NA	
Percentage of Households by Income Levels**	23.9%		16.8%		19.2%		40.1%		NA	
*Based on median family income for the nonmetropolitan areas of South Dakota for 2007 and 2008.										
**Based on 2000 census data.										

The bank originated 13.6% and 12.5% of its consumer loans to low- and moderate-income borrowers, respectively. The bank's level of lending to low- and moderate-income borrowers is slightly low given the assessment area's demographic data, which indicate 19.2% of the families and 23.8% of the

households in the assessment area are low income and 19.3% of the families and 16.8% of the households in the assessment area are moderate income. The bank offers a variety of consumer loan products, which helps the bank serve the credit needs of low- and moderate-income borrowers. Given the comparison of the bank's loan distribution with the assessment area's demographic data, the bank's lending is reasonable.

Residential real estate loans. The distribution of the bank's HMDA loans by borrower income is good. Table 17 sets forth data about the bank's 2007 and 2008 HMDA lending.

<i>Income Level of Borrower</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
<i>Loan Type</i>	#	%	#	%	#	%	#	%	#	%
Home Purchase	8	5.5	18	12.4	38	26.2	77	53.1	4	2.8
Refinance	5	5.4	17	18.5	21	22.8	43	46.7	6	6.5
Home Improvement	1	4.8	2	9.5	5	23.8	12	57.1	1	4.8
Multifamily	0	0.0	0	0.0	0	0.0	0	0.0	8	100.0
Total 2007 HMDA Loans	14	5.3	37	13.9	64	24.1	132	49.6	19	7.1

<i>Income Level of Borrower</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
<i>Loan Type</i>	#	%	#	%	#	%	#	%	#	%
Home Purchase	6	6.6	23	25.3	22	24.2	36	39.6	4	4.4
Refinance	3	3.3	16	17.4	20	21.7	48	52.2	5	5.4
Home Improvement	5	15.2	4	12.1	8	24.2	14	42.4	2	6.1
Multifamily	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total 2008 HMDA Loans	14	6.5	43	19.9	50	23.1	98	45.4	11	5.1

*Based on the median family income for the nonmetropolitan areas of South Dakota for 2007 and 2008.

The bank extended 5.3% of HMDA loans to low-income borrowers in 2007 and 6.5% in 2008. This lending is low given the demographic data, which indicate 19.2% of families are low income within the assessment area. However, as previously mentioned, housing prices have steadily appreciated during the evaluation period resulting in fewer affordable homes available for low- and moderate-income individuals to purchase. The bank's HMDA lending to low-income borrowers, however, compares favorably with the HMDA data of the aggregate lenders, who extended 4.3% of HMDA loans to low-income borrowers in 2007.

The bank's HMDA lending to moderate-income borrowers is 13.9% and 19.9% for 2007 and 2008, respectively. The level is low for 2007 given the demographic data, which indicate 19.3% of families are moderate income within the assessment area, but the 2008 level is good. The bank's level of lending to moderate-income borrowers is consistent with the aggregate lenders. Aggregate lenders originated 13.4% of HMDA loans to moderate-income borrowers in 2007.

The bank's HMDA lending by loan type is good. For low-income borrowers, the bank's performance by loan type is low compared with demographic data. For home purchase and refinance loans extended to low-income borrowers, however, the bank's performance is better than the aggregate lenders' performance. The bank's home purchase lending to moderate-income borrowers is comparable to the

aggregate lenders' lending; however, the bank performed better than the aggregate lenders when making refinance loans to moderate-income borrowers.

Similar to the bank's Rapid City MSA assessment area, the Spearfish assessment area has a limited supply of housing that is affordable to many low-income and some moderate-income borrowers. Given the assessment area's characteristics, the bank does a good job of lending to low- and moderate-income borrowers.

Overall, the bank's lending reflects a good distribution among individuals of different income levels and businesses and farms of different sizes in the Spearfish assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic dispersion of FWB's loans in the Spearfish assessment area is satisfactory and does not reveal any unexplained gaps in lending patterns. As shown in Table 12, the assessment area does not have any low-, moderate-, or upper-income census tracts; it consists of only middle-income census tracts. Discussions with bank management and community contacts did not identify any significant concentrations of low- or moderate-income families in the assessment area. The bank extends small business, consumer, and HMDA loans in all census tracts in its assessment area. The bank did not originate any small farm loans in Lawrence County census tracts 9964.00 and 9965.00; this is reasonable due to the small number of farms located in those census tracts. Analysis of the distribution of the bank's lending by census tract income level is not warranted given all of the assessment area's census tracts have the same income classification. The geographic dispersion of the bank's loans is good.

COMMUNITY DEVELOPMENT TEST

The bank's community development activity in the Spearfish assessment area is good. The bank's community development activity reflects good responsiveness to community development needs. The bank makes community development loans and qualified investments and provides community development services at a good level and in an appropriate mix given the assessment area's opportunities and needs.

Since the previous evaluation, the bank originated two community development loans for \$2,120,320 in the Spearfish assessment area. Both loans address the affordable housing need in the assessment area. One loan financed the construction of an affordable housing development. The second loan provided financing for improvements to a multifamily affordable housing unit in the assessment area.

During the evaluation period, bank officers and staff provided a variety of services to community development organizations in the Spearfish assessment area. Bank management and staff are primarily involved with organizations that have a regional focus. In the Spearfish assessment area, bank management and staff are involved with organizations that provide community services targeted to low- and moderate-income individuals, address affordable housing needs, and promote economic development at both a local and regional level. Additionally, bank management is involved with an organization focused on revitalizing or stabilizing the distressed middle-income geographies. The involvement of bank management and staff with community development organizations, both in the assessment area and in a broader regional area that includes the bank's assessment area, demonstrates the bank's commitment to addressing community development needs.

The bank did not purchase any new qualified investment securities in this assessment area since the previous evaluation. The bank's opportunity for purchasing investments in the assessment area during the

evaluation was limited. The bank's level of qualified investments in the form of donations to community development organizations is reasonable. The bank donated to organizations serving the bank's assessment area and a broader regional or statewide area that includes the bank's assessment area. In the bank's Spearfish assessment area, the bank donated \$9,993 to organizations with a community development purpose. Specifically, the bank donated to organizations that provide community services to low- and moderate-income individuals, promote economic development by financing businesses or farms, and revitalize or stabilize distressed middle-income census tracts.

Overall, the type, level, and mix of the bank's community development activities are good. The bank is responsive to community development needs in the assessment area. The bank's community lending notably focused on addressing the affordable housing need in the assessment area. Also, the bank's qualified investments and community development services were responsive to a variety of assessment area community development needs.

Appendix A

Glossary of Common CRA Terms

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan statistical area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 C.F.R. 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation (the Agencies) have adopted the following additional language as part of the revitalize or stabilize definition of community development.

Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Agencies based on:
 - a. Rates of poverty, unemployment, and population loss or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help meet essential community needs, including the needs of low- and moderate-income individuals.

Consumer loan: A loan to one or more individuals for household, family, or other personal expenditures. It does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending and Community Development Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending and Community Development Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

Low-income: Individual income that is less than 50 percent of the area median income or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan statistical area (MSA): An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan to business: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or classified as commercial and industrial loans.

Small loan to farm: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income or a median family income that is more than 120 percent, in the case of geography.

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)