

PUBLIC DISCLOSURE

August 17, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Security Bank of Missoula
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Missoula, Montana 59801
RSSD 652351

Federal Reserve Bank of Minneapolis
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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 Outstanding.

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

The Community Reinvestment Act (CRA) performance of First Security Bank of Missoula, Missoula, Montana (FSB), demonstrates an excellent responsiveness to the credit and community development needs of its assessment areas.

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 of different sizes is very good.
- The net loan-to-deposit ratio is very good given the bank's size and financial condition and the credit needs of the assessment areas.
- The geographic distribution and dispersion of loans is good in two assessment areas and reasonable in the other.
- The bank originated a substantial majority of loans within its assessment areas.

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

- The community development activities demonstrate an excellent responsiveness to community development needs.
- The bank's community development lending increased significantly in amount and is particularly responsive to community needs.
- The bank's level of community development investments in the form of donations also increased substantially since the previous evaluation.
- Bank directors, officers, and employees provide an excellent level of service to numerous community development organizations.

FSB was evaluated under the Intermediate Small Bank (ISB) Evaluation Procedures at the July 9, 2007, CRA examination and received an outstanding rating.

SCOPE OF EXAMINATION

The bank was evaluated using the ISB Evaluation Procedures. 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.
- 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.

This evaluation of the bank's CRA performance 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 covers the period from the previous CRA evaluation, July 9, 2007, through August 17, 2009.

FSB operates in three assessment areas for CRA purposes: Missoula, Ravalli, and Sanders, Montana. At the previous evaluation, full-scope reviews were conducted for all three assessment areas. The bank originates the majority of its consumer, residential real estate, small business, and community development loans in the Missoula assessment area. For this evaluation, full-scope reviews were conducted for all three assessment areas.

The scope of this evaluation includes residential real estate, consumer, and small business loans. The following table shows data for loans originated in 2008, as provided by the bank for this evaluation. The sample was chosen based on the volume and dollar amount of lending.

<i>Loan Type</i>	<i>Number of Loans</i>	<i>Percentage of Total Number</i>	<i>Total Loan Dollars</i>	<i>Percentage of Total Dollars</i>
Consumer	1,852	57.2	22,974,214	9.9
Residential Real Estate	367	11.3	53,292,847	22.8
Small Business	621	19.2	99,140,657	42.5
Small Farm	18	0.5	3,516,385	1.5
Land, Construction, Development	126	3.9	33,216,505	14.2
Home Equity Line of Credit	255	7.9	21,332,820	9.1
Total	3,239	100.0	233,463,428	100.0

To understand the residential real estate mortgage market in the Missoula assessment area and the bank's performance in that market, an analysis of Home Mortgage Disclosure Act (HMDA) data was completed. FSB is required to report data about residential real estate loan applications under HMDA because it operates offices in a metropolitan statistical area (MSA). The bank's data as well as the aggregate data reported by all HMDA lenders making loans in the assessment areas were analyzed as part of the evaluation.

The bank's Lending Test performance was based on a review of the 2007 and 2008 HMDA data, which includes home purchase, refinance, and home improvement loans as well as multifamily dwelling loans. The evaluation was also based on statistical samples of the bank's small business and consumer loans originated between January 1, 2009, and June 30, 2009. The analysis was based on the universe of 827 HMDA loans reported for 2007 and 2008 and statistical samples of 158 consumer loans and 113 small business originated in 2009.

In addition to the loan activity, the bank's community development lending, qualified investments and donations, and community development services were reviewed in each of the bank's assessment areas. The review period for community development activity was also July 9, 2007, to August 17, 2009.

The bank's CRA performance is weighted as follows to determine the overall, Lending Test, and Community Development Test ratings. The Community Development Test received greater weight than

the Lending Test due to lower credit demand as a result of current economic conditions. For the same reason, the need for community services, economic development, affordable housing, etc., have increased while funding sources have decreased. The bank's community development activities given the competitive banking environment and availability of community development opportunities received greater weight in determining the overall rating.

- For the Lending Test, the bank's lending activity in the Missoula assessment area received the greatest weight. The bank's lending is concentrated in this assessment area.
- The bank's residential real estate lending activity received the most weight as it represents the largest percentage of the bank's loans in the sample period by volume and dollar amount.
- For the Lending Test performance criteria, lending to borrowers of different income levels and to businesses of different sizes received the greatest weight. Remaining criteria were weighted equally.
- For the Community Development Test, activity in the Missoula assessment area received the most weight because the bank's activities and branches are concentrated there.

DESCRIPTION OF INSTITUTION

Structure. FSB is a full-service financial institution with its main office in Missoula, Montana. The bank is a subsidiary bank of Glacier Bancorp, Inc., Kalispell, Montana (GBCI), a multibank holding company, which also owns the following banks:

- Glacier Bank, Kalispell, Montana;
- Big Sky Western Bank, Bozeman, Montana;
- Valley Bank of Helena, Helena, Montana;
- Western Security Bank, Billings, Montana;
- First Bank of Montana, Lewistown, Montana;
- Mountain West Bank, Coeur d'Alene, Idaho;
- Citizens Community Bank, Pocatello, Idaho;
- 1st Bank, Evanston, Wyoming; and
- The Bank of the San Juans, Durango, Colorado.

Offices. The bank operates 12 offices in western Montana. It operates eight offices in Missoula; one office in Hamilton, Montana; one office in Corvallis, Montana; one office in Thompson Falls, Montana; and one office in Plains, Montana. Three of the Missoula offices are paying and receiving branches with no loan activity, and seven of the eight branch offices in Missoula are located in moderate-income census tracts. Since the last evaluation, the bank consolidated one of its Hamilton, Montana, offices into the other branch in Hamilton.

The bank operates 19 automated teller machines (ATM). Of these ATMs, 11 are located at the bank's office locations, while the remaining eight are located at grocery stores or convenience stores. The majority of the ATMs offer 24-hour access. The bank does not have any ATMs that accept deposits. Since the previous evaluation, the bank closed one ATM, which was located at the consolidated Hamilton branch.

In addition to its branch network and ATMs, the bank also delivers its products and services through telephone banking and an Internet web site. Both allow 24-hour access to account information. Customers are able to perform transactions such as account inquiries and fund transfers between accounts.

These services are available to consumer, business, and agricultural customers. Online services include online banking, bill-payment, and residential real estate applications.

Loan portfolio. According to the Report of Condition dated June 30, 2009, FSB has total assets of \$832.0 million and total loans of \$581.9 million. The loan portfolio consists of 69.0% commercial, 24.4% residential real estate, 4.4% consumer, and 1.2% other, and 1.0% agricultural. While the loan portfolio composition hardly changed since the previous evaluation, the bank experienced modest loan growth of 5.7%. The modest loan growth is explained by the decline in demand for construction, commercial, and residential real estate lending over the past two years. This evaluation did not reveal any financial constraints or impediments on the bank's ability to fulfill the credit needs of its assessment area.

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 its assessment areas. Financing for consumer, commercial, and agricultural borrowers is provided through various mortgage loan programs, lines of credit, and several installment loan products. In addition to conventional loan programs, FSB offers loans through the Federal Housing Administration, Department of Veterans Affairs, Small Business Administration, Rural Development Authority, Montana Board of Investments, and Montana Board of Housing.

In addition to the government-sponsored and -guaranteed loan programs, FSB recently partnered with a certified development entity and a local project through New Market Tax Credit (NMTC) lending. This NMTC involvement is the first of its kind in the state of Montana. The bank's active involvement in this loan program shows a commitment to serving the economic development credit needs of the assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

Assessment areas. Based on its office locations and the requirements of the regulation, the bank has designated three assessment areas for CRA purposes. The Missoula assessment area consists of Missoula County and includes four moderate-income census tracts, 13 middle-income census tracts, and two upper-income census tracts in the Missoula, Montana, MSA. The bank also has two nonmetropolitan assessment areas. The Ravalli assessment area is Ravalli County, which includes one moderate-income census tract, six middle-income census tracts, and one upper-income census tract. The Sanders assessment area is Sanders County, which includes one moderate-income census tract, two underserved and distressed middle-income census tracts, and one upper-income census tract.

Two of the middle-income census tracts in the bank's Sanders assessment area are classified as both distressed and underserved for 2009; previously, the tracts were classified only as underserved. The list of distressed and/or underserved census tracts is updated each April. A one-year lag period exists for census tracts that no longer meet the requirements to be classified as distressed and/or underserved, meaning banks will continue to receive credit for qualified community development activities in these census tracts for 12 months after removal from the list.

According to the June 30, 2008, Federal Deposit Insurance Corporation (FDIC) Summary of Deposits, FSB had total deposits of approximately \$547.1 million, which represent 24.2% of the total deposits throughout Missoula, Ravalli, and Sanders counties. The bank ranks first out of 17 banks with offices in those three counties in total deposits. For the entire state of Montana, FSB ranks seventh in total deposits behind larger national, regional, and community banks.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's CRA rating is outstanding. The outstanding rating is based on a satisfactory rating for the Lending Test and an outstanding rating for the Community Development Test.

LENDING TEST

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 of different sizes is very good.
- The net loan-to-deposit ratio is excellent given the bank's size and financial condition and the credit needs of the assessment areas.
- The geographic distribution and dispersion of loans is good in two assessment areas and reasonable in the other.
- The bank originated a substantial majority of loans within its assessment areas.

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

Since the bank has more than one assessment area, 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 subsequently.

LOAN-TO-DEPOSIT RATIO ANALYSIS

FSB's net loan-to-deposit ratio represents a very good level of lending. Since the previous evaluation, the bank's quarterly net loan-to-deposit ratio has ranged between 95.0% to 104.7%. The average net loan-to-deposit ratio for the nine quarters during the evaluation period is 100.7%. The bank's net loan-to-deposit ratio compares favorably to the bank's national peer group and competitor banks. The national peer group includes all insured commercial banks with assets between \$300 million and \$1 billion. Table 2 shows the bank's quarterly average net loan-to-deposit ratio and the ratios of some local competitors.

<i>Name and Location</i>	<i>Assets as of June 30, 2009 (in thousands)</i>	<i>Average Net Loan-to-Deposit Ratio</i>
First Security Bank of Missoula, Missoula, Montana	\$832,016	100.7%
Farmers State Bank, Victor, Montana	\$313,647	81.7%
Bitterroot Valley Bank, Lolo, Montana	\$201,228	107.3%
Ravalli County Bank, Hamilton, Montana	\$197,081	105.7%
Community Bank of Missoula, Missoula, Montana	\$ 89,330	85.3%
Rocky Mountain Bank, Billings, Montana	\$470,220	93.2%

According to the June 30, 2009, Uniform Bank Performance Report, the net loan-to-deposit ratio for the bank is 99.9%, which is higher than the 86.0% ratio for the national peer group. The bank's high net loan-to-deposit ratio compares favorably to competitors in the assessment area.

The bank operates in a competitive market that includes credit unions and local branches of larger regional and national financial institutions. Local net loan-to-deposit ratio data is not available for these institutions. Overall, the bank's net loan-to-deposit ratio is very good, and it indicates the bank's willingness to fulfill the credit needs of the assessment area. Community contacts did not identify any unmet credit needs in the assessment areas.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

The level of FSB's lending in the assessment area is very good. The bank originated a substantial majority of loans in its assessment area. Table 3 details the lending activity in the assessment areas by loan type.

<i>Loan Type</i>	<i>Total Number of Loans</i>	<i>Total Amount of Loans</i>
Residential Real Estate	93.8%	92.8%
Small Business	92.0%	95.0%
Consumer	85.4%	76.5%

Overall, the bank originated 92.4% of loans by volume and 92.9% of loans by dollar amount within its assessment areas. The percentage of lending within the assessment areas for residential real estate and small business loans is the highest, while consumer lending percentages are somewhat lower. The reason for the lower percentage of consumer loans is due to the volume of consumer customers who reside outside the assessment areas at least part of the year. The bank's level of lending is consistent with the previous evaluation. The bank extends the substantial majority of loans within its assessment areas.

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

Overall, the bank's level of lending to borrowers of different income levels and to businesses of different sizes is very good. The bank actively lends to low- and moderate-income individuals and to businesses with gross annual revenues of \$1 million or less. The bank's 2007 and 2008 HMDA lending generally compares favorably to aggregate lending. The bank's record of originating consumer and small business loans compares reasonably well to demographic characteristics. Overall the bank's HMDA, consumer, and small business lending is very good.

A detailed discussion of the distribution of lending by borrower incomes and revenue sizes of businesses 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 HMDA, consumer, and small business loans is good in two assessment areas and reasonable in the other. The bank's lending patterns throughout its assessment areas do not reveal any unexplained gaps in lending patterns. Community contacts and bank management

did not identify any concentrations of low or moderate-income individuals within the bank's assessment areas.

Refer to the individual assessment area sections for more detailed information on the geographic distribution of the bank's lending.

RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test is rated outstanding. The bank's community development activity reflects excellent responsiveness to community development needs. As further described, the bank engaged in high levels of community development loans and qualified donations and a very good level of community development services.

Community Development Loans

The bank originated 11 community development loans totaling \$16.2 million in its assessment areas during the evaluation period. This is an excellent level of community development lending given the assessment areas' characteristics, competition, and opportunities for community development loans. Community development loans financed economic development projects, affordable housing initiatives, and assisted nonprofit organizations through community service-type financing.

The most significant community development loan related to the bank's \$13.4 million commitment to an NMTC aimed at economic development and revitalization and stabilization efforts in downtown Missoula and rural Montana. This form of NMTC financing is the first in all of Montana to date.

Community Development Investments

The bank made a significant level of charitable contributions to organizations throughout the assessment areas. The bank's level of qualified donations reflects very good responsiveness to community needs. For all assessment areas, donations total \$149,425. At the previous evaluation, the bank had donated \$178,070, but this was over an evaluation period of five years as compared to this evaluation, which covers only two years. The majority of the dollars donated were in the Missoula and Sanders assessment areas. In addition, the bank made in-kind donations of office furniture to several nonprofit organizations. The furniture was valued at approximately \$2,975.

Community Development Services

Several bank officers and employees provide a high level of community development services in the assessment areas. The focus of the bank's community development services reflects assessment area needs.

Many bank employees and board directors donate their time to provide financial expertise and technical assistance to a number of organizations in the community. These organizations primarily are community services targeted to low- and moderate-income individuals; however, bank employees also provide services to organizations that provide affordable housing and promote economic development.

Overall, bank officers and employees provided 27 qualified community development services in the assessment areas. Since the previous evaluation, staff donated their financial expertise to organizations and activities with a variety of purposes, including affordable housing, revitalization and stabilization, community service, and economic development. Bank staff serves as board members, finance committee members, or in other financial capacities.

In addition to community development services, the bank continues to provide a free checking account product for consumers. The bank also has seven branches located in moderate-income census tracts in the Missoula assessment area.

Overall, the bank engaged in a high level of community development activities throughout its assessment areas. The bank acted to address needs through making loans and investments and providing services. The bank's activities demonstrate excellent responsiveness to community needs related to affordable housing, services to low- and moderate-income people, and economic development.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The evaluation did not reveal any violations of antidiscrimination laws or regulations, including Regulation B--Equal Credit Opportunity Act and the Fair Housing Act, or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

METROPOLITAN AREA

DESCRIPTION OF THE MISSOULA, MONTANA, ASSESSMENT AREA

Including the main office, the bank has eight offices located in the Missoula assessment area. The assessment area includes Missoula County, which makes up the Missoula, Montana, MSA.

According to the June 30, 2008, FDIC Deposit Market Share Report, the bank had total deposits of approximately \$355.4 million, representing 23.2% of the total deposits in the MSA. Deposits in the Missoula assessment area represent the vast majority (64.9%) of the bank's total deposits. The bank ranks second in market share behind one larger regional bank. The following table provides detailed data about the demographic characteristics of the Missoula 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	4,467	19.2
Moderate Income	4	21.1	3,585	15.4	751	20.9	4,411	19.0
Middle Income	13	68.4	16,659	71.6	1,150	6.9	5,272	22.7
Upper Income	2	10.5	3,023	13.0	147	4.9	9,117	39.2
Total Assessment Area	19	100.0	23,267	100.0	2,048	8.8	23,267	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	8,879	3,252	13.7	36.6	5,200	58.6	427	4.8
Middle Income	27,613	17,365	73.0	62.9	7,925	28.7	2,323	8.4
Upper Income	4,827	3,176	13.3	65.8	1,521	31.5	130	2.7
Total Assessment Area	41,319	23,793	100.0	57.6	14,646	35.4	2,880	7.0
<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>	
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	1,766	31.3	1,548	30.4	185	41.9	33	29.7
Middle Income	3,436	60.9	3,127	61.5	236	53.4	73	65.8
Upper Income	436	7.7	410	8.1	21	4.8	5	4.5
Total Assessment Area	5,638	100.0	5,085	100.0	442	100.0	111	100.0
Percentage of Total Businesses:				90.2		7.8		2.0

TABLE 4
Missoula Assessment Area Demographics

<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	17	7.2	17	7.5	0	0.0	0	0.0
Middle Income	193	82.1	184	81.4	9	100.0	0	0.0
Upper Income	25	10.6	25	11.1	0	0.0	0	0.0
Total Assessment Area	235	100.0	226	100.0	9	100.0	0	0.0
Percentage of Total Farms:				96.2		3.8		0.0

Income. For purposes of classifying borrower income, the evaluation uses the Department of Housing and Urban Development’s estimated median family income for the relevant area. For borrowers in the Missoula MSA, this figure is \$54,500 for 2007, \$55,400 for 2008, and \$59,400 for 2009. For purposes of classifying census tract income levels, this evaluation uses the relevant area’s median family income from the 2000 census; this figure was \$44,872 for the MSA.

Population. The population of the Missoula assessment area is 95,802 according to 2000 U.S. Census data. The July 2008 census population estimate for Missoula County is 107,320, an increase from the 2000 census of 12.0%. According to 2000 census data, 8.8% of the families in the assessment area have incomes below the poverty level. The statewide percentage of families with incomes below the poverty level is somewhat higher at 10.5%.

Economy. Bank management and community contacts indicated that the city of Missoula enjoyed solid growth until about 2007. Since 2007, much of that growth has slowed, but according to contacts, not to the degree of major metropolitan areas throughout the country. Much of the growth was the result of construction and expansion efforts, especially in real estate development. The Missoula economy is well diversified and includes other industries such as professional and business services, health care, federal and state government, and wholesale and retail trade, community contacts explained. Because of its geographic location and interstate access, Missoula serves as a hub among the cities of Billings, Montana; Boise, Idaho; and Spokane, Washington. Missoula also offers the largest university in Montana and is a regional center for the U.S. Forest Service.

According to the U.S. Bureau of Labor Statistics, the unemployment rate for the Missoula MSA was 5.7% in August 2009, up from an annual average of 4.5% in 2008 and 3.5% in 2007. Contacts estimated that the unemployment rate for the county is currently higher, but still below the national average, or about 7%. The statewide rate has also increased to 6.0% for August 2009 from the annual average of 4.5% for 2008.

Housing. Community contacts said affordable housing continues to be an issue in Missoula, although several factors have changed. The downturn in the economy has affected home sales, but home prices and values are mostly flat. Currently, Missoula has a low foreclosure rate, but contacts are concerned the low rate is explained because it lags behind other economic indicators. Many subsidized housing units are nearly 100% occupied. Residents are not moving from rental units due to uncertainties in employment and living situations. According to bank management and community contacts, worker wages and salaries have not kept pace with the housing prices, which results in more Missoula residents needing and qualifying for affordable housing programs. Contacts explained that because financial

institutions such as banks impacted by the credit downturn have tightened their underwriting criteria, it is more difficult for residents to qualify for conventional home programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's lending performance in the Missoula assessment area is very good. The bank does a very good job of lending to borrowers of different income levels and to businesses of different sizes. The geographic distribution of the bank's loans is good. In this assessment area, the bank's lending to borrowers of different incomes received more weight than lending in areas of different income levels. The weighting reflects the assessment area's characteristics.

The responsiveness of the bank's community development activity in the Missoula assessment area is excellent as evidenced by the level and mix of the activities. The bank's number and volume of community development loans are outstanding. The bank's qualified donations and community development loan activity exhibit the bank's position as a leader in the assessment area. Bank officers and staff continue to provide a relatively high level of community development services to many local organizations. Bank officers and staff serve in a variety of capacities for these organizations.

LENDING TEST

FSB's lending reflects very good responsiveness to the credit needs of the Missoula assessment area. The Lending Test performance is based on a sample of 466 HMDA, 83 consumer, and 54 small business loans. The Missoula assessment area accounts for the majority of the bank's lending activity. In this assessment area, the bank's HMDA lending performance received the most weight given the distribution of the loans in the sample by dollar amount.

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

The bank's performance in providing loans to borrowers of different income levels and to businesses of different sizes is very good in the Missoula assessment area. For this criterion, emphasis is placed on lending to low- and moderate-income borrowers and to businesses with gross annual revenues of \$1 million or less.

Residential real estate loans. The bank's HMDA lending to low- and moderate-income borrowers is very good. FSB is an active HMDA lender in the Missoula assessment area. Overall, the bank's lending performance is comparable to aggregate lenders. The bank offers and participates in several loan programs that help low- and moderate-income borrowers. Table 5 shows data about the bank's 2007 and 2008 HMDA lending by borrower income.

<i>Loan Type</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Home Purchase	12	11.7	13	12.6	17	16.5	50	48.5	11	10.7
Refinance	16	15.5	17	16.5	31	30.1	31	30.1	8	7.8
Home Improvement	4	16.0	9	36.0	7	28.0	5	20.0	0	0.0
Multifamily	0	0.0	0	0.0	0	0.0	0	0.0	1	100.0
Total 2007 HMDA Loans	32	13.8	39	16.8	55	23.7	86	37.1	20	8.6

TABLE 5
2008 Missoula Assessment Area HMDA Loans by Income Level of Borrower

<i>Loan Type</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Home Purchase	7	7.9	17	19.1	21	23.6	34	38.2	10	11.2
Refinance	9	7.7	21	17.9	16	13.7	57	48.7	14	12.0
Home Improvement	2	8.0	9	36.0	3	12.0	7	28.0	4	16.0
Multifamily	0	0.0	0	0.0	0	0.0	0	0.0	3	100.0
Total 2008 HMDA Loans	18	7.7	47	20.1	40	17.1	98	41.9	31	13.2

FSB did a very good job of lending to low- and moderate-income borrowers in 2007 and 2008. In 2007 and 2008, the bank extended 30.6% and 27.8% of all HMDA loans to low- and moderate-income borrowers, respectively. Aggregate lenders extended 16.5% of HMDA loans to low- and moderate-income borrowers during 2007 and 18.6% in 2008. The bank's level of extending HMDA loans to low- and moderate-income borrowers significantly exceeds aggregate lenders for all loan types (i.e., home purchase, refinance, and home improvement).

The bank's lending performance is good compared with demographic data. According to 2000 census data, 19.2% of families are low income and 19.0% are moderate income. While 2007 and 2008 HMDA lending to low-income borrowers is lower than the percentage of low-income families, 13.8% and 7.7%, respectively, it is reasonable given the affordable housing shortage. The bank more closely compares to demographics for refinance and home improvement loans, especially in 2007. As discussed, during the past two years home prices have not fallen significantly, and economic conditions have deteriorated, making it very difficult for individuals and families to afford a home in Missoula. The bank's level of lending to moderate-income borrowers compares favorably to the demographic data at 16.8% for 2007 and 20.1% for 2008.

Given the lack of affordable housing in Missoula, current economic conditions, and the bank's performance compared to aggregate lenders, the bank's residential real estate lending is very good.

Consumer lending. FSB's consumer lending to low- and moderate-income borrowers is excellent. Table 6 provides the lending percentages by number to borrowers of various income levels.

TABLE 6
Distribution of Consumer Loans by Borrower Income Levels

	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>		<i>Unknown Income</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Consumer	25	30.1	23	27.7	10	12.0	12	14.5	13	15.7
Percentage of Households by Income Levels*	23.4%		16.4%		18.6%		41.6%		0.0	
*Based on 2000 census data.										

Consumer lending. The bank's level of lending to low- and moderate-income borrowers is excellent. The bank originated 30.1% and 27.7% of its consumer loans to low- and moderate-income borrowers, respectively. This compares very well to demographics, which indicates 23.4% and 16.3% of households in the assessment area are considered low and moderate income, respectively. The 15.7% of loans categorized as unknown borrower income reflect consumer loans made to bank employees and to long-

time bank customers where income was not used in the credit decision. The bank offers a variety of closed-end and open-end consumer loan products including automobile loans, debt consolidation loans, home equity lines of credit, and unsecured loans, which facilitates the bank's lending to borrowers of different income levels. The bank's record of lending to low- and moderate-income borrowers demonstrates its commitment to meeting credit needs in the assessment area.

Small business lending. The bank's level of lending to small businesses is good. Table 7 shows the percentage of small business loans by loan size and business revenue.

<i>Small Business Loan Originations</i>	\leq \$100,000	$>$ \$100,000 to \leq \$250,000	$>$ \$250,000 to \$1 Million	<i>Total Originations</i>
Percentage of Small Business Loans	67.1%	15.8%	17.1%	100.0%
Percentage of Loans to Businesses with Revenues Less Than or Equal to \$1 Million	72.2%	9.3%	18.5%	71.1%

The bank originated 76 small business loans during the sample period in this assessment area. According to 2009 Dun & Bradstreet data, 90.2% of businesses in the assessment area have revenues of \$1 million or less. The bank extended a majority, 71.1%, of its small business loans to entities with gross annual revenues of \$1 million or less. Though lower than demographics, the level of lending is good given the competitive market in which the bank operates. The bank originates many of its small business loans in small dollar amounts to help serve small entities. The bank originated 72.2% of the loans to small businesses for amounts of \$100,000 or less and 9.3% for amounts between \$100,000 and \$250,000, demonstrating the bank's willingness to meet the credit needs of small businesses in its assessment area.

Overall, the bank's level of lending to borrowers of different income levels and to businesses of different sizes is very good.

GEOGRAPHIC DISTRIBUTION OF LOANS

The dispersion and distribution of loans throughout the Missoula assessment area are good. FSB extended loans in all census tracts in the assessment area. The Missoula assessment area has no low-income and four moderate-income census tracts.

Residential real estate lending. The bank's HMDA lending in low- and moderate-income census tracts is good. Table 8 shows the geographic distribution of HMDA loans for 2007 and 2008.

<i>Loan Type</i>	<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	#	%	#	%	#	%
Home Purchase	18	17.5	75	72.8	10	9.7
Refinance	13	12.6	80	77.7	10	9.7
Home Improvement	2	8.0	20	80.0	3	12.0
Multifamily	0	0.0	1	100.0	0	0.0
Total 2007 Loans	33	14.2	176	75.9	23	9.9

<i>Loan Type</i>	<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Home Purchase	11	12.4	73	82.0	5	5.6
Refinance	21	17.9	78	66.7	18	15.4
Home Improvement	7	28.0	17	68.0	1	4.0
Multifamily	2	66.7	1	33.3	0	0.0
Total 2007 Loans	41	17.5	169	72.2	24	10.3

The bank's residential real estate lending in low- and moderate-income tracts is consistent with aggregate lenders' performance for the 2007 and 2008 data. Specifically, the bank extended 14.2% of HMDA loans in moderate-income tracts in 2007, while aggregate lenders made 16.3% of all HMDA loans in moderate-income tracts. For 2008, the bank made 17.5% of HMDA loans in the moderate-income tracts and aggregate lenders show 16.2%.

The bank's HMDA lending is very good given the assessment area's demographic data. According to the demographic data, 15.4% of families and 13.7% of owner-occupied units are in the moderate-income tracts. Given the relatively small number of owner-occupied units in the moderate-income census tracts, residential real estate lending in the moderate-income tract will be limited, which is the case for both the bank and the aggregate lenders. The bank's HMDA lending in moderate-income areas is generally consistent with the demographic data for owner-occupied units.

Overall, the bank's distribution of the real estate loans is generally consistent with aggregate lending and the demographic characteristics of the assessment area.

Consumer and small business lending. The bank's distribution of consumer and small business loans in census tracts of different income levels is good. Table 9 shows the distribution of consumer and small business loans in the assessment area by income level of census tract.

<i>Loan Type</i>	<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Consumer	20	24.1	58	69.9	5	6.0
Small Business	23	30.3	48	63.2	5	6.6
<i>Demographic Data</i>						
Percentage of Census Tracts	21.1		68.4		10.5	
Percentage of Small Businesses	31.3		60.9		7.7	
Percentage of Families	15.4		71.6		13.0	
Percentage of Households	22.0		65.7		12.3	
*Income classification of census tracts based on 2000 median family income.						

The distribution of consumer loans in low- and moderate-income tracts is good. Consumer lending in moderate-income tracts is consistent with the assessment area's demographic data. FSB extended 24.1% of consumer loans in the moderate-income tracts and the demographic data shows 22.1% of the

assessment area's households are in these tracts. As a result, the distribution of the bank's consumer loans is good.

FSB extended 30.3% of small business loans to entities located in moderate-income tracts. According to the data from Dun & Bradstreet, 31.3% of small businesses are in the moderate-income tracts. The bank's lending in census tracts of all income levels is comparable with the demographic data. The bank operates in a very competitive market. Given the high level of competition and the number of financial institutions operating in the Missoula assessment area, the geographic distribution of small business loans is very good.

Overall, the geographic distribution of the bank's lending is good. The bank's loans are dispersed throughout the assessment area and distributed to borrowers in census tracts of various income levels. The lending activity in moderate-income tracts is good given the competitive market and the locations of the bank's offices. The bank operates seven of its eight offices in moderate-income census tracts throughout the Missoula assessment area. Community contacts identified no unmet credit needs for either residents and businesses in the moderate-income areas.

COMMUNITY DEVELOPMENT TEST

The bank's community development activity is excellent given the opportunities in the Missoula market and competition among financial institutions. The bank's activity evidences outstanding responsiveness to the needs of the assessment area. Although the bank made numerous community development donations and provided a good level of community services, its strongest performance is in community development lending. The community development lending focuses on loans to organizations that provide economic development in Missoula. The community development services and qualified investments include a mix of activities that help meet various needs of the assessment area.

Community development lending. The bank originated 11 community development loans totaling \$16.2 million. Three loans were made to organizations that promote economic development growth and opportunities. In April 2009, the bank committed to and structured a \$13.4 million NMTC for the purpose of construction and development of commercial real estate in a designated distressed area of downtown Missoula. The project is funded under the NMTC program as administered by the Montana Community Development Corporation (MCDC). According to bank management and the MCDC, this is the first project of its kind in the state of Montana using allocated federal funding in the program for redevelopment.

The remaining loans involve financing for affordable housing initiatives as well as loans made to nonprofit organizations to assist with revolving lines of credit or other needs. The bank's support of and involvement with a variety of organizations are very responsive to assessment area credit needs.

Qualified investments. The bank made qualified investments in the form of donations of \$125,360 during the evaluation period in the Missoula assessment area. The donations were made to organizations that support economic development, provide community services targeted to low- and moderate-income people, and support affordable housing for low- and moderate-income people. Many of the community service donations are to health or social service organizations serving low- and moderate-income people in the assessment area. The level and type of activity is reflective of the assessment area needs. Competition among financial institutions for qualified investments is strong.

The level of qualified donations is about half the amount made at the previous evaluation. However, the period is less than half as long. This evaluation is based on a two-year period as opposed to the five-year period of the last evaluation. The bank continues to make a high level of donations to organizations of need, especially during current difficult economic times. In addition to contributions, the bank made in-kind donations of office furniture to several local nonprofit organizations. The furniture is valued at approximately \$2,975. The bank is committed to serving the Missoula community through charitable contributions.

Community development services. The bank provides a variety of community development services that meet the needs of the Missoula assessment area. Bank officers and employees contributed financial skills to organizations that support economic development, provide community development services targeted to low- and moderate-income people, and provide affordable housing to low- and moderate-income people.

Since the previous evaluation, officers and employees served as board members or on advisory committees for four economic development organizations, for four activities with purposes involving the revitalization and stabilization of moderate-income areas, for an organization that benefits affordable housing, and for 12 activities that provided social services targeted to low- and moderate-income people. The level of services remains very good since the previous evaluation. The mix of the bank's community development services changed since the evaluation with the addition of greater variety, including those with purposes of economic development. In most cases, bank staff served in leadership roles such as board or committee members. The bank's performance demonstrates a very good level of community involvement.

Overall, the bank's community development in the Missoula assessment area reflects excellent responsiveness to community development needs. Given the pressures of current economic conditions, the bank's ability to substantially increase its community development activities since the last evaluation is particularly noteworthy.

NONMETROPOLITAN AREA

DESCRIPTION OF THE RAVALLI, MONTANA, ASSESSMENT AREA

The bank has two offices located in the Ravalli assessment area, one in Hamilton and one in Corvallis. The assessment area includes all of Ravalli County. The bank consolidated its drive-up facility located at 501 North First Street in Hamilton, Montana, as of August 2007. In addition, two ATMs are located in the assessment area, one at each branch location.

According to the June 30, 2008, FDIC Deposit Market Share Report, the bank had deposits of approximately \$84.7 million, representing 15.6% of the total deposits in the county. Deposits in the Ravalli assessment area represent approximately 15.5% of the bank's total deposits. The bank ranks third in market share behind two community banks in the area. The following table provides detailed data about the demographic characteristics of the Ravalli assessment area.

TABLE 10								
Ravalli Assessment Area Demographics								
<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>	
	#	%	#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	1,851	17.8
Moderate Income	1	12.5	598	5.9	76	12.7	2,035	20.0
Middle Income	6	75.0	8,513	83.6	863	10.1	2,445	24.0
Upper Income	1	12.5	1,076	10.6	39	3.6	3,892	38.2
Total Assessment Area	8	100.0	10,187	100.0	978	9.6	10,187	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>	
		#	%	%	#	%	#	%
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	951	555	5.1	58.4	263	27.7	133	14.0
Middle Income	13,613	9,168	84.8	67.3	2,997	22.0	1,448	10.6
Upper Income	1,382	1,092	10.1	79.0	214	15.5	76	5.5
Total Assessment Area	15,946	10,815	100.0	67.8	3,474	21.8	1,657	10.4
<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>	
	#	%	#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	114	4.6	105	34.5	5	4.3	4	7.3
Middle Income	2,198	87.8	2,045	87.7	107	92.2	46	83.6
Upper Income	191	7.6	182	7.8	4	3.4	5	9.1
Total Assessment Area	2,503	100.0	2,332	100.0	116	100.0	55	100.0
Percentage of Total Businesses:				93.2		4.6		2.2

TABLE 10
Ravalli Assessment Area Demographics

Income Categories	Total Farms by Tract		Farms by Tract and Revenue Size					
			≤ \$1 Million		> \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	23	9.1	23	9.2	0	0.0	0	0.0
Middle Income	210	83.3	208	83.2	2	100.0	0	0.0
Upper Income	19	7.5	19	7.6	0	0.0	0	0.0
Total Assessment Area	252	100.0	250	100.0	2	100.0	0	0.0
Percentage of Total Farms:				99.2		0.8		0.0

Income. For purposes of classifying borrower income, this evaluation uses the Department of Housing and Urban Development’s estimated median family income for the relevant area. For borrowers in the non-MSA Montana, this figure is \$48,900 for 2007, \$51,700 for 2008, and \$53,500 for 2009. For purposes of classifying census tract income levels, this evaluation uses the relevant area’s median family income from the 2000 census. This figure was \$39,050 for nonmetropolitan Montana.

Population. The population of the Ravalli assessment area is 36,070 according to 2000 U.S. Census data. The July 2008 census population estimate for Ravalli County is 40,664, an increase from the 2000 census of 12.7%. According to 2000 census data, 9.6% of the families in the assessment area have incomes below the poverty level. The statewide percentage of families with incomes below the poverty level is slightly higher at 10.5%.

Economy. Bank management and community contacts stated that prior to mid-2008, the local economy was stable and growing. Since then, national economic conditions have adversely affected the community and the area is now in an economic downturn. Specifically, real estate activity has declined, unemployment has increased, and consumer spending has tightened, according to community contacts.

Bank management and contacts described a declining real estate market. Residential construction and existing home sales have declined, and sales of more expensive homes in particular have suffered. Commercial construction continues to be low due to the lack of land available for development, according to contacts. The overall reduction in real estate activity has led to the closure of a number of local real estate offices.

Consumer spending has tightened in all areas except for day-to-day necessities such as groceries and fuel, said community contacts. The reduction in consumer spending has led to suffering in the retail sector. Downtown Hamilton retail businesses have had to lay off employees or cease operations, especially businesses catering to higher-wage earning consumers, explained community contacts. Two local high-end lighting companies either have closed or are in the process of closing. The area has not experienced the same trend of large job losses as seen in some areas of the country; however, some layoffs have occurred. The log home industry in particular has suffered as a result of the nationwide housing crisis. According to community contacts, two of the area’s largest log home builders have drastically reduced their work force and one ceased operations.

Contacts and bank management stated that Ravalli County offers employment in several industries, including medical/biotechnology/life sciences, agriculture, timber, manufacturing, and retail. The top employers in the area include one of the nation’s largest pharmaceutical companies, the local hospital, a federal government medical research laboratory, the school system, a large local grocery store, and a steel

manufacturing corporation. In the past, the local agricultural industry consisted primarily of timber, cattle, and crops; however, the area's timber industry has been hampered by government restrictions on deforestation. The area is now changing its agricultural focus to greener products such as organic dairy products and meat. Despite these changes, contacts noted the agricultural industry has not experienced growth due to high input costs and the high cost of land in the area.

According to the U.S. Bureau of Labor Statistics, the unemployment rate for Ravalli County was 7.7% in August 2009, an increase from an annual average of 5.8% in 2008 and 4.3% in 2007. Figures for the state are 6.0% in August 2009, an increase from 4.5% annual average for 2008. Generally, wages in the area are fairly low relative to the rest of the state. Contacts explained the local work force possesses a limited skill set and area employers offer limited opportunities for job advancement. Most individuals and families need two or three income sources to make ends meet.

Housing. Although housing values have declined over the last year, local wages remain low relative to high housing prices, according to community contacts. Starter homes are approximately \$169,000 in the current market, compared to \$214,000 in 2008. Prior to the economic downturn, individuals purchased homes for investment and retirement purposes and demand was high. The increase in demand resulted in higher home prices. In addition, one contact believed that home values were inflated like in other popular housing markets across the country. Further, only limited affordable housing has been constructed in the area. As a result, area housing is not affordable for most people.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's lending performance in the Ravalli assessment area is good. The bank does a good job of lending to borrowers of different income levels and to businesses of different sizes. The geographic distribution of the bank's loans is also good. In this assessment area, the bank's lending to borrowers of different income levels received the greatest weight. The weighting reflects the assessment area's characteristics.

The community development activity in the Ravalli assessment area is limited, which is reflective of the opportunities available in the assessment area. The bank's level of qualified investments in the form of donations and the level of community services are reasonably responsive to community needs.

LENDING TEST

FSB's lending reflects good responsiveness to the credit needs of the Ravalli assessment area. The loan sample included 140 HMDA, 27 consumer, and 9 small business loans in the assessment area. For the Ravalli assessment area, the bank's HMDA lending performance received the most weight given the distribution of the loans in the sample by dollar amount. Given the small number of small business loans, this loan type was not analyzed for the Ravalli assessment area.

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

The bank's performance in providing loans to borrowers of different income levels is good in the Ravalli assessment area. For this criterion, emphasis is placed on lending to low- and moderate-income borrowers.

Residential real estate loans. The bank's HMDA lending to low- and moderate-income borrowers is reasonable. Table 11 shows data about the bank's 2007 and 2008 HMDA lending by borrower income.

<i>Loan Type</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
	#	%	#	%	#	%	#	%	#	%
Home Purchase	1	3.7	1	3.7	11	40.7	12	44.4	2	7.4
Refinance	1	2.0	4	8.0	12	24.0	32	64.0	1	2.0
Home Improvement	0	0.0	0	0.0	1	16.7	4	66.7	1	16.7
Total 2007 HMDA Loans	2	2.4	5	6.0	24	28.9	48	57.8	4	4.8

<i>Loan Type</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
	#	%	#	%	#	%	#	%	#	%
Home Purchase	2	16.7	2	16.7	4	33.3	3	25.0	1	8.3
Refinance	4	11.1	8	22.2	6	16.7	17	47.2	1	2.8
Home Improvement	1	11.1	1	11.1	4	44.4	3	33.3	0	0.0
Total 2008 HMDA Loans	7	12.3	11	19.3	14	24.6	23	40.4	2	3.5

FSB did a good job of lending to low- and moderate-income borrowers in 2007 and 2008. During 2007 and 2008, the bank extended 8.4% and 31.6% of all HMDA loans to low- and moderate-income borrowers, respectively. Aggregate lenders extended 13.5% of HMDA loans to low- and moderate-income borrowers during 2007 and 18.2% of loans in 2008. FSB was lower than the aggregate lenders for lending to low- and moderate-income borrowers in 2007 but higher in 2008.

The bank's lending performance is reasonable compared with demographic data. According to 2000 census data, 17.8% of families are low income and 20.0% are moderate income. While 2007 and 2008 HMDA lending to low-income borrowers is lower than the percentage of low-income families, it is reasonable given the affordable housing shortage. As discussed, during the past two years where home prices have not fallen significantly, it is very difficult for residents to be able to afford a home based on current wages and salaries. The bank's level of extending loans to moderate-income borrowers is consistent with the demographic data.

Consumer lending. FSB's consumer lending to low- and moderate-income borrowers is very good. Table 12 provides the lending percentages by number and dollar amount to borrowers of various income levels.

	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>		<i>Unknown Income</i>	
	#	%	#	%	#	%	#	%	#	%
Consumer	11	40.7	3	11.1	6	22.2	7	25.9	0	0.0
Percentage of Households by Income Levels*	20.1%		17.7%		21.3%		40.9%		NA	

*Based on 2000 census data.

The bank's level of lending to low- and moderate-income borrowers is very good. The bank originated 40.7% and 11.1% of its consumer loans to low- and moderate-income borrowers, respectively. Given the small number of consumer loans in the assessment area in the sample, it is more valuable to consider the number of loans versus the percentage to each income category. The bank is well-distributed among borrowers of all income levels. The bank offers a variety of closed-end and open-end consumer loan

products including automobile loans, debt consolidation loans, home equity lines of credit, and unsecured loans, which facilitates its ability to make loans to borrowers of all income levels, including low- and moderate-income borrowers.

Overall, the bank's level of lending to borrowers of different income levels is good. The bank extends loans to borrowers in all income categories. The bank's record of lending is generally consistent with aggregate lenders and demographic characteristics.

GEOGRAPHIC DISTRIBUTION OF LOANS

The dispersion and distribution of loans throughout the Ravalli assessment area are good. FSB extended loans in all of the census tracts in the assessment area. The Ravalli assessment area has no low-income and only one moderate-income census tract.

The bank's distribution of residential real estate and consumer loans in census tracts of different income levels is good. Table 13 shows the bank's residential and consumer lending in the Ravalli assessment area by census tract.

TABLE 13						
2007 Ravalli Assessment Area HMDA Loans						
by Income Level of Census Tract*						
<i>Loan Type</i>	<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Home Purchase	0	0.0	0	0.0	27	100.0
Refinance	4	8.0	43	86.0	3	6.0
Home Improvement	0	0.0	5	83.3	1	16.7
Total 2007 HMDA Loans	4	4.8	75	90.4	4	4.8
2008 Ravalli Assessment Area HMDA Loans						
by Income Level of Census Tract						
<i>Loan Type</i>	<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Home Purchase	0	0.0	11	91.7	1	8.3
Refinance	0	0.0	34	94.4	2	5.6
Home Improvement	0	0.0	7	77.8	2	22.2
Total 2008 HMDA Loans	0	0.0	52	91.2	5	8.8
2009 Ravalli Assessment Area Consumer Loans						
by Income Level of Census Tract						
<i>Loan Type</i>	<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Consumer	1	3.7	23	85.2	3	11.1
Demographic Data						
Percentage of Census Tracts	12.5		75.0		12.5	
Percentage of Families	5.9		83.6		10.6	
Percentage of Households	5.6		85.2		9.2	
*Income classification of census tracts based on 2000 median family income.						

Consumer and residential real estate lending. As shown in Table 13, the bank originated a small number of consumer and residential real estate loans in the moderate-income tract; however, the geographic distribution of these loans is reasonable. The locations of the bank's branch offices are in the middle and

northern sections of the county, while the moderate-income census tract is situated toward the southern part of the county. A number of financial institutions are located in the assessment area, and borrowers likely choose to bank with a financial institution that is more conveniently located than the bank. Community contacts did not identify any unmet credit needs in the assessment area.

For 2007, aggregate lenders originated 5.1% of HMDA loans in the moderate-income tract, 83.8% in the middle-income tracts, and 11.1% in the upper-income tracts, which is very similar to the bank's lending pattern. The figures for 2008 varied little at 5.1% in moderate-income tracts, 80.9% in middle-income tracts, and 14.1% in upper-income tracts. As shown in Table 10, the bank's and aggregate lenders' record of lending mirrors the percentage of owner-occupied units. The bank's lending is consistent with aggregate lenders and reflects demographic characteristics.

Overall, the bank's origination of residential real estate and consumer loans in the assessment area is good. The geographic distribution of loans reflects a good dispersion and distribution throughout the assessment area.

COMMUNITY DEVELOPMENT TEST

The bank's responsiveness to community development needs in the Ravalli assessment area through community development activities is reasonable. As described subsequently, the bank engaged in four community development services, and made qualified investments in the form of donations.

Community development services. One bank employee provided affordable housing instruction to first-time homebuyers. One officer serves on an economic development board, and two employees provide assistance to organizations that serve low- and moderate-income people. The level of competition, relatively small market share for the bank in this assessment area, and lack of new opportunities all limit the bank's ability to participate in community development services.

Qualified investments. The bank made \$1,675 in donations that are qualified investments since the previous evaluation. Most donations targeted low- and moderate-income individuals and families. The bank made no qualified investments in the form of securities in the assessment area. This is reflective of the assessment area, which has limited opportunities to make that type of qualified investment.

Overall, the bank is reasonably responsive to community development needs in the Ravalli assessment area where community development opportunities are limited given the bank's market share and assessment area's characteristics. The bank's activities are responsive to community credit needs. Community contacts identified affordable housing and worsening economic conditions as two areas of concern for the assessment area.

NONMETROPOLITAN AREA

DESCRIPTION OF THE SANDERS, MONTANA, ASSESSMENT AREA

The bank has two offices located in the Sanders assessment area, one in Thompson Falls and one in Plains, Montana. The assessment area includes all of Sanders County. In addition to the branches, the bank has five ATMs at area grocery and convenience stores.

According to the June 30, 2008, FDIC Deposit Market Share Report, the bank had total deposits of approximately \$107.1 million, representing 66.3% of the total deposits in the county. Deposits in the Sanders assessment area represent 19.6% of the bank's total deposits. The bank ranks first in total deposit market share in the area. The following table provides detailed data about the demographic characteristics of the Sanders assessment area.

TABLE 15								
Sanders Assessment Area Demographics								
<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>	
	#	%	#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	747	25.5
Moderate Income	1	25.0	470	16.0	120	25.5	701	23.9
Middle Income	2	50.0	2,453	83.7	269	11.0	632	21.6
Upper Income	1	25.0	9	0.3	0	0.0	852	29.1
Total Assessment Area	4	100.0	2,932	100.0	389	13.3	2,932	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>	
		#	%	%	#	%	#	%
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	995	543	16.6	54.6	252	25.3	200	20.1
Middle Income	4,258	2,716	83.1	63.8	747	17.5	795	18.7
Upper Income	18	10	0.3	55.6	5	27.8	3	16.7
Total Assessment Area	5,271	3,269	100.0	62.0	1,004	19.0	998	18.9
<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>	
			#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	96	15.8	85	15.2	4	17.4	7	28.0
Middle Income	510	84.2	473	84.8	19	82.6	18	72.0
Upper Income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	606	100.0	558	100.0	23	100.0	25	100.0
Percentage of Total Businesses:				92.1	3.8	4.1		

TABLE 15
Sanders Assessment Area Demographics

<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>	
			#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	17	18.7	17	18.9	0	0.0	0	0.0
Middle Income	74	81.3	73	81.1	1	100.0	0	0.0
Upper Income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	91	100.0	90	100.0	1	100.0	0	0.0
Percentage of Total Farms:				98.9		1.1		0.0

Income. For purposes of classifying borrower income, this evaluation uses the Department of Housing and Urban Development’s estimated median family income for the relevant area. For borrowers in the nonmetropolitan areas of Montana, this figure is \$48,900 for 2007, \$51,700 for 2008, and \$53,500 for 2009. For purposes of classifying census tract income levels, this evaluation uses the relevant area’s median family income from the 2000 census; this figure was \$39,050 for nonmetropolitan Montana.

Population. The population of the Sanders assessment area is 10,227 according to 2000 U.S. Census data. The July 2008 census population estimate for Sanders County is 11,034, an increase from the 2000 census of 7.9%. According to 2000 census data, 13.3% of the families in the assessment area have incomes below the poverty level. At 10.5%, the statewide percentage of families with incomes below the poverty level is lower than Sanders County. The classification of certain nonmetropolitan middle-income census tracts as distressed and/or underserved resulted in the classification of both middle-income census tracts in the bank’s Sanders assessment area as distressed and underserved for 2009. Prior to this year, the tracts were classified only as underserved.

Sanders County is sparsely populated and remote. The county includes only three incorporated towns: Plains, Thompson Falls, and Paradise. The ratio of population to land area is about one resident to four square miles, according to information provided by a community contact. The county includes a large amount of national forest land, which is protected from commercial development and construction. Contacts explained much of the county population is made up of seasonal or retired residents who enjoy the area’s scenery, recreational opportunities, and peaceful lifestyle. In fact, the contacts estimate nearly 60% of Sanders County consists of people from other states who purchased and built on the available, affordable land. Contacts said the high retiree population and small work force poses unique economic challenges. The population trend is moving towards an older group, and the younger generation does not return to the area after college due to a lack of employment opportunities, contacts said. Residents typically travel to larger metropolitan areas such as Missoula, Montana, or Spokane, Washington, for retail and other needs.

Economy. Bank management and community contacts explained the local economy has experienced a significant downturn in the last couple of years primarily due to its heavy reliance on the real estate construction industry and lack of diversity. Real estate activity has declined and unemployment rates have increased to the highest in the state of Montana said contacts. Real estate construction and development business is down considerably, and few, if any, new home or commercial buildings are under construction. The area’s economic concentration in the real estate sector, including contractors, realtors, builders, excavators, and insurance companies has resulted in a significant overall decline.

Employment. According to the Montana Department of Labor and Industry, the unemployment rate in Sanders County is 12.2% as of August 2009 compared to the statewide average of 6.0%. Only Lincoln County to the north has a higher unemployment rate than Sanders County in all of Montana. The rate for August 2009 is significantly higher than the annual average for 2008 and 2007 for Sanders County at 9.1% and 6.5%, respectively.

The contacts explained currently about 500 people are looking for employment in the county, but only about nine jobs are available. The timber industry used to employ a substantial number of people with well-paying jobs, but many of the lumber mills have laid off local workers and are harvesting wood and wood products more globally in places like Canada and overseas, according to the contacts. While Thompson Falls and other areas in Sanders County have some small businesses, many are sole proprietorships operated in people's homes because of the reduced overhead costs. The area has not had much success in attracting new businesses, the contacts explained, because no major highway or interstate is available as well as few incentives to set up operations. A hospital is located in Plains, and other employers include the government, school district, and the forest service. Community contacts said the upcoming winter season will be challenging since any remaining jobs related to the construction industry will provide even less income to employees.

Housing. Bank management and contacts said that although housing values have not declined over the last few years, local wages remain low relative to high housing prices. The average housing price is estimated to be at least \$300,000. The high average value of the homes is driven by wealthy retirees with second or vacation homes who built during the real estate boom. Contacts explained the increase in this type of housing has driven up the value of other homes in the area, but the local workforce is unable to afford the housing and property taxes based on their relatively low income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's lending performance in the Sanders assessment area is very good. The bank does a very good job of lending to borrowers of different income levels and to businesses of different sizes. The geographic distribution of the bank's loans is reasonable. In this assessment area, the bank's lending to borrowers of different incomes received more weight than lending in areas of different income levels. The weighting reflects the assessment area's characteristics.

The community development activity in the Sanders assessment area is limited but good. The bank's level of qualified investments in the form of donations and the level of community services are good.

LENDING TEST

FSB's lending reflects good responsiveness to the credit needs of the Sanders assessment area. The Lending Test performance is based on a sample of 170 HMDA, 25 consumer, and 19 small business loans. The Sanders assessment area accounts for approximately 15% of the bank's lending activity. In this assessment area, the bank's HMDA lending performance received the most weight given the number of loans in the sample.

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

The bank's performance in providing loans to borrowers of different income levels and to businesses of different sizes is very good in the Sanders assessment area. For this criterion, emphasis is placed on lending to low- and moderate-income borrowers and to businesses with gross annual revenues of \$1 million or less.

Residential real estate loans. The bank's HMDA lending to low- and moderate-income borrowers is very good. Table 16 shows data about the bank's 2007 and 2008 HMDA lending by borrower income.

<i>Loan Type</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
	#	%	#	%	#	%	#	%	#	%
Home Purchase	3	23.1	1	7.7	4	30.8	3	23.1	2	15.4
Refinance	11	17.2	7	10.9	16	25.0	26	40.6	4	6.3
Home Improvement	8	57.1	3	21.4	2	14.3	1	7.1	0	0.0
Total 2007 HMDA Loans	22	24.2	11	12.1	22	24.2	30	33.0	6	6.6

<i>Loan Type</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
	#	%	#	%	#	%	#	%	#	%
Home Purchase	5	50.0	4	40.0	1	10.0	0	0.0	0	0.0
Refinance	10	15.9	11	17.5	15	23.8	21	33.3	6	9.5
Home Improvement	0	0.0	0	0.0	3	50.0	3	50.0	0	0.0
Total 2008 HMDA Loans	15	19.0	15	19.0	19	24.1	24	30.4	6	12.9

FSB did an excellent job of lending to low- and moderate-income borrowers in 2007 and 2008. During 2007 and 2008, the bank extended 36.3% and 38.0% of all HMDA loans to low- and moderate-income borrowers, respectively. Aggregate lenders extended 22.1% of HMDA loans to low- and moderate-income borrowers during 2007, a smaller percentage than FSB. For 2008, aggregate lenders reported 31.7% of all HMDA loans made to low- and moderate-income borrowers, also less than FSB.

The bank's lending performance is very good compared with demographic data. According to 2000 census data, 25.5% of families are low income and 23.9% are moderate income. While 2007 and 2008 HMDA lending to low- and moderate-income borrowers is lower than the percentage of families, it is reasonable given the lack of available affordable housing in the assessment area. As mentioned previously, community contacts stated that it is difficult for families or individuals to be able to afford a home in the assessment area. The contacts noted that home prices were very high and disproportionate to local wages. The bank's level of extending HMDA loans to low- and moderate-income borrowers compares favorably to the demographic data given the lack of affordable housing.

Consumer lending. FSB's consumer lending to low- and moderate-income borrowers is very good. Table 17 provides the lending percentages by number and dollar amount to borrowers of various income levels.

	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>		<i>Unknown Income</i>	
	#	%	#	%	#	%	#	%	#	%
Consumer	9	36.0	4	16.0	5	20.0	5	20.0	2	8.0
Percentage of Households by Income Levels*	29.4%		18.7%		19.7%		32.2%		NA	

*Based on 2000 census data.

The bank's level of lending to low- and moderate-income borrowers is very good. The bank originated 52.0% of its consumer loans to low- and moderate-income borrowers. This compares very well to demographics, which indicates 48.1% of households in the assessment area are considered low and moderate income. As mentioned, the bank offers a wide variety of closed-end and open-end consumer loan products to meet the credit needs of borrowers of all income levels, including low- and moderate-income borrowers. The bank's record of consumer lending demonstrates its commitment to meeting credit needs in the assessment area.

Small business lending. The bank's level of lending to small businesses is very good. Table 18 shows the percentage of small business loans made to businesses of different sizes.

<i>Small Business Loan Originations</i>	<i>≤ \$100,000</i>	<i>> \$100,000 to ≤ \$250,000</i>	<i>> \$250,000 to \$1 Million</i>	<i>Total Originations</i>
Percentage of Small Business Loans	94.7%	0.0%	5.3%	100.0%
Percentage of Loans to Businesses with Revenues Less Than or Equal to \$1 Million	94.4%	0.0%	5.6%	94.7%

The bank originated 19 small business loans during the sample period in this assessment area. According to 2009 Dun & Bradstreet data, 92.1% of businesses in the assessment area have revenues of \$1 million or less. The bank extended a vast majority, 94.7%, of its small business loans to entities with gross annual revenues of \$1 million or less. Consistent with demographics, the level of lending is very good given the competitive market in which the bank operates. In addition, the bank originates many of its small business loans in small dollar amounts to help serve small entities. The bank originated 94.4% of the loans to small businesses for amounts of \$100,000 or less, demonstrating the bank's willingness to meet the credit needs of small business entities in its assessment area.

Overall, the bank's level of lending to borrowers of different income levels and to businesses of different sizes is very good. The bank's record of lending compares favorably to aggregate lenders and demographic characteristics.

GEOGRAPHIC DISTRIBUTION OF LOANS

The dispersion and distribution of loans throughout the Sanders assessment area are reasonable. FSB did not extend loans in two census tracts in the assessment area. Table 19 shows the distribution of loans in the assessment area by income level of census tract.

<i>Loan Type</i>	<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	#	%	#	%	#	%
Home Purchase	0	0.0	13	100.0	0	0.0
Refinance	0	0.0	64	100.0	0	0.0
Home Improvement	0	0.0	14	100.0	0	0.0
Total 2007 HMDA Loans	0	0.0	91	100.0	0	0.0

TABLE 19						
2008 Sanders Assessment Area HMDA Loans by Income Level of Census Tract						
<i>Loan Type</i>	<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	#	%	#	%	#	%
Home Purchase	0	0.0	10	100.0	0	0.0
Refinance	0	0.0	63	100.0	0	0.0
Home Improvement	0	0.0	6	100.0	0	0.0
Total 2008 HMDA Loans	0	0.0	79	100.0	0	0.0
2009 Ravalli Assessment Area Consumer Loans by Income Level of Census Tract						
<i>Loan Type</i>	<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	#	%	#	%	#	%
Consumer	0	0.0	25	100.0	0	0.0
Small Business	0	0.0	19	100.0	0	0.0
<i>Demographic Data</i>						
Percentage of Census Tracts	25.0		50.0		25.0	
Percentage of Families	16.0		83.7		0.3	
Percentage of Households	18.7		81.0		0.3	
Percentage of Businesses	15.8		84.2		0.0	
*Income classification of census tracts based on 2000 median family income.						

Overall, the geographic distribution of the bank's loans in the assessment area is reasonable and does not reveal any unexplained gaps in lending patterns. The assessment area includes no low-income census tracts, one moderate-income census tract, two middle-income census tracts, and one upper-income census tract. The bank originates the majority of its loans in the middle-income census tracts, which is reasonable since 83.7% of the families, 81.0% of the households, and 84.2% of businesses in the assessment area reside in these tracts.

Of the four census tracts in the bank's assessment area, the bank did not originate loans in either the moderate-income or the upper-income tract in Sanders County. According to bank management, low population, geographic barriers, and competition from other financial institutions are reasons for the inactivity in these areas. The moderate-income census tract consists of the western portion of the Flathead Indian Reservation, but most tribal members and the resident population live on the eastern side of the reservation in towns such as Polson, Pablo, and Ronan. In addition, a branch of a Polson bank is located in Hot Springs, the largest town in the tract, which serves the credit and deposit needs of the residents. The tribe also owns a bank located in Polson to serve the needs of tribal members.

Given the size and distance of Plains, where the bank's closest branch is located, it is unlikely residents of the moderate-income tract would travel there for banking. For both shopping and employment, contacts and bank management explained residents typically go to Hot Springs, Polson, and Ronan where several financial institutions are located. The upper-income census tract has a population of only 32, and as such, the lack of lending in this area is understandable. Given these demographic characteristics, the bank's lack of lending in the moderate- and upper-income tracts is reasonable.

Residential real estate lending. As shown in Table 19, the bank originated all residential real estate loans in the middle-income tracts. However, the geographic distribution of these loans is reasonable considering the factors discussed previously. The locations of the bank's branch offices are in the middle-income census tracts, while the moderate-income census tract is situated on a portion of the Flathead Indian Reservation.

Aggregate lenders for 2007 originated 6.4% of residential real estate loans in the moderate-income tract and 93.6% in the middle-income tracts. The figures for 2008 are 7.4% and 92.6%, respectively. Similar to the bank, aggregate lending is concentrated in the middle-income tracts. Overall, the bank's origination of residential real estate loans in the assessment area is reasonable.

Consumer and small business lending. All of the loans in the consumer and small business samples were originated in the middle-income census tracts. This is reasonable based on the other factors as explained. According to data provided by Dun & Bradstreet, 15.8% of the businesses and 18.7% of the households are located in the moderate-income census tract. The location of the bank's branch in Plains although near the moderate-income tract is not convenient or close to the population centers in that tract. Community contacts did not identify any unmet credit needs in the assessment area.

Overall, the geographic distribution of loans reflects a reasonable dispersion and distribution throughout the assessment area.

COMMUNITY DEVELOPMENT TEST

The bank's responsiveness to community development needs in the Sanders assessment area through community development activities is good given the opportunities available. As described subsequently, the bank engaged in three community services aimed at revitalization and stabilization and made qualified investments in the form of donations.

Community development services. One bank employee serves as a board member of a local community development corporation. Another officer serves as a member of the local chamber of commerce and also presented at a small business financing seminar. These services help to revitalize and stabilize the distressed and underserved areas in the county. The level of competition and lack of opportunities limit the bank's ability to participate in community development services.

Qualified investments. The assessment area has limited opportunities to make qualified investments. However, the bank made \$22,390 in donations that are qualified investments since the previous evaluation. The donations helped provide services to low- and moderate-income individuals and families as well as helped with efforts to stimulate economic development and address affordable housing needs. Several of the donations involved activities that revitalize and stabilize the distressed and/or underserved census tracts in the county.

Overall, the bank is responsive to community development needs in the Sanders assessment area where community development opportunities are limited.

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.)