

PUBLIC DISCLOSURE

September 12, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First Western Bank Sturgis
26773**

**1200 Main Street
P.O. Box 9
Sturgis, South Dakota 57785-0009**

**Federal Deposit Insurance Corporation
2345 Grand Boulevard, Suite 1200
Kansas City, Missouri 64108**

NOTE: 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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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The First Western Bank Sturgis** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **September 12, 2005**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Support for this rating is summarized below.

The Lending Test is rated Satisfactory.

- The average net loan-to-deposit ratio of 79 percent since the last evaluation demonstrates a reasonable willingness to lend given the bank's financial condition and size and comparisons to similarly situated lenders.
- Using interagency sampling procedures, it was determined that the bank originated a substantial majority of the sampled commercial loans within its assessment area. In addition, a majority of the sampled agricultural loans and residential loans were originated within the assessment area. This performance demonstrates a reasonable record of lending inside the assessment area.
- The institution is originating loans to farm and business operators of various revenue sizes and individuals of different income levels. Lending performance data evidences that an excellent number and dollar volume of loans have been extended to small farm operators and that a reasonable number and dollar volume of loans have been extended to small business operators and low- and moderate-income individuals.
- The geographic distribution of commercial and residential loans reflects reasonable dispersion throughout the assessment area, while the dispersion of agricultural loans is deemed excellent.
- The bank has not received any written CRA-related complaints since the last evaluation; therefore, this performance criterion was not evaluated.

The Community Development Test is rated Satisfactory.

- The bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering the bank's capacity and the need and availability of such opportunities for community development in the assessment area.

DESCRIPTION OF INSTITUTION

The First Western Bank Sturgis (FWBS) operates from its main office in Sturgis, South Dakota, which is located in the western portion of Meade County. Branch offices are located in Belle Fourche, Deadwood, Piedmont, and Spearfish, all of which are also located in western South Dakota. The bank offers a variety of deposit products, services, and loan products, including agricultural, commercial, residential, and consumer loans. These products are consistent with its size, financial capacity, and geographic location. First Western Bancorp, Inc. of Huron, South Dakota, a three-bank holding company, controls the bank.

As of June 30, 2005, the bank had total assets of \$335,187,000, total loans of \$270,569,000, and total deposits of \$301,471,000. Other than the legal lending limit, there are no financial or legal impediments that would restrict the bank's ability to lend in its assessment area. At the previous FDIC CRA Performance Evaluation, dated August 30, 1999, the institution was rated "Outstanding."

As displayed in Table 1, FWBS's loan portfolio is diversified among all loan types. Commercial real estate loans make up FWBS's largest lending product, comprising 40 percent of the lending portfolio, and other types of commercial and industrial loans comprise another 15 percent. Agricultural and residential real estate loans make up approximately 14 and 11 percent of the portfolio, respectively. Based on comments received from a member of the community (community contact), the loan products offered by the bank are generally consistent with the credit needs of the area being served. The bank's business focus is primarily commercial, although an increased emphasis has been placed on originating affordable housing loans for residential real estate borrowers.

Table 1 – Loan Portfolio Distribution

Loan Type	Dollar Volume	Percent of Total Loans
Construction, land development, and other land loans	\$23,772	9%
Real estate secured by farmland	\$12,231	5%
Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	\$3,782	1%
Closed-end real estate loans secured by 1-4 residential properties, first liens	\$22,561	8%
Closed-end real estate loans secured by 1-4 residential properties, junior liens	\$2,915	1%
Real estate secured by multifamily (5 or more) residential properties	\$3,211	1%
Real estate secured by nonfarm nonresidential properties	\$106,913	40%
Loans to finance agricultural production and other loans to farmers	\$24,467	9%
Commercial and industrial	\$41,433	15%
Credit cards	\$255	<1%
Other revolving credit plans	\$629	<1%
Other consumer loans (includes single payment, installment, and all student loans)	\$27,613	10%
Obligations of states and political subdivisions in the U.S.	\$341	<1%
Other loans	\$455	<1%
LESS: Unearned income	<\$9>	-
Total Loans	\$270,569	100%

Source: Report of Condition – June 30, 2005 (dollars in 000s)

DESCRIPTION OF THE FIRST WESTERN BANK STURGIS'S ASSESSMENT AREA

The Community Reinvestment Act of 1977, as amended requires banks to identify one or more assessment areas on which its federal regulatory agency will evaluate the bank's CRA performance. The area(s) defined by the bank must include its main office, branches, and other deposit taking remote service facilities, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans. The assessment area must always consist of one or more whole geographies identified as Census Tracts (CTs).

FWBS has identified all of Butte and Lawrence Counties as part of its designated assessment area. CTs 201, 203.01, 203.02, and 204 in Meade County, which is located in the Rapid City Metropolitan Statistical Area (MSA), make up the remainder of the assessment area. All of the CTs are considered middle income, except for moderate-income CT 201, which is located in Meade County. The bank's main office and branch offices are all located in middle-income CTs – Belle Fourche in CT 9977 in Butte County, Deadwood in CT 9961 in Lawrence County, Spearfish in CT 9962 in Lawrence County, Sturgis in CT 204 in Meade County, and Piedmont Valley in CT 203.01 in Meade County. The bank's performance for both the MSA and non-

MSA areas was reviewed, and the results indicate that there are no significant differences between the two areas. Therefore, data for both the MSA and non-MSA portion is presented together for the remainder of the evaluation, and the term “assessment area” includes both the MSA and non-MSA areas.

The income categories and household distribution of the CTs in the assessment area are shown in Table 2 . The income category classification is based on the 2000 median family income (MFI) of the Rapid City MSA for the CTs located in the MSA, and the non-metropolitan MFI for the state of South Dakota was used for the remaining CTs.¹

Table 2 – Census Tracts in the Assessment Area

Income Category	Census Tracts		Households	
	Number	Percent	Number	Percent
Low	0	0%	0	0%
Moderate	1	9%	1,304	6%
Middle	10	91%	19,066	94%
Upper	0	0%	0	0%
N/A	0	0%	0	0%
Totals	11	100%	20,370	100%

Source: 2000 U.S. Census using 2004 MSA Boundaries

The assessment area is quite diverse and is heavily dependent on agriculture and tourism. The agricultural component mainly consists of cattle and sheep ranching and small grain crop production. In addition, Sturgis, Deadwood, and Spearfish are on the northern edge of an area commonly referred to as the Black Hills, which is an area that has many tourist attractions such as the Mount Rushmore National Monument. Sturgis is also home to an annual nine-day motorcycle rally, which is attended by hundreds of thousands of people from all across the country. The event generates significant revenue for the community. Deadwood’s economy is almost entirely based on gambling, as full casino gaming has been legalized there. According to management, Deadwood’s profits from this industry continue to thrive and increase. Spearfish’s economy is also positively impacted because Black Hills State University, which has an enrollment of approximately 4,000 students, is located there. Ellsworth Air Force Base is located in Meade County, but it is not located near any of the bank’s branches, and few military personnel are customers of the bank. For these reasons, it is not part of the bank’s assessment area.

¹ The 2000 MFIs of the Rapid City MSA and non-metropolitan South Dakota (using 2004 MSA boundaries) were \$43,702 and \$39,438, respectively. A geography’s income level is determined by comparing the 2000 MFI for the geography with the 2000 MFI for the Rapid City MSA or non-metropolitan portion of South Dakota. Low income is defined as less than 50 percent of that MFI, moderate income is defined as 50 to less than 80 percent, middle income as 80 to less than 120 percent, and upper income as 120 percent and over.

There is at least one competing bank or credit union located in every city where FWBS has an office. FWBS competes for loans with these institutions, as well as with other financial institutions located immediately adjacent to the assessment area.

Some of the larger employers in the assessment area include Premiere Bankcard in Spearfish, Fort Meade Veterans Hospital in Sturgis, and all the school districts in each of the communities. According to the South Dakota Department of Labor, the unemployment rate for Butte and Meade Counties during the second quarter of 2005 was 3.6 percent, while the rate was 3.7 percent for Lawrence County. This is right in line with the State of South Dakota's unemployment rate of 3.8 percent during the same time period.

Table 3 displays selected demographic data for the assessment area.

Table 3 – Demographic Information

	Total Assessment Area
Population	51,642
Number of families	13,925
Number of households	20,370
Percent of owner-occupied housing	60%
Percent of renter-occupied housing	25%
Median housing value	\$74,768
Median gross rent	\$427
Percent households below poverty	13%

Source: 2000 U.S. Census using 2004 MSA Boundaries

As noted previously, examiners contacted a member of the community during this CRA evaluation. The purpose of the community contact is to obtain a profile of the community, identify community development opportunities, and obtain the contact's perceptions of the performance by local financial institutions. The contact stated that the bank is helping to meet the credit needs of the assessment area and is involved in community activities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

An intermediate small institution is evaluated under two tests – the Lending Test and the Community Development Test. Under the Lending Test, five criteria are used to evaluate the bank’s effectiveness in meeting the financial needs of consumers, agricultural borrowers, and commercial entities in the assessment area – loan-to-deposit ratio, lending in the assessment area, borrower profile, geographic distribution, and response to CRA-related complaints. Under the Community Development Test, there are three criteria – community development loans, qualified investments, and community development services. Furthermore, a bank’s compliance with anti-discrimination laws and regulations is considered when evaluating performance. In addition to an overall rating, individual ratings are assigned for each test. Comments supporting the conclusions for each criterion are detailed on the following pages.

I. LENDING TEST

FWBS’s performance under the Lending Test is rated “Satisfactory.” This determination was made based on the bank’s performance of five criteria: loan-to-deposit ratio, lending in the assessment area, borrower profile, geographic distribution of loans, and response to CRA-related complaints.

Loan-to-Deposit Ratio

FWBS’s loan-to-deposit ratio demonstrates a reasonable willingness to lend given the institution’s financial condition and size and comparisons to similarly situated lenders.²

The bank’s average net loan-to-deposit ratio from September 30, 1999, to June 30, 2005, was 79 percent. During that time, the quarterly net loan-to-deposit ratios have fluctuated from a low of 70 percent to a high of 89 percent. Since September 30, 1999, net loans have increased by 80 percent, while total assets and total deposits increased by 57 percent and 60 percent, respectively. Management attributes the large growth in loans to the increased demand for agricultural loans due to improved agricultural conditions and increased demand for housing and commercial construction. The deposit growth is attributed to increased marketing efforts due to stronger competition and the acquisition of several large public funds.

To further evaluate the reasonableness of this ratio, examiners compared the bank’s average net loan-to-deposit ratio to other similarly situated lenders located in or near the assessment area. Of the local competitors, three are considered similar to the bank in terms of communities served, asset structure, ownership, and loan products. It should be noted that First Western Bank and The First Western Bank Custer are affiliated institutions. These institutions were chosen for comparison, as there were not any other similarly situated institutions within close proximity to

² Similarly situated lenders were chosen based on similarities in the market served, loan portfolio composition, product offering, asset size, and/or number of offices.

the bank's assessment area. The total assets and average net loan-to-deposit ratios for the subject bank and the similarly situated institutions are shown in Table 4. The comparable institutions are listed in alphabetical order by city.

Table 4 – Net Loan-to-Deposit Ratios, Similarly Situated Lenders

Institution	City, State	Total Assets	Average Net Loan-to-Deposit Ratio
<i>The First Western Bank Sturgis</i>	<i>Sturgis, SD</i>	<i>\$335,187</i>	<i>79%</i>
Pioneer Bank & Trust	Belle Fourche, SD	\$289,979	50%
The First Western Bank Custer	Custer, SD	\$101,974	78%
First Western Bank	Wall, SD	\$344,832	80%

Source: Reports of Condition September 30, 1999, through June 30, 2005 (dollars in 000s)

As noted in the table, FWBS's average net loan-to-deposit ratio is generally in line with or higher than similarly situated lenders and is reasonable given the institution's financial condition and size. This is support that the bank is willing to extend credit in an adequate manner.

Lending in the Assessment Area

FWBS is helping to meet the credit needs of its assessment area by originating a substantial majority of the sampled commercial loans within its assessment area. In addition, a majority of the sampled agricultural loans and residential loans were originated within the assessment area. This performance demonstrates a reasonable record of lending within the assessment area.

To determine the bank's record of lending within the assessment area, samples of commercial and agricultural loans were selected for analysis. The sample of commercial loans consisted of 42 loans totaling \$8,542,014 and was taken from a universe of 510 loans totaling \$74,308,125. A sample of 42 agricultural loans totaling \$2,096,624 was taken from a universe of 540 loans totaling \$23,475,525. The loans from both samples were originated in the one year time period ending August 2, 2005.

In addition, all of the bank's residential real estate loans reported under the Home Mortgage Disclosure Act (HMDA) from 2004 and the first seven months of 2005 were analyzed. FWBS became subject to HMDA requirements in 2004, which is why it was used as the starting point for the analysis. Since aggregate information was not available at the time of the evaluation, the HMDA data for both years was combined and consisted of 830 loans totaling \$84,773,000.

The analysis in Table 5 reveals that the bank is making a substantial majority of its commercial loans within the assessment area, whether measured by number or dollar volume. In addition, a majority of the residential real estate loans analyzed by number or dollar amount were originated to borrowers in FWBS's assessment area. When looking at the agricultural loans sampled, FWBS originated a majority of the loans measured by number in the assessment area, but only 47 percent were in the assessment area when analyzing by dollar volume. However, this is not a

significant concern as most of the sampled loans that were not in FWBS’s assessment area were located just outside the boundaries of the assessment area.

Table 5 – Lending in the Assessment Area (AA)

Loan Type	Number Reviewed	Number in AA	Percent by Number in AA	Dollar Volume Reviewed	Dollar Volume in AA	Percent by Dollar in AA
Commercial*	42	37	88%	\$8,542	\$7,211	84%
Agricultural*	42	26	62%	\$2,097	\$979	47%
Residential**	830	597	72%	\$84,773	\$59,693	70%

*Source: FDIC sample from loan trial balance (dollars in 000s)

**Source: Loan Application Register (LAR) from 2004 and LAR from January through July 2005 (dollars in 000s)

Overall, FWBS’s performance is reasonable given the credit needs and size of the assessment area and demonstrates the bank’s willingness to reinvest deposits back into the local community through loans. The analysis also reflects a reasonable performance given the bank’s size, financial condition, and assessment area credit needs.

Borrower Profile

The bank has achieved a reasonable lending penetration among farms and businesses of different sizes and individuals of different income levels. This demonstrates that the bank is responding to the credit needs of farms and businesses of various revenue sizes, including smaller operations, and individuals of different income levels, including those of low and moderate incomes.

Examiners used the loan sample described previously under the heading “Lending in the Assessment Area” to evaluate the bank’s performance in lending to businesses and farms of different sizes, as well as individuals of different income levels, within the assessment area. Therefore, the 37 commercial loans and 26 agricultural loans located in the assessment area were further analyzed for this performance factor. In addition, all of the residential loans reported on the 2004 and 2005 YTD Loan Application Registers (LARs) that were located in the assessment area were further analyzed.

Commercial Loans

For the sampled commercial loans located in the assessment area, gross revenue information was ultimately obtained from the Schedule C tax forms. Commercial borrowers were categorized based on this information. Table 6 shows the results of the commercial loan analysis and the comparison to available demographic data from D&B Corporation.

The analysis in Table 6 indicates that FWBS is making a reasonable effort to lend to businesses of different revenue levels within the assessment area, including small businesses. From the analysis of the 37 commercial loans that were within the assessment area, approximately 27

percent by number and 7 percent by dollar volume were extended to businesses having gross annual revenues below \$50,000. The bank's performance is right in line with 2003 demographic information from D&B Corporation, which indicates that approximately 26 percent of the businesses by number had gross annual revenues below \$50,000. As further support of the bank's willingness to lend to smaller businesses, the bank has participated in special loan programs offered by the Small Business Administration (SBA). FWBS currently has 15 SBA loans outstanding, totaling approximately \$1,466,000.

Table 6 – Loan Distribution by Borrower's Revenue – Commercial Loans

Gross Revenue	Businesses in Assessment Area		Bank's Commercial Lending			
	Number	Percent	Number	Percent	Dollars	Percent
\$0 < \$50	651	26%	10	27%	\$530	7%
\$50 < \$100	620	24%	8	22%	\$533	8%
\$100 < \$250	638	25%	5	14%	\$764	11%
\$250 < \$500	325	13%	2	5%	\$212	3%
\$500 < \$1,000	158	6%	6	16%	\$820	11%
\$1,000 and up	158	6%	6	16%	\$4,352	60%
Totals	2,550	100%	37	100%	\$7,211	100%

Source: 2003 D&B Corporation business data and FDIC sample from loan trial balance (dollars in 000s)

Overall, since the distribution of commercial loans based on borrower size appears reflective of the area demographics, the bank's performance is deemed reasonable.

Agricultural Loans

For the sampled agricultural loans located in the assessment area, gross revenue information was ultimately obtained from the Schedule F tax forms in the loan files. Agricultural borrowers were categorized based on this information. Table 7 reflects the results of this analysis and a comparison to available demographic data from the 2002 Census of Agriculture.

Table 7 – Loan Distribution by Borrower's Revenue – Agricultural Loans

Gross Revenue	Farms in Assessment Area		Bank's Agricultural Lending			
	Number	Percent	Number	Percent	Dollars	Percent
\$0 < \$50	46	12%	14	54%	\$292	30%
\$50 < \$100	161	40%	6	23%	\$179	18%
\$100 < \$250	127	32%	4	15%	\$414	42%
\$250 < \$500	50	13%	2	8%	\$94	10%
\$500 < \$1,000	11	3%	0	0%	\$0	0%
\$1,000 and up	3	< 1 %	0	0%	\$0	0%
Totals	398	100%	26	100%	\$979	100%

Source: 2002 Census of Agriculture data and FDIC sample from loan trial balance (dollars in 000s)

The analysis in Table 7 reveals that FWBS is making an excellent effort to lend to farms of different revenue levels within the assessment area, including small farms. From the analysis of the 26 agricultural loans that were within the assessment area, approximately 54 percent by number and 30 percent by dollar volume were extended to farming operations having gross annual revenues below \$50,000. This compares very favorably to the 2002 Census of Agriculture data that indicates only 12 percent of farms in FWBS’s assessment area had revenues below \$50,000. As further evidence of the bank’s commitment to small farms, the bank has participated in special guaranteed and subordinated loan programs through the Farm Service Agency (FSA). At the time of the evaluation, FWBS had 22 FSA loans outstanding totaling approximately \$1,935,000.

Residential Loans

For the residential loans located within the assessment area, income information was obtained from the LARs. As previously stated, the lending distribution from both years was combined and analyzed as a whole. Since aggregate HMDA data was not yet available for 2004 or 2005 at the time of the evaluation, FWBS’s lending was compared to the 2000 U.S. Census information. The loans used in the analysis that are indicated as “N/A” are loans that were purchased by FWBS. Income information was not available from the LARs for these loans.

The analysis of residential real estate loans, detailed in Table 8, reveals that FWBS is making a reasonable effort to lend to individuals of different income levels within the assessment area, including low- and moderate-income individuals. From the analysis of the 597 residential real estate loans that were within the assessment area, approximately 8 percent by number and 3 percent by dollar volume were extended to low-income borrowers. The bank’s performance is less than what the demographic data indicates. However, as indicated in Table 3, approximately 13 percent of households in FWBS’s assessment area are below the poverty level and may likely not qualify for home financing or may choose to rent rather than buy a home.

Table 8 – Loan Distribution by Borrower’s Income – 2004 & YTD 2005 HMDA Loans

Income Classification	Families in Assessment Area		Bank’s Residential Lending			
	Number	Percent	Number	Percent	Dollars	Percent
Low	2,512	18%	46	8%	\$1,725	3%
Moderate	2,704	19%	122	20%	\$8,585	14%
Middle	3,629	26%	168	28%	\$15,284	26%
Upper	5,080	37%	219	37%	\$29,065	49%
N/A	0	0%	42	7%	\$5,034	8%
Totals	13,925	100%	597	100%	\$59,693	100%

Source: 2000 U.S. Census and 2004 and YTD 2005 HMDA-LARs (dollars in 000s)

For moderate-income borrowers, the analysis is right in line with the available demographics, as 20 percent by number and 14 percent by dollar volume of FWBS’s loans were made to moderate-income borrowers. This is comparable to the 2000 U.S. Census data, which indicates that 19 percent of families in FWBS’s assessment area are classified as having moderate

incomes. Overall, the bank’s distribution of residential loans based on borrower income appears reflective of the area demographics and is deemed reasonable.

Geographic Distribution

The sampled loans that were within the assessment area were further analyzed to determine whether the institution’s lending activity is satisfactorily dispersed throughout the assessment area. As evidenced by the following analyses, FWBS’s overall geographic distribution of loans is reasonable based on the location of the bank’s offices and comparisons to demographic information.

Commercial Loans

The analysis in Table 9 shows that 3 percent of the sampled commercial loans within the assessment area were originated in the moderate-income geography. This performance is right in line with the available demographics from D&B Corporation, which indicate that 4 percent of the businesses in FWBS’s assessment area are located in the moderate-income CT. Therefore, since the analysis revealed that FWBS’s performance is in line with the demographics, it is deemed reasonable.

Table 9 – Loan Distribution by Geography – Commercial Loans

Income Classification	Percent of Businesses	Bank’s Commercial Lending			
		Number of Loans		Dollars in Loans	
		Number	Percent	Dollars	Percent
Low	0%	0	0%	\$0	0%
Moderate	4%	1	3%	\$15	<1%
Middle	96%	36	97%	\$7,196	100%
Upper	0%	0	0%	\$0	0%
Totals	100%	37	100%	\$7,211	100%

Source: 2003 D&B Corporation business data and FDIC sample from loan trial balance (dollars in 000s)

Agricultural Loans

The analysis in Table 10 shows that 50 percent of the sampled agricultural loans within the assessment area were originated in the moderate-income geography, whereas D&B Corporation shows that 27 percent of the farms in the assessment area are located in this specific geography. Therefore, FWBS’s strong performance with respect to agricultural lending is deemed excellent.

Table 10 – Loan Distribution by Geography – Agricultural Loans

Income Classification	Percent of Farms	Bank's Agricultural Lending			
		Number of Loans		Dollars in Loans	
		Number	Percent	Dollars	Percent
Low	0%	0	0%	\$0	0%
Moderate	27%	13	50%	\$467	48%
Middle	73%	13	50%	\$512	52%
Upper	0%	0	0%	\$0	0%
Totals	100%	26	100%	\$979	100%

Source: 2003 D&B Corporation business data and FDIC sample from loan trial balance (dollars in 000s)

Residential Loans

The analysis in Table 11 reveals that 2 percent of the residential loans located in the assessment area were originated in the moderate-income geography. This performance is compared to the 2000 U.S. Census data, which indicates that 7 percent of the families in FWBS's assessment area are located in the moderate-income CT. While FWBS's performance is slightly less favorable than what the demographics show, the institution is still making a reasonable effort to lend to all individuals, regardless of income level or location.

Table 11 – Loan Distribution by Geography – 2004 & YTD 2005 HMDA Loans

Income Classification	Percent of Families	Bank's Residential Lending			
		Number of Loans		Dollars in Loans	
		Number	Percent	Dollars	Percent
Low	0%	0	0%	\$0	0%
Moderate	7%	13	2%	\$1,174	2%
Middle	93%	584	98%	\$58,519	98%
Upper	0%	0	0%	\$0	0%
Totals	100%	597	100%	\$59,693	100%

Source: 2000 U.S. Census and 2004 & YTD 2005 LARs (dollars in 000s)

Response to CRA-Related Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this performance criterion was not evaluated.

II. COMMUNITY DEVELOPMENT TEST

FWBS's performance under the community development test is "Satisfactory." The community development loans, qualified investments, and community development services are discussed below.

Community Development Loans

South Dakota Rural Enterprise, Inc. (SDREI) – In March 2001, FWBS participated in an \$85,000 loan for SDREI. SDREI serves South Dakota with financing programs such as the Capital Investment Fund and the South Dakota Community Capital Fund for community development institutions. SDREI is also involved in revolving loan funds, economic development corporations, and bringing new products and services into the rural economic development market. These innovations are in direct response to the unmet needs of communities, economic development groups, revolving loan funds, and other community development entities, many of which do not possess the resources to explore solutions on their own.

Neighborhood Housing Services of the Black Hills (NHS) – In October 2004, FWBS entered into an agreement with Neighborhood Housing Services of the Black Hills to provide \$250,000 of funds for secondary market home financing for low-income borrowers to purchase homes. NHS is a private non-profit corporation that has been established to assist in providing decent, safe and affordable housing for low- and moderate-income individuals in the Black Hills. NHS is also involved with various neighborhood revitalization projects.

Qualified Investments

South Dakota Rural Enterprise, Inc. – In addition to the aforementioned community development loan with SDREI, FWBS gave donations of \$2,750 in December 2001 and \$3,000 in January 2003 to the organization.

Neighborhood Housing Services of the Black Hills – FWBS gave a \$1,000 donation to NHS in October 1999. An additional donation of \$5,000 was contributed in January 2005.

Meade County School District – In 1999, FWBS purchased a bond for the Meade County School District that totaled \$350,000. The bond is being used to finance new school facilities and make additions to or renovations of existing school facilities, some of which are located in a moderate-income CT.

Community Development Services

Neighborhood Housing Services of the Black Hills – In addition to qualified loans and investments with NHS, FWBS also administers grant money provided by NHS through the

Federal Home Loan Bank of Des Moines. The grant money is used to fund down payment and closing costs for low-income borrowers in order to assist them in obtaining home loans. Since the last CRA evaluation, FWBS has been awarded \$191,000 of funding through this program. In order to receive such grants, a bank must apply with the Federal Home Loan Bank in Des Moines. Taking this initiative has allowed FWBS to provide this service to eligible borrowers. Furthermore, several members of the FWBS's staff teach monthly homebuyer education classes for NHS and assist in preparing some of the loan documents for individuals who receive funds from the program.

Rural Homeownership Funds – FWBS participates in the Rural Homeownership Funds program, which is a downpayment, closing cost, or rehabilitation assistance grant program for low- or moderate-income individuals. Eligible first-time homebuyers may receive up to a total of \$5,000 in assistance, while other eligible homebuyers may receive up to \$2,500. The Deadwood branch received grant funding under the program of \$25,000 in April 2001. The Spearfish office also received \$25,000 in April 2004. In order to receive such grants, a bank must apply with the Federal Home Loan Bank in Des Moines. Taking this initiative has allowed FWBS to provide this service to eligible borrowers.

Western Resources for dis-ABLED Independence – FWBS is involved with a grant program offered by Western Resources for dis-ABLED Independence through the Federal Home Loan Bank of Des Moines. The grant money is used by low-income individuals to make home improvement repairs and to make homes handicap accessible. Since the last evaluation, the bank has entered into agreements for \$160,000 of funding through the program. In order to receive such grants, a bank must apply with the Federal Home Loan Bank in Des Moines. Taking this initiative has allowed FWBS to provide this service to eligible borrowers.

Sturgis and Belle Fourche Area Foundations – A bank employee from the Sturgis office serves as a member of the Sturgis Area Foundation by administering the foundation's funds and offering financial expertise. The Sturgis Area Foundation provides funding to various community organizations, some of which are targeted to low- and moderate-income individuals. Additionally, an employee from the Belle Fourche office holds a similar position at the Belle Fourche Area Foundation, which is an organization with a similar purpose.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS AND REGULATIONS

Examiners did not identify any substantive violations of anti-discrimination laws and regulations during the evaluation.