



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

April 20, 1998

Community Reinvestment Act Performance Evaluation

**First Western Bank, N.A.
Charter Number 6489**

**118 E. State Street
Atkinson, Nebraska 68713**

**Office of the Comptroller of the Currency
Omaha Field Office
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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.

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 CRA performance of **First Western Bank, N.A.**, prepared by The Office of the Comptroller of the Currency, as of April 20, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated "Satisfactory".

First Western Bank, N. A. is actively meeting the credit needs of its community. The bank's lending efforts reasonably penetrate all segments of the assessment area, with a good penetration to small farms and businesses. The bank's loan-to-deposit ratio is reasonable, with the majority of loans being made to customers within its assessment area.

DESCRIPTION OF INSTITUTION

First Western Bank, (FWB) N. A. is a \$50 million bank headquartered in Atkinson, Nebraska. It is the second largest of seven banks or bank branches located in Holt County, which it defines as its assessment area. We determined this June 30, 1997 ranking by comparing deposits reported by the Federal Deposit Insurance Corporation. Refer to the Assessment Area section for a detailed description of the bank's assessment area. The bank operates from one location. FWB offers loan and deposit products and services including an overdraft credit product. The bank maintains one automated teller machine for cash dispensing at a convenience store in Atkinson and two point of sale terminals, also in Atkinson stores. First Western Bancorp, Inc., a \$386 million multibank holding company headquartered in Huron, South Dakota, is controlling owner of the bank. Through common ownership, FWB is affiliated with three other banks, all located in South Dakota. The OCC assigned a CRA rating of "Outstanding" during the last CRA evaluation ending January 12, 1994.

FWB has the financial capacity to assist in meeting the community's credit needs. There are no legal or financial barriers to impede its efforts. The bank offers a full-range of credit products including agricultural, real estate, commercial, and consumer loans. Loans comprised 60 percent of the bank's assets as of December 31, 1997. The bank's loan portfolio consisted of 55 percent agricultural and agricultural real estate; 35 percent commercial and commercial real estate; 7 percent consumer; and 3 percent 1-4 family residential loans. We concentrated our analysis on small farm and business loans as consumer loans were only a small portion of the portfolio.

DESCRIPTION OF THE BANK'S AREA

FWB's assessment area includes all of Holt County which is divided into four BNA's. The 1990 U.S. Census survey designated all of these BNA's as middle-income. According to the 1990 U.S. Census, the bank's assessment area had a population of 12,599. The demographics of the families in the assessment area by income level were 19 percent low-, 23 percent moderate-, 25 percent middle- and 32 percent upper-income. In addition, 17 percent of the population was over age 65 and 12 percent of families were below poverty level. The 1990 HUD nonMSA statewide median family income for Nebraska was \$25,471. In 1997, the updated HUD nonMSA statewide median family income was \$37,100. The 1990 U.S. Census determined the median housing value within the assessment area was \$31,403 and 60 percent of the housing units were owner occupied.

The majority of the bank's business originates in the immediate Atkinson area where the main office is located. Atkinson, with a population of approximately 1,380, is a non-county seat town in west central Holt County. It is located in north central Nebraska, 38 miles from the South Dakota border and 215 miles from Lincoln, Nebraska, the state capital. Holt County has eight towns with O'Neill, population 4,050, being the county seat.

Agriculture and its related industries dominate the area. However, retail activity is good, especially in nearby O'Neill, Nebraska, and provides some diversification to the local economy. Business leaders are also actively trying to attract new businesses and industry to the area. Three of the four members of the community, contacted by examiners during examinations within the past eighteen months, stated the primary credit needs for the area included affordable housing or start up loans for young farmers. The fourth contact stated small business operating loans were in demand. Two contacts were from organizations dealing with farm lending. The other two contacts represented an economic development organizations.

Major area employers are: National Farms (hog production), employing 180; Olson Industries and affiliates (diversified manufacturer), employing 90; and the Holt County Government with 100 workers. A smaller regional health facility in Atkinson, West Holt Hospital, has a staff of approximately 60. Overall unemployment remains low.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Farms and Businesses of different revenue sizes.

A sample of agriculture, and business loans made within the assessment area revealed a good penetration of loans to borrowers of different income levels. Information from the 1990 U.S. Census for the assessment area indicates most businesses and farms are small. Of the 637 businesses and farms reporting census data, 83 percent (532) had revenues totaling less than \$1,000,000. Our sample of 44 agricultural and 39 commercial loans made during the previous six months reflects a close correlation with this demographic information. Ninety-eight and 87 percent of farm and business loans, respectively, in the sample were to borrowers with revenues of less than \$1,000,000.

SMALL FARM LOANS	% Farms in AA*	Loans to Farms			
		# of Loans	%	\$ (000's)	%
Revenues <= \$50,000	51%	10	23%	204	6%
Revenues \$50,000 to \$99,999	19%	8	18%	334	11%
Revenues \$100,000 to \$249,999	20%	13	30%	701	22%
Revenues \$250,000 to \$499,999	7%	7	16%	746	24%
Revenues \$500,000 and greater	3%	6#	13%	1,161	37%
TOTAL	100%	44	100%	3,146	100%

*Data Source: 1992 Census of Agriculture - Holt County Nebraska

#Includes 1 farm loan, original amount \$628,000 to an enterprise with gross revenues over \$1,000,000

SMALL BUSINESS LOANS	% Businesses in AA*	Loans to Businesses			
		# of Loans	%	\$(000's)	%
Revenues <= \$1 Million	83%	34	87%	1,684	69%
Revenues > \$1 Million	6%	5	13%	762	31%
Unknown Revenues	11%	-	-	-	-
TOTAL	100%	39	100%	2,446	100%

*Data Source: Bank Records and Dun & Bradstreet

Comparison of Credit Extended Inside and Outside of the Assessment Area

A strong majority of FWB's loans are to borrowers within its assessment area. We reviewed a management report as of December 31, 1997 which listed loans by borrower location. The following table shows 88 percent of small business and small farm borrowers are within the assessment area.

Product Type		Total		% of Total	
		#	\$(000's)	#	\$(000's)
Small Business	In	450	16,224	88%	88%
	Out	62	2,300	12%	12%
Total Small Business		512	18,524	100%	100%
Small Farm	In	590	41,608	88%	89%
	Out	77	4,903	12%	11%
Total Small Farm		667	46,511	100%	100%

Loan-to-deposit Ratio

The bank's net loan-to-deposit ratio averaged 66 percent over the last sixteen quarters based on data the bank reported in Consolidated Reports of Condition. During this same period FWB's loan-to-deposit ratio started in third place but rose to first ranking compared to the five banks headquartered in the assessment area. The most recent data shows the five banks' loan-to-deposit ratios ranging from 56 percent to 66 percent. Not reflected in FWB's loan-to-deposit ratio is the large number of commercial and agricultural loan participations sold to other banks. If these were

maintained by the bank the loan-to-deposit ratio would approach 82 percent. The four other institutions headquartered in the assessment area as well as branches of two banks provide robust competition for loans and deposits.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful since all of the BNA's within FWB's assessment area are middle income. From our review for location of 1,040 farm and business loans in the assessment area it is readily apparent that a majority of the bank's customers reside throughout the assessment area.

Response to Complaints

No complaints were received since the prior examination.

Compliance with Antidiscrimination Laws and Regulations

FWB is in compliance with the substantive provisions of antidiscrimination laws and regulations. We found no evidence of discrimination or disparate treatment in our review of the bank's lending practices.