



## **PUBLIC DISCLOSURE**

**April 27, 1998**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank in Philip  
Charter Number 10637**

**103 East Pine Street  
Philip, South Dakota 57567**

**Office of the Comptroller of the Currency  
Post Office Box 1405  
Sioux Falls, South Dakota 57101**

**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 Community Reinvestment Act (CRA) performance of **First National Bank in Philip, Philip, South Dakota**, prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of April 27, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The bank's overall lending level is good given the institution's size, financial condition, and credit needs of the assessment area. A majority of the bank's loans are within its assessment area and the distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes.

## **DESCRIPTION OF INSTITUTION**

First National Bank in Philip (FNB) is an \$87 million bank located in Philip, South Dakota. It is the only bank in Philip and it has no other offices. Philip is situated in the south central part of Haakon County in western South Dakota. It is located approximately 90 miles east of Rapid City, South Dakota. The bank's primary credit products focus on agriculture and agricultural real estate loans. As of December 31, 1997, the bank had approximately 82% of its loan portfolio *dollar volume* in agriculture and agricultural real estate loans, 12% in commercial loans, and 6% in consumer loans.

The bank's financial condition, asset size, and product offerings do not limit its ability to meet the community's credit needs. It is owned by Philip Bancorporation, Inc., a one-bank holding company. Individuals can refer to the bank's CRA Public File for a list of the specific products and services available from the bank.

## **DESCRIPTION OF THE BANK'S ASSESSMENT AREAS**

The bank's assessment area includes all of Haakon and Jackson counties which consist of three Block Numbering Areas (BNAs). Haakon County contains one BNA, 9901, and Jackson County has two BNAs: 9911 and 9912. BNA numbers 9901 and 9911 are middle-income and BNA number 9912 is moderate-income.

The HUD South Dakota statewide nonmetropolitan median family income for 1998 is \$36,800. Haakon and Jackson Counties had a combined 1990 census population of 5,435. Local economic conditions revolve around agriculture, particularly the cattle industry. Several years of depressed cattle prices have financially stressed the local ranchers. Some employment diversification is provided through a local manufacturing facility and government entities.

Through a local community contact and discussions with bank management, we determined that the community's primary credit need is agricultural lending. This bank is the dominant financial institution in the area as it is the only bank in Philip. Banks in Kadoka, Midland, Pierre, Martin, and Rapid City provide some competition for FNB in Philip.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The bank's overall lending levels are excellent and reflect a good response to community credit needs. Since the last CRA exam, the bank's quarterly average loan-to-deposit ratio of 93% is more than reasonable. There are no similarly situated institutions within the assessment area.

### Lending in Assessment Area

A majority of the bank's loans are within its assessment area. Based on a sample of 94 loans originated since the last CRA exam, 68% of the dollar volume and 70% of the number are to customers residing within the bank's assessment area.

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Management does a good job of lending to farms and businesses of different sizes. We focused our sample on farm loans, the bank's primary credit product. The following table represents a sample of 78 agricultural loans originated since the last CRA exam.

<b>Agricultural Sample</b>	<b>&lt;\$100,000 Gross Revenue</b>	<b>\$100,001 - 250,000</b>	<b>\$250,001 - 500,000</b>	<b>&gt;\$500,001</b>
Number of Borrowers	16	34	16	12
Bank Percentage	21%	43%	21%	15%
Haakon County Demographics*	66%	26%	6%	2%
Jackson County Demographics*	78%	17%	3%	2%

\*Depicts the percentage of farms in Haakon and Jackson Counties with annual gross farms sales in the selected ranges as determined by the 1992 Census of Agriculture. A large majority of the farms in the <\$100,000 range can be considered hobby or part-time farmers. Our sample included only full-time farming operations, which explains the disparity in the <\$100,000 category.

In addition, the bank assists customers in getting credit through Small Business Administration (SBA) and Farm Service Agency (FSA) guaranteed loans. The following table represents guaranteed loans originated since the last CRA exam.

<b>Government Guarantee Loans</b>	<b>SBA</b>	<b>FSA</b>
Number	13	13
Dollar	\$1.4 million	\$1.6 million

## Geographic Distribution of Loans

The geographic distribution of loans within the bank's assessment area is reasonable. The bank's assessment area includes one moderate-income BNA located in the southern half of Jackson County. This BNA is located the farthest distance from the bank and closer to other banks which also serve this area. Based on a sample of 66 agricultural loans originated within the bank's assessment area, 14% are to customers located within the moderate-income BNA.

Loan Sample	Middle-Income	Moderate-Income
Number	57	9
Dollar	\$17.9 million	\$2.7 million

## Record of Compliance with Antidiscrimination Laws

Examiners found no substantive violations of the anti-discrimination laws and regulations. FNB has appropriate policies, procedures, and training programs in place to discourage discriminatory or other illegal credit practices.

## Response to Complaints

No complaints were received since the prior examination.