



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 30, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank in Garretson
Charter Number 12488**

**644 N. Main Street
Garretson, South Dakota 57030**

**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 Garretson, Garretson, South Dakota**, prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of March 30, 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 substantial 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 and to individuals of different income levels.

DESCRIPTION OF INSTITUTION

First National Bank in Garretson (FNB) is located in northeast Minnehaha County in South Dakota. FNB has no branches and operates one automated teller machine at its main office on the main street in Garretson. Pipestone Bancshares, Inc., a two-bank holding company, has controlled the bank since June, 1994. The bank's affiliate, First National Bank & Trust, is located approximately 25 miles away in Pipestone, Minnesota.

As of December 31, 1997, FNB has \$30 million in total assets, including \$23 million in loans. As of December 31, 1997, the bank had, by dollar volume, 41% in agricultural and agricultural real estate, 40% in commercial and commercial real estate, 9% in consumer, and 10% in residential real estate loans. The bank's primary credit products focus on agricultural, small business, and all types of consumer lending. FNB's financial condition, asset size, and product offerings do not limit its ability to meet the local community's credit needs. Individuals can refer to the bank's Community Reinvestment Act (CRA) Public File for a list of the specific credit and deposit products available from the bank.

The bank was rated "Satisfactory" at the last CRA examination dated February 23, 1994.

DESCRIPTION OF THE BANK'S ASSESSMENT AREAS

FNB has two assessment areas (AA); one in South Dakota and one in Minnesota as the state border is approximately two miles from the bank. Garretson has a population of about 1,000 and is located in Minnehaha County, approximately 20 miles northeast of Sioux Falls. The South Dakota AA consists of all of the census tracts in the Sioux Falls Metropolitan Statistical Area (MSA) in Minnehaha County except for two larger, more rural census tracts located on the west side of the county. There are seven moderate-income, 13 middle-income and seven upper-income census tracts. The census tract including and surrounding the city of Garretson is middle-income. In addition, the South Dakota AA includes Moody County BNA #9596 and is middle-income. The Minnesota AA includes all of Pipestone County including BNAs #9601 - 9605 and BNA #9701 in Rock County. These BNAs include one moderate-income and five middle-income census tracts. Individuals can refer to the CRA Public File for maps outlining the bank's assessment areas.

1997 Median Family Income	MSA	State-wide Non-MSA
South Dakota	\$45,700	\$34,500
Minnesota	Not applicable	\$38,400

Garretson is located in a rural area of the Sioux Falls, SD MSA. Consequently, there are numerous competitors in nearby Sioux Falls including mortgage companies, government agencies, regional banks, other commercial banks, credit unions, and a large thrift. Due to its small size and single rural location, there are few similarly situated banks within its assessment areas. The area

economy is moderately strong; however, the agriculture sector is facing low grain and livestock prices. Garretson’s economy is primarily reliant on the agricultural sector. However, Sioux Falls’ economy is healthy with low unemployment and does offer other job opportunities and a large number of Garretson residents commute for employment.

Through a local community contact and discussions with bank management, the community’s primary credit needs include agricultural, small business, and consumer lending including residential real estate. Due to its proximity to Sioux Falls, it has become a “bedroom community” and consequently has enjoyed some local housing growth. The bank has done a number of home purchase and home construction loans; however, residential real estate is not a major product line as a national mortgage company competes aggressively in the local market.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank’s overall lending levels are good and reflect a good response to community credit needs. The bank’s quarterly average loan-to-deposit ratio of 83% is more than reasonable based upon similar institutions in the assessment areas. As of December 31, 1997, the average loan-to-deposit ratio for financial institutions in the assessment areas is 63% with a range from 41% to 82%.

Lending in Assessment Area

A substantial majority of the bank’s loans are within its assessment area. Based on bank-generated reports detailing all loans outstanding, 86% of the dollar volume and 93% of the number volume are to customers residing within the bank’s assessment areas. These reports were verified by examiners.

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, its primary credit products. In addition, loans to individuals of different income levels exceeds the demographics of the assessment areas. The following tables represent all outstanding consumer loans within the assessment areas as of March 26, 1998, and all commercial and agricultural borrowers as of March 31, 1998. Nearly all (98%) of outstanding loans are also originations since the previous CRA exam.

Agricultural	<\$100,000 Gross Revenue	\$100,001 - 250,000	\$250,001 - 500,000	>\$500,001
Number of Borrowers	47	31	11	3
Percentage	51%	34%	12%	3%
Area Demographics*	71%	21%	6%	2%

*Depicts the percentage of farms in Minnehaha County with annual gross farms sales in the selected ranges as determined by the 1992 Census of Agriculture. The percentage of farms <\$100,000 gross sales does not include farms reporting gross sales of less than \$5,000, since these can be considered part-time or hobby farmers.

Commercial	<\$100,000 Gross Revenue	\$100,001 - 250,000	\$250,001 - 500,000	\$500,001 - 1,000,000	>\$1,000,001
Number of Borrowers	30	14	7	2	18
Percentage	42%	20%	10%	3%	25%
Area Demographics	85% <\$1 million demographics unavailable				15%

Consumer South Dakota	Low-Income	Moderate-Income	Middle-Income	Upper-Income
Number of Loans	103	81	74	30
Percentage	36%	28%	26%	10%
% Families within each income level	16%	19%	28%	37%
Consumer Minnesota				
Number of Loans	15	5	2	7
Percentage	52%	17%	7%	24%
% Families within each income level	21%	20%	28%	31%

Residential RE South Dakota	Low-Income	Moderate-Income	Middle-Income	Upper-Income
Number of Loans	8	27	15	19
Percentage	12%	39%	22%	27%
% Families within each income level	16%	19%	28%	37%

Geographic Distribution of Loans

The geographic distribution of loans within the bank's assessment area is reasonable. An analysis revealed that a majority of loans (64%) are made in and around the city of Garretson, which is a middle-income census tract. We focused a further sample on loans made within Sioux Falls; there were 28 consumer loans within Sioux Falls with five or 18% within the moderate-income census tracts. This is reasonable given the bank's rural location and distance from Sioux Falls.

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 prevent discriminatory or other illegal credit practices.

Response to Complaints

No complaints were received since the prior examination.