



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 10, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Volga
Charter Number 6099
303 Kasan Avenue
Volga, SD 57071**

**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 CRA performance of **The First National Bank of Volga, Volga, South Dakota**, prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of July 10, 1997. 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 Outstanding.

- The bank has done an excellent job of lending to individuals of different income levels and businesses and farms of different sizes.
- A substantial majority of the bank's loan originations are to borrowers within its CRA assessment area.
- The bank's overall lending level is reasonable, given the institution's size, financial condition, and credit needs of the assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of Volga is a \$19 million bank headquartered in Volga, South Dakota. Volga has a population of 1,362 and is located in the extreme east-central part of the state. Volga is a bedroom community to Brookings, South Dakota, a community of 16,000 eight miles to the east. The bank has two ATM machines that provide cash dispensing services. They are located in separate convenience stores and are new since the last CRA examination. The bank is owned by North Central Financial Services, Inc., a one bank holding company in Volga, South Dakota.

Agriculture is the driving force behind the local economy. Consecutive years of adverse weather conditions and poor livestock prices have hurt the local economy. Besides agricultural production, other major employers are a dairy foods processor, soybean processing plant, and the local school district. Nearby Brookings, South Dakota also provides employment opportunities for Volga residents.

The bank is a full service financial institution. The bank has 52% of its loan portfolio dollar volume in consumer loans and 48% in commercial/agricultural loans. A meeting with local government community leaders indicated a need for auto, home purchase, and home improvement financing. They also stated a need for elderly housing. The community contacts stated the bank does what it can to meet the perceived community credit needs. Individuals can refer to the bank's CRA public file for a list of the specific loan and deposit products available from the bank. The last CRA examination was July 14, 1994 and the bank received an "Outstanding" rating. There are no legal impediments or other factors, including the financial condition of the bank, which hinder the bank's ability to fulfill its CRA obligation.

DESCRIPTION OF THE BANK'S ASSESSMENT AREAS

The bank has designated one assessment area (AA) which covers Brookings county and portions of Kingsbury and Lake counties, all in South Dakota. The AA includes Block Numbering Areas (BNAs) 9581, 9601, and 9586 through 9589. One BNA is upper-income, while the remainder are middle-income. The AA has a population of approximately 31,000 people. The HUD 1997 non-metropolitan updated median family income for South Dakota is \$34,500. The breakdown of AA families in the different income categories is as follows: 16% low-income, 16% moderate-income, 23% middle-income, and 45% upper-income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Analysis

The bank's overall lending levels are reasonable and reflect a good response to community credit needs. The bank's average loan-to-deposit ratio since the last CRA examination is 77%, which is slightly above average based on similarly situated banks in the area. As of December 31, 1996, the average loan-to-deposit ratio for financial institutions in surrounding counties was 73%, with a range from 47% to 101%.

Lending in Assessment Areas

A substantial majority of the bank's loans are to borrowers within its AA. A bank prepared analysis of all consumer and commercial loans originated since the last CRA exam showed 90% of the number of loans and 87% of the dollar volume of loans were to borrowers within its AA. The bank completed this analysis as of May 14, 1997. Examiners sampled consumer and commercial loans to verify the bank's information.

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

The distribution of the bank's borrowers reflect an excellent penetration among individuals of different income levels and businesses of different sizes. Since the last CRA exam, the bank has originated 64% of the number of consumer/real estate loans to low- and moderate-income individuals. This exceeds the AA demographics as only 32% of families in the bank's AA are low- and moderate-income. The second table on the next page shows that 90% of the number of commercial/agricultural loans originated since the last CRA exam were to businesses and farms with gross annual revenues of less than \$250 thousand. Examiners used bank prepared data to derive the following tables. They also sampled several loans to verified the accuracy of these numbers.

Consumer/Real Estate	# of loan originations	% of total originations	\$ of loan originations	% of total originations	AA Demographics
low-income	484	37%	2,080M	22%	16%
moderate-income	358	27%	2,204M	24%	16%
middle-income	204	16%	1,831M	20%	23%
upper-income	262	20%	3,134M	34%	45%
Total	1,308	100%	9,249M	100%	100%

Commercial/Agricultural	# of loan originations	% of total originations	\$ of loan originations	% of total originations
gross revenues < \$100,000	496	70%	5,578M	55%
\$100,001 to \$250,000	141	20%	2,643M	26%
\$250,001 to \$500,000	32	4%	717M	7%
> \$500,000	40	6%	1,243M	12%
Total	709	100%	10,181M	100%

Geographic Distribution of Loans

An analysis of the bank's geographic distribution of lending would not be meaningful as the AA contains only middle- and upper-income BNAs.

Response to Complaints

The bank has received no complaints since the last CRA examination.

Record of Compliance with Antidiscrimination Laws

The fair lending review did not detect any substantive violations of antidiscrimination laws.