



## PUBLIC DISCLOSURE

July 14, 2014

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Tri City National Bank  
Charter Number 15738

6400 South 27th Street  
Oak Creek, WI 53154

Office of the Comptroller of the Currency  
Milwaukee Field Office  
1200 North Mayfair Road, Suite 200  
Wauwatosa, WI 53226

**NOTE:** This document is an evaluation of this 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. 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.

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

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding.**

The major factors supporting the institution's rating:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the community.
- The bank originates a substantial majority of its loans inside the assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels. The distribution of loans reflects excellent penetration among businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the bank's assessment areas. The geographic distribution of business loans shows excellent dispersion throughout the bank's assessment areas.
- The bank's community development performance through community development loans, qualified investments, and retail services demonstrates excellent responsiveness to community development needs in the assessment areas.

## **Scope of Examination**

We evaluated Tri City National Bank's Community Reinvestment Act (CRA) performance under the Intermediate Small Bank Lending and Community Development Tests. We reviewed data for the bank's primary loan products, residential real estate loans and small business loans, to evaluate the bank's lending performance.

The evaluation covers the period since the date of the previous CRA examination, September 23, 2010 to July 14, 2014. The Lending Test evaluated loans originated or purchased between January 1, 2012 and December 31, 2013. The Community Development Test covered community development loans, investments, and services that met the regulatory definition for community development and within the entire evaluation period based on information provided by the bank. We took into account those that met the regulatory definition for community development and were made within our evaluation period.

Prior to conducting this evaluation, we tested the accuracy of the bank's Home Mortgage Disclosure Act (HMDA) data for 2012 and 2013. We found the data to be accurate; therefore, we used all reported HMDA data for both years in our evaluation of home mortgage lending. To evaluate small business lending, we used data from the bank reports as well as a random sample of business loans from the bank's assessment areas. Our analysis included a full scope evaluation of the bank's Milwaukee-

Waukesha-West Allis Metropolitan Statistical Area (MSA), which represents a significant majority of the bank's deposits and lending activity. The Racine MSA and Lake County-Kenosha County, IL-WI Metropolitan District (MD) assessment areas received limited-scope reviews given the relatively lower volume of lending and deposits.

Conclusions are based on residential real estate loans and small loans to businesses in the Milwaukee-Waukesha-West Allis assessment area (AA). Equal weight will be given to both loan products.

## **Description of Institution**

Tri City National Bank (TCNB) is a \$1.18 billion financial institution headquartered in Oak Creek, Wisconsin. The main office is located in a middle-income census tract. TCNB offers traditional community bank products and services.

The total loan portfolio is \$670 million, or 57 percent of total assets. The bank is primarily a commercial lender with a \$438 million commercial portfolio, representing 65 percent of the total loan portfolio. The majority of the commercial portfolio is comprised of \$341 million secured by non-farm/non-residential, primarily commercial real estate properties. The total consumer portfolio encompasses the remaining 35 percent of the loan portfolio. The consumer portfolio is 96 percent one-to four-family residential loans with the remaining 4 percent in loans to individuals, including auto loans, other revolving credit plans, and other consumer loans. Tier 1 capital totaled \$119 million. All financial information is as of March 31, 2014.

TCNB is a wholly owned subsidiary of Tri-City Bankshares Corporation, a one-bank holding company with total assets of \$1.18 billion. TCNB has two subsidiaries, Title Services of Southeast Wisconsin, Inc. and Tri City Capital Corporation. Neither subsidiary has a significant impact on TCNB's ability to meet community credit needs. Therefore, we continue to not consider the subsidiaries in this CRA evaluation.

TCNB is an intrastate bank with 38 branches including 17 full-service locations and 21 in-store limited-service locations. TCNB has branches located throughout the AAs, including seven locations in moderate-income census tracts and two locations in low-income census tracts. TCNB has a total of 37 ATMs. Thirty-two branches or locations (84 percent) are located in the Milwaukee-Waukesha-West Allis AA, five branches or locations (13 percent) are located in the Racine AA, and one branch or location (3 percent) is located in the Kenosha AA. The bank operates full-service locations in the following southeastern Wisconsin communities: Brown Deer, Brookfield, Hales Corners, Kenosha, Menomonee Falls, Milwaukee, Oak Creek, Racine, South Milwaukee, Sturtevant, Wauwatosa, and West Allis.

The bank's business strategy has historically been to serve the credit and depository needs of its local community, including local small businesses and the unmet needs of disadvantaged individuals and geographies, in a safe and sound manner. TCNB

intends to remain an independent, locally owned bank with a focus in small business and home mortgage lending.

Competition among financial institutions is strong. The bank's competitors include large state banks, multi-state banks, and credit unions. Among 61 financial institutions in the bank's AA, TCNB ranks eighth with a deposit market share of 1.74 percent. Four large national banks have greater than 8 percent of the market share, while two of these banks dominate the market with 34 percent and 16 percent deposit market share, respectively. Only six of the 61 financial institutions in the bank's AA have a deposit market share greater than 2 percent.

There are no impediments limiting the bank's ability to meet the credit needs in its AAs, including those of low- and moderate-income families and neighborhoods. TCNB was evaluated as an Intermediate Small Bank and received a "Satisfactory" rating at its prior CRA evaluation dated September 23, 2010.

### **Description of Assessment Area(s)**

TCNB has three AAs. These AAs include all of the Milwaukee-Waukesha-West Allis MSA, all of the Racine MSA, and a portion of the Lake County-Kenosha County IL-WI MD. The Milwaukee-Waukesha-West Allis MSA consists of Milwaukee, Ozaukee, Washington, and Waukesha Counties. The Racine AA consists of Racine County. The Lake County-Kenosha County IL-WI MD consists of Kenosha County. All three AAs comply with regulatory requirements and do not arbitrarily exclude any low- or moderate-income geographies.

### **Assessment Area Receiving Full-Scope Review**

#### **Milwaukee-Waukesha-West Allis AA**

The Milwaukee-Waukesha-West Allis AA is comprised of 429 census tracts, of which 86 (20 percent) are low-income, 77 (18 percent) are moderate-income, 151 (35 percent) are middle-income, 114 (27 percent) are upper-income, and one (0.2 percent) is designated NA-income. Based on 2013 Business Demographic Data, the total number of businesses in this AA was 101,829. Of these businesses, 72,179 (71 percent) had gross revenues of less than \$1 million, 6,918 (7 percent) had gross revenues of \$1 million or over, and 22,732 (23 percent) had revenues not reported. Based on 2010 U.S. census data, the total population in this AA is 1.56 million, which is comprised of 389,825 families. The weighted average median family income is \$72,025. The weighted average of HUD updated MSA median family income is \$70,200. Families below the poverty level in this AA total 37,763 or 9.69 percent.

The local economy is recovering slowly. The area has an above-average per capita income due to a large share of college-educated workers and a high concentration of stable education and healthcare employment. However, there is a high exposure to

fading manufacturers, and weak mitigation trends limit growth in demographically related spending.

According to the Bureau of Labor Statistics, the 2013 annual unemployment rate for this MSA was 7.3 percent. This is higher than the state unemployment rate of 6.7 percent for the same time-period. Major employers in this AA include Aurora Health Care Inc., Wheaton Franciscan Healthcare, Roundy's Inc., Froedtert and Community Health, and Kohl's Department Stores Inc.

### **Assessment Areas Receiving Limited-Scope Review**

#### Racine AA

The Racine AA is comprised of 44 census tracts, of which two (5 percent) are low-income, seven (16 percent) are moderate-income, 23 (52 percent) are middle-income, and 12 (27 percent) are upper-income. Based on 2012 Business Demographic Data, the total number of businesses in this AA was 12,559. Of these businesses, 9,350 (74 percent) had gross revenues of less than \$1 million, 587 (5 percent) had gross revenues of \$1 million or over, and 2,622 (21 percent) had revenues not reported. Based on 2010 U.S. census data, the total population in this AA is 195,408, which is comprised of 50,561 families. The weighted average median family income is \$66,370. The weighted average of HUD updated MSA median family income for the MSA is \$66,100. Families below the poverty level in this AA total 4,107 or 8.12 percent.

Racine's economic recovery has struggled to gain traction over the past two year, with little recent improvement. Manufacturing employment has stabilized, and high-value customized industrial machinery provides a comparative advantage for manufacturing. However, there are only a few industries outside of manufacturing that drive metro area growth. The housing recovery in Racine is slow, which has hurt employment at housing-related goods producers. The timing of acceleration may be uncertain, but the outlook for Racine is positive.

According to the Bureau of Labor Statistics, the 2013 annual unemployment rate for this MSA was 8.6 percent. This is higher than the state unemployment rate of 6.7 percent for the same time-period. Major employers in this AA include Wheaton Franciscan Healthcare, S.C. Johnson & Son Inc., CNH America LLC, and CNH Global.

#### Kenosha AA

The Kenosha AA is comprised of 27 census tracts, of which eight (30 percent) are low-income, 10 (37 percent) are moderate-income, nine (33 percent) are middle-income, and zero are upper-income. Based on 2013 Business Demographic Data, the total number of businesses in this AA was 7,061. Of these businesses, 5,128 (73 percent) had gross revenues of less than \$1 million, 318 (4 percent) had gross revenues of \$1 million or over, and 1,615 (23 percent) had revenues not reported. Based on 2010 U.S. census data, the total population in this AA is 127,931, which is comprised of

31,708 families. The weighted average median family income is \$64,768. The weighted average of HUD updated MSA median family income for the AA is \$86,400. Families below the poverty level in this AA total 3,246 or 10.24 percent.

The economy continues to improve, although it is at a less than desirable pace. According to the Bureau of Labor Statistics, the 2013 annual unemployment rate for Kenosha County was 7.9 percent. This is higher than the state unemployment rate of 6.7 percent for the same time-period. Major employers in this AA include United Hospital System Inc., the City and County of Kenosha, and Kenosha Public Schools.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

TCNB's performance under the Lending Test in its AAs is rated Satisfactory.

#### **Loan-to-Deposit Ratio**

TCNB's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and credit needs of the community. The average quarterly loan-to-deposit ratio for the bank from September 30, 2010 through March 31, 2014 is 67.26 percent.

For evaluation purposes, we compared 13 institutions with total assets between \$508 million to \$3.9 billion headquartered in the bank's AAs over the designated time-period. The average loan-to-deposit ratio for the 13 banks located in the AAs over the same time-period ranged from 60 percent up to 120 percent, and TCNB ranked 11 out of 13.

Additionally, TCNB originates home mortgage loans that are immediately sold into the secondary market, but the bank retains the servicing rights. These loans are not used in the loan-to-deposit ratio calculation. The outstanding balance of these loans as of June 30, 2014 was \$282 million.

#### **Lending in Assessment Area**

TCNB originates a substantial majority of its loans to borrowers within its AAs. A review of the bank's primary loan products shows that 96 percent by number and 94 percent by dollar volume of loans were made to businesses and individuals located within the bank's AA.

Table 1 - Lending in the Assessment Areas										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	335	96.26%	13	3.74%	348	\$40,118	95.54%	\$1,873	4.46%	\$41,991
Home Refinance	1,193	94.98%	63	5.02%	1,256	\$157,249	92.95%	\$11,925	7.05%	\$169,174
Home Improvement	166	95.95%	7	4.05%	173	\$10,702	89.56%	\$1,248	10.44%	\$11,950
Business	76	100.00%	0	0.00%	76	\$16,381	100.00%	\$0	0.00%	\$16,381
Totals	1,770	95.52%	83	4.48%	1,853	\$224,450	93.72%	\$15,046	6.28%	\$239,496

Source: January 2012 – December 2013 Home Mortgage Disclosure Act Data and bank records (verified by examiners)

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

The overall distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

#### Milwaukee-Waukesha-West Allis AA

Distribution of home mortgage loans to low- and moderate-income borrowers residing in the Milwaukee-Waukesha-West Allis AA shows reasonable penetration. As detailed in the chart below, the percentage of loans originated to low-income borrowers is lower than the area demographic while the percentage of moderate-income borrowers exceeds the area demographic. The bank made 12 percent of home mortgage loans to low-income borrowers and 23 percent of home mortgage loans to moderate-income borrowers. The area demographics show that 22 percent of families are low-income and 17 percent of families are moderate-income borrowers. Our evaluation gives consideration to the fact that 9.7 percent of families are living below the poverty level.

Borrower Distribution of Residential Real Estate Loans in Milwaukee-Waukesha-West Allis MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	22.15%	14.14%	16.90%	28.79%	20.61%	20.20%	40.35%	36.87%
Home Improvement	22.15%	13.91%	16.90%	17.39%	20.61%	29.57%	40.35%	39.13%
Home Refinance	22.15%	11.69%	16.90%	21.79%	20.61%	28.86%	40.35%	37.66%
Total	22.15%	12.43%	16.90%	22.66%	20.61%	27.24%	40.35%	37.67%

Source: 2012 and 2013 HMDA data (verified by examiners) and 2010 U.S. census demographic data. The bank reported income as NA for 7.03% of loans.

The distribution of loans reflects excellent penetration among businesses of different sizes. The number of business loans originated by the bank to small businesses, those with revenues of \$1 million or less, exceeds the demographics by number and dollar. TCNB originated 92 percent of small business loans by number and 84 percent by dollar. This exceeds the demographics, which shows 71 percent of businesses are within the AA.

<b>Borrower Distribution to Businesses in the Milwaukee-Waukesha-West Allis AA</b>				
Business Revenues (or Sales)	< 1,000,000	> 1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70.89%	6.79%	22.32%	100.00%
% of Bank Loans in AA by #	91.67%	8.33%	0.00%	100.00%
% of Bank Loans in AA by \$	84.39%	15.61%	0.00%	100.00%

Source: January 2012 – December 2013 Small Business Loan Data (verified by examiners) and U.S. Census Business Demographic Data

### Geographic Distribution of Loans

The overall distribution of borrowers reflects reasonable dispersion among geographies of different income levels.

#### Milwaukee-Waukesha-West Allis AA

The geographic distribution of home mortgages in the Milwaukee-Waukesha-West Allis AA shows reasonable dispersion among geographies of different income levels. The demographic data shows 7 percent of AA owner occupied housing in low-income census tracts and 13 percent of AA owner occupied housing in moderate-income census tracts. The bank is slightly lower than the demographics with 3 percent of home mortgages originated in low- income census tracts and 11 percent originated in moderate-income census tracts.

<b>Geographic Distribution of Residential Real Estate Loans in Milwaukee-Waukesha-West Allis MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Type of Loan	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	6.74%	3.17%	12.89%	14.03%	39.84%	43.43%	40.52%	39.37%
Home Improvement	6.74%	2.46%	12.89%	16.39%	39.84%	44.26%	40.52%	36.89%
Home Refinance	6.74%	2.97%	12.89%	9.72%	39.84%	37.38%	40.52%	49.93%
Total	6.74%	3.43%	12.89%	11.28%	39.84%	39.62%	40.52%	45.67%

Source: 2012 and 2013 HMDA data (verified by examiners) and 2010 U.S. census demographic data.



The geographic distribution of business loans in the Milwaukee-Waukesha-West Allis AA shows excellent dispersion throughout the bank’s AA. As shown in the table below, the bank originated 17 percent of its business loans within the low-income tracts and 25 percent of its business loans within the moderate-income census tracts. The bank exceeds the demographics for both areas, which show 10 percent of AAs businesses in low-income census tracts and 14 percent of AA businesses in moderate-income census tracts.

Geographic Distribution of Business Loans in the Milwaukee-Waukesha-West Allis AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
% of Total	9.95%	16.67%	14.43%	25.00%	37.62%	37.50%	37.95%	20.83%

Source: January 2012- December 2013 Small Business Loan Data (verified by examiners) and Dun & Bradstreet Business Demographic Data

**Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank’s performance under the lending test in the Racine and Kenosha AAs is not inconsistent with the bank’s satisfactory performance under the lending test.

In the Racine AA, the borrower distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The geographic distribution of home mortgages in this AA shows excellent dispersion among geographies of different income levels. The geographic distribution of business loans shows reasonable dispersion throughout the bank’s AA. In the Kenosha AA, the borrower distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The geographic distribution of home mortgages in this AA shows reasonable dispersion among geographies of different income levels. The geographic distribution of business loans shows excellent dispersion throughout the bank’s AA.

**Responses to Complaints**

The bank or the OCC have not received any complaints regarding its CRA performance since the last CRA examination.

## **COMMUNITY DEVELOPMENT TEST**

TCNB's performance under the Community Development Test is rated Outstanding. Community development performance through community development loans, qualified investments, and services demonstrates excellent responsiveness to community development needs in the AAs.

### **Number and Amount of Community Development Loans**

TCNB provided an excellent level of community development loans. During our evaluation period, the bank originated or renewed 41 community development loans totaling \$51.5 million. In addition, the bank participated in a variety of economic development and affordable housing finance programs, such as Small Business Administration (SBA) 504 programs, Milwaukee Economic Development Corporation (MEDC), the Wisconsin Housing and Economic Development Authority (WHEDA), revolving loan funds, and other flexible financing programs.

The WHEDA home program is a first-time homebuyer program that provides below market interest rates and allows for a lower down payment than conventional mortgage programs. This program benefits primarily low- and moderate-income individuals. Under this program, the bank originated \$550,000 loans.

SBA loans are available in the AAs for businesses that may not qualify for conventional loan terms. MEDC loan programs assist businesses by supporting projects considered as a risk for conventional lending with funding and lower interest rates. During the evaluation period, the bank originated \$5.03 million in SBA and MEDC loans.

The bank's community development lending activity includes 26 loans totaling \$43 million in the Milwaukee-Waukesha-West Allis AA, 11 loans totaling \$6.3 million in the Racine AA, and 4 loans totaling \$2.1 million in the Kenosha AA. These loans benefit low- and moderate-income individuals by providing affordable housing, community services, and economic development. Loan funds supported purchases of multi-family units to provide for affordable housing, loans used by businesses to continue operations and employ low- and moderate-income individuals, and loans to finance economic development to facilitate low- and moderate-income individuals.

The level of community development lending reflects excellent responsiveness to the communities' needs given the available opportunities.

### **Number and Amount of Qualified Investments**

TCNB provided an excellent level of community development investments. TCNB had 245 investments for a total of \$9.21 million in qualified investments. Of these investments, \$323,000 were donations to numerous organizations, primarily nonprofit organizations. TCNB invests in a large number of organizations through smaller dollar donations. These donations were utilized to support low- and moderate-income

individuals and business in various capacities including social services, job skills and training, affordable housing, small business development, and stabilization of low- and moderate-income geographies. TCNB made donations in all three AAs, including \$229,000 in the Milwaukee-Waukesha-West Allis AA, \$41,000 in the Racine AA, \$24,000 in the Kenosha AA, and \$30,000 that benefit all three AAs.

The bank's investments included \$1.25 million in annual certificates of deposit from five minority and women-owned financial institutions, all of which are certified as Community Development Financial Institutions (CDFI) by the CDFI Fund of the U.S. Department of the Treasury. The total investment in CDFIs over the evaluation period was \$6.25 million.

In addition, TCNB invested \$2.56 million in GNMA mortgage-backed securities, which were collateralized by home loans made to low- and moderate-income borrowers in the bank's three AAs in 2014. In 2010, the bank increased its investment by \$73,600 through share purchases in a community development corporation organized to create affordable housing and employment opportunities for the low- and moderate-income individuals of Racine County.

### **Extent to Which the Bank Provides Community Development Services**

TCNB provides an excellent level of community development services through its branches, products, and activities with local organizations that directly support and benefit low- and moderate-income individuals.

TCNB provides affordable banking services in its AAs with a full range of consumer and commercial banking products and services. Eight, or 20 percent, of TCNB's 40 branches are located in low- or moderate-income census tracts. In addition to the bank's full-service, limited-service, auto-bank, and ATM locations, TCNB also offers internet banking and telephone banking for added accessibility to the bank's products. TCNB is involved in a wide-range of community development services in each of the bank's AAs. Many bank employees are involved with organizations that promote economic development or provide services for low- and moderate-income individuals and geographies.

Several of TCNB's employees provide financial expertise to organizations by serving as Board members, Committee members, or acting as a supplementary resource for banking or finance needs. Employees specifically have assisted with foreclosure prevention initiatives, first-time homeownership counseling, and financial literacy programs specifically targeting the low- and moderate-income communities. TCNB employees are also involved with other organizations and nonprofit groups that promote economic development or provide services for low- and moderate-income individuals and geographies.

As previously mentioned, and in addition to the services provided by the bank's employees, TCNB participates in economic development and affordable housing finance programs in conjunction with WHEDA, SBA, and MEDC.

TCNB also established a savings account program with the City of Racine Weed and Seed program to educate first-time homebuyers and establish savings accounts, at no charge, for prospective homebuyers to save money for a housing down payment. Funds in these accounts are matched by the City of Racine.

TCNB's services to foreclosure counseling, financial education programs, and economic development corporations are considered responsive to local needs.

### **Responsiveness to Community Development Needs**

Given available opportunities, the bank's performance in meeting community development needs reflects excellent responsiveness to the needs of its communities.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AAs by an affiliate whose loans have been considered as part of the bank's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.