



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

November 26, 2007

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Community Bank  
Charter Number: 11412

109 East Second Street  
New Richmond, WI 54017

Office of the Comptroller of the Currency

Minneapolis South  
920 Second Avenue South Suite 800  
Minneapolis, MN 55402

**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 major factors that support this rating include:

- The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition and local economic conditions.
- A majority of the loan originations were made within the bank's assessment area.
- The distribution of borrowers reflects reasonable penetration among businesses of different sizes and among individuals of different income levels.

**SCOPE OF EXAMINATION**

We evaluated First National Community Bank's Community Reinvestment Act performance under the Lending test. Our review included loan data from January 1, 2005 through September 30, 2007. In evaluating the bank's lending performance, we reviewed the bank's two primary products, which were commercial and home refinance loans. Prior to conducting this evaluation, we tested the accuracy of the bank's HMDA data. We found the data to be accurate and was used in the evaluation of the home refinance loans. Business loans were compared to 2006 Business Geodemographic data and home refinance loans were compared to the 2000 U.S. Census data.

**DESCRIPTION OF INSTITUTION**

The First National Community Bank is a \$141 million bank located in Western Wisconsin. In March 2007, the bank changed their name from First National Bank of New Richmond to First National Community Bank to emphasize that they are, and will continue to be a locally-owned and managed community bank. The bank offers a full line of commercial and retail services. First National Community Bank's main office is located in New Richmond, Wisconsin. The bank has two branches located in Hudson and Somerset. The bank also has two messenger services that pick up deposits and cash checks twice a month from two assisted living facilities located in New Richmond. All bank locations are located in St. Croix County. Each bank branch has a deposit taking ATM that is accessible 24-hours a day. Effective December 1, 2007 the bank is opening a loan production office in River Falls, Wisconsin. The First National Community Bank is owned by One Corporation, a one bank holding company.

As of September 30, 2007, the bank's loan portfolio totaled \$111 million or 79% of total assets. The following table reflects the distribution of the bank's loan portfolio as of September 30, 2007.

<b>Loan Portfolio Mix</b>		
	<b>\$ 000's</b>	<b>%</b>
Business Loans	\$75,404	68%
Consumer Loans	\$23,448	21%
Real Estate Loans	\$11,363	10%
Agriculture Loans	\$1,059	1%
<b>Total</b>	<b>\$111,274</b>	<b>100%</b>

There are no legal, financial, or other factors that prevent the bank from meeting the CRA needs of the community.

The last CRA examination was dated December 1, 2001 and resulted in an "Outstanding" rating.

## **DESCRIPTION OF ASSESSMENT AREA**

First National Community Bank's assessment area is St. Croix County, Wisconsin, which is part of the Minneapolis-St. Paul, Minnesota Metropolitan Statistical Area (MSA). There are no low- or moderate-income census tracts within the assessment area. The main office in New Richmond and the Somerset branch are located in middle-income census tracts and the Hudson branch is located in an upper-income census tract. The assessment area meets the requirements of the regulation.

Based on the 2000 U.S. Census Bureau, the 2006 estimated population of St. Croix County is 80,015. The HUD estimated 2007 median family income for the MSA is \$77,600. Based on 2000 Census data, there are 1,015 or 4.33% of families below the poverty level in St. Croix County. The 2004 Census Bureau poverty rate for persons in the state of Wisconsin is 10.9%, as compared to 5.1% for St. Croix County. According to the 2000 U.S. Census Bureau, owner occupied housing represents 73.71% of the housing stock in St. Croix County.

Employment in St. Croix County is centered primarily in educational services, food services, local government, and nursing and residential healthcare facilities. Based on statistics from the U.S. Bureau of Labor, the October 2007 unemployment rate for St. Croix County is 3.7%, which is below the state average of 4.5%.

First National Community Bank competes with several other community banks for loans and deposits. There are 16 other financial institutions operating in St. Croix County. According to the Federal Deposit Insurance Corporation, as of June 30, 2007 First National Community Bank is ranked 4<sup>th</sup> with 12.27% of market share out of the other 16 banks.

In order to gather more current information on the nature of the community and potential lending opportunities within the assessment area, we contacted a community leader during this evaluation. The contact indicated that the local banks are very active in the community and strive to meet the credit needs of the community. The contact also

stated that there has been growth in retail business, however there continues to be a need for affordable housing.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**Loan-to-Deposit Ratio**

The First National Community Bank’s loan-to-deposit ratio is reasonable compared to other similarly situated banks as well as the bank’s size and location. Similarly situated banks are those operating in St. Croix County and ranging in asset size from \$100 million to \$250 million. The bank’s quarterly average loan-to-deposit ratio from September 30, 2001 to September 30, 2007 was 79.73%. The quarterly loan-to-deposit ratio for three similarly situated banks ranged from 84.41% to 102.56%.

**Lending in Assessment Area**

First National Community Bank originates the majority of its loans to borrowers located within the bank’s assessment area. A random sample of 20 business loans and all HMDA home refinance loans from January 1, 2005 through September 30, 2007 were reviewed. Based on our sample, 71% by number and 93.13% by dollar volume were made to businesses and individuals located within the bank’s assessment area. The table below illustrates the number and dollar (in thousands) of loans that were originated inside and outside the bank’s assessment area.

<b>Lending in St. Croix County</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	17	85%	3	15%	20	\$4,577,438	93%	\$322,946	7%	\$4,900,384
Home Refinance Loans	196	70%	84	30%	280	\$35,549	67.47%	\$17,141	32.53%	\$52,690
Totals	213	71%	87	29%	300	\$4,612,987	93.13%	\$340,087	6.87%	\$4,953,074

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

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

Based on a review of 60 loans, business lending activities within the assessment area are reasonable compared to the local demographics. However, the local demographics indicate that there are a large number of businesses that do not report their revenues. Information received from the community contact indicated that the majority of businesses within the community are smaller business. As smaller businesses sometimes have limited or no credit needs, lending opportunities for banks may be somewhat limited. Credit needs for smaller businesses are sometimes also met through home equity lending or other personal loans, rather than standard commercial lending. Our community contact indicated that First National Community Bank does a

good job of meeting the needs of small businesses and is also very active in promoting small businesses through their involvement within the community.

<b>Borrower Distribution of Loans to Businesses in St. Croix County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	54.77%	4.78%	40.45%	100%
% of Bank Loans in AA by #	72.00%	28.00%	NA	100%
% of Bank Loans in AA by \$	49.00%	51.00%	NA	100%

**Source: Loan Sample; 2006 Business Demographic Data**

Residential real estate lending activity in the assessment area is excellent. Based on the January 1, 2005 through September 30, 2007 HMDA data, First National Community Bank’s lending to low-income borrowers is near to demographics but is considered excellent since 4.33% of families are below the poverty level. First National Community Bank’s lending to moderate-income borrowers exceeds the demographic for moderate-income borrowers. The following table compares the bank’s home refinance lending activity by borrower income to the local demographics:

<b>Borrower Distribution of Residential Real Estate Loans in St. Croix County</b>								
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 Refinance Loans	15.56%	12.24%	20.93%	25.00%	28.42%	28.57%	35.08%	31.12%

**Source: January 1, 2005 – September 30, 2007 HMDA Data and 2000 U.S. Census Data**

**Geographic Distribution of Loans**

The geographic distribution of loans does not provide a meaningful analysis as none of the census tracts in the bank’s assessment area are defined as low- or moderate-income census tracts.

**Responses to Complaints**

First National Community Bank has not received any CRA related complaints during the evaluation period.

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

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