



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 6, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Bangor
Charter Number 13202**

**1800 Commercial Street
Bangor, WI 54614**

**Comptroller of the Currency
Minneapolis South Field Office
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 bank's average loan-to-deposit ratio is reasonable.
- The bank originates a majority of its loans within its assessment area.
- The bank has a good distribution of credit among businesses of different sizes and an excellent distribution of credit among residential real estate borrowers of different income levels.
- The geographic distribution of commercial and residential real estate loans reflect a reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

First National Bank of Bangor (FNB) was a \$167 million institution as of December 31, 2002. FNB's main office is located in Bangor, Wisconsin, with two full service branches located in Holmen, and West Salem, Wisconsin. FNB also has two part-time branches located in Mindoro, Wisconsin and on St. Joseph's Ridge southeast of La Crosse, Wisconsin. The part-time branches offer a full line of loan and deposit products but are only open for customers on Monday, Wednesday and Friday. Bangor, Wisconsin is a village of approximately 1,400 persons, located 20 miles from downtown La Crosse. All FNB's branches are located in villages and townships in the rural outlying areas of the La Crosse County Metropolitan Statistical Area (MSA).

The bank offers telephone banking to its customers. This service provides customers with 24-hour access to deposit and loan account information. It also allows customers to make transfers between accounts. FNB currently has four withdrawal-only ATMs located in Bangor, West Salem and Holmen.

FNB offers a wide range of loan and deposit products which are designed to meet the community's needs. As of December 31, 2002, the bank's \$106 million loan portfolio consisted of 50% commercial loans, 27% residential real estate loans, 12% agricultural loans, 7% consumer loans and 4% other loans. As of December 31, 2002, net loans made up 63.52% of total assets. The bank's primary lending focus is commercial and residential real estate loans.

Bosshard Banco, Ltd. is a two-bank holding company that owns a majority interest of FNB and Intercity State Bank of Schofield, Wisconsin. As of December 31, 2002, Bosshard Banco, Ltd. had assets of \$283 million. The bank does not have any affiliate relationships that impact the bank's CRA performance.

There are no financial, legal or other factors that impede FNB's ability to meet its CRA obligations. The bank's last CRA rating was a "Satisfactory Record of Meeting Community Credit Needs" dated March 30, 1998.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) includes all of La Crosse County, Wisconsin. This county is defined as a Metropolitan Statistical Area (MSA) and includes 26 Census Tracts (CTs). Based on the 1990 census data, 2 CTs are low-income (7.69%), 3 CTs are moderate-income (11.54%), 15 CTs are middle-income (57.69%), 5 CTs are upper income (19.23%) and 1 CT does not have any income data available (3.85%). The AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

Based on 1990 census information, 17% of the families within this AA are low income, 19% moderate income, 26% middle income and 38% upper income. The 1990 census median family income for the La Crosse MSA was \$34,038. Based on the Department of Housing and Urban Development's 2002 estimate, the updated median family income for the MSA is \$54,000.

The 1990 census data indicates that 4,658 households (12.64%) are below the poverty level. The 2000 census indicates that amount has decreased to 4,336 households (10%). The Census Bureau indicated that in 1999, 8.7% of persons in Wisconsin were below the poverty level, compared to 12.4% nation-wide. In 1999, 10.7% of persons in the AA were living below the poverty level.

The Census Bureau indicates the population of La Crosse County has increased 9.4% from 1990 to 2000. Population figures for 2001 are estimated at 107,705 persons, with approximately half of the population living within the city limits of La Crosse. The combined population for 2000 for the villages and townships where FNB has bank locations total approximately 15,000 persons.

The average median housing value per 1990 census data was \$55,898 in La Crosse County. The 2000 census data indicates the median housing value is \$95,181. Census information shows home ownership at 62% in 2000 for La Crosse County, compared to 60% in 1990.

Unemployment levels in the AA are lower than the State of Wisconsin. Pursuant to the U.S. Department of Labor, Bureau of Labor Statistics, the unemployment rate for the State of Wisconsin as of December 31, 2002 was 5.7% and the La Crosse County unemployment rate for the same date was 4%.

La Crosse County is ideally located for business and industry. It is close to both Minnesota and Iowa and is linked to other major areas by the interstate system, railroads and the Mississippi River. It is also a popular tourist attraction due to its scenic landscape. Skiing, hunting, fishing and other outdoor activities bring visitors to the area. Major employers in La Crosse County include Gundersen Lutheran and Franciscan Skemp/Mayo Health Systems which employ more than 8,000 persons. Other employers with more than 1,000 employees are Trane Company, the La Crosse Area School District and University of Wisconsin-La Crosse. La Crosse is home to two public colleges and one private college. Our community contact indicated that the manufacturing industry in the greater La Crosse area has been stressed due to the overall economic conditions, but that the healthcare, tourism, retail and administrative sectors are thriving in the area.

Bank competition in the AA is strong. FNB is ranked 4th of the 14 banks with a presence in the

AA with 7.73% of the deposits according to June, 2002 deposit information obtained from the Federal Deposit Insurance Corporation. More than 50% of the deposit share is maintained by two large financial institutions with branches in La Crosse. In addition to the bank competition, there are also 12 credit unions with a presence in the AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition and local credit needs. The bank's quarterly average loan-to-deposit ratio for the 20 quarters since the previous CRA exam is 85.12%. Similarly situated banks in the AA are those with total assets between \$71 and \$200 million. Quarterly average loan-to-deposit ratios for similarly situated banks range from 67.36% to 89.16% over the same time frame. The loan-to-deposit ratio does not take into account loans sold by banks on the secondary market, which for FNB was 80 loans during a recent 12-month period.

Loan to Deposit		
Institution	Assets (as of 12/31/02)	Average Loan-to-Deposit Ratio 1Q98 – 4Q02
FARMERS STATE BANK, Bangor, WI	\$ 71 million	67.36
COULEE STATE BANK, La Crosse, WI	\$ 118 million	72.39
RIVER BANK, Stoddard, WI	\$ 200 million	72.48
FIRST NATIONAL BANK, Bangor, WI	\$ 167 million	85.12
FORTRESS BANK, Westby, WI	\$ 112 million	89.16

Lending in Assessment Area

Based on a sample of 20 commercial loans and 20 residential real estate loans, FNB originates a majority of its loans to borrowers located within its defined AA. The sample determined that of loans originated from January 1998 through December 2002, 77.5% by number and 81.36% by dollar volume were made to businesses and real estate borrowers located within the bank's AA. The following table shows loans originated inside and outside their AA by number and dollar volume:

Lending in Assessment Area										
	Number of Loans					Dollar of Loans				
	Inside		Outside		Total	Inside		Outside		Total
Loan Type	#	%	#	%		\$	%	\$	%	
Commercial Loans	16	80	4	20	100%	1,673,294	83	342,633	17	\$2,015,927
Residential Real Estate	15	75	5	25	100%	1,029,316	79	276,448	21	\$1,305,764
Totals:	31	77.5%	9	22.5%	100%	\$2,702,610	81.36%	\$619,081	18.64%	\$3,321,691

Lending to Businesses of Different Revenue Sizes and to Real Estate Borrowers of Different

Income Levels

FNB has a good distribution of credit among businesses of different sizes.

Commercial borrowers have a wide diversity of gross revenue levels ranging from a few thousand to more than a million dollars. A random sample of 20 commercial files indicates the following breakdown of annual revenues.

Borrower Distribution of Loans to Business		
Business Revenues	< \$1,000,000	> \$1,000,000
% of AA Businesses*	81%	8.08%
% of Bank Loans in AA by #	85%	15%
% of Bank Loans in AA by \$	65.09%	34.91%

*per 2002 Business Demographic Data;
10.92% of businesses did not report revenues

FNB has an excellent distribution of credit among residential real estate borrowers of different income levels. The following table compares the percentage of families based on income level located within the AA to those loans made by the bank from the selected loan sample of 20 residential real estate loans.

Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level*	Low (0 - \$27,000)		Moderate (\$27,001 - \$43,200)		Middle (\$43,201 - \$64,800)		Upper (\$64,801 and over)	
	% 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
Residential Real Estate	17.32%	10%	18.49%	40%	26.26%	20%	37.93%	30%

*per 2002 HUD Estimated Median Family Income for La Crosse County MSA

Geographic Distribution of Loans

The geographic distribution of commercial and residential real estate loans reflect a reasonable dispersion throughout the AA. FNB's main bank and all branches are located in middle-income CTs situated in the rural outlying areas of La Crosse County. The majority of FNB's loans are made to borrowers located within middle-income CTs. While the AA does have two low- and three moderate-income tracts, those tracts are approximately 20 miles from FNB's main bank. In addition, there are 21 financial institutions located within the La Crosse city limits, where the low- to moderate-income tracts are located. Given FNB's rural locations, we did not identify any conspicuous gaps in lending to low and moderate income CTs. The following tables reflect the demographics of the area to the bank's actual lending, using both number of loans and dollar amounts of loans, based on a random sample of 20 commercial loans and 20 residential real estate loans.

Geographic Distribution of Loans to Businesses in Assessment Area								
Census Tract Income Level*	Low 7.69%		Moderate 11.54%		Middle 57.69%		Upper 19.23%	
Loan Type	% 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
Commercial	16.75%	0	18.87%	10%	50.45%	85%	13.89%	5%

*3.85% of the Census Tracts in this AA are N/A; % of AA Businesses in these CTs are .04%

Geographic Distribution of Residential Real Estate Loans in Assessment Area								
Census Tract Income Level*	Low 7.69%		Moderate 11.54%		Middle 57.69%		Upper 19.23%	
Loan Type	% of AA Owner Occupied Housing Units	% of Number of Loans	% of AA Owner Occupied Housing Units	% of Number of Loans	% of AA Owner Occupied Housing Units	% of Number of Loans	% of AA Owner Occupied Housing Units	% of Number of Loans
Residential Real Estate	1.41%	0	11.59%	0	65.58%	90%	21.42%	10%

*3.85% of the Census Tracts in this AA are N/A

Responses to Complaints

FNB has not received any complaints about its performance in helping meet assessment area credit needs during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.