



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**July 24, 2006**

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

**Eagle Valley Bank, National Association  
Charter Number 11526**

**102 N. Washington  
St. Croix Falls, WI 54024**

**Comptroller of the Currency  
Minneapolis North  
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: Satisfactory**

- The overall bank rating is a blend of two ratings. The state of Wisconsin rating (Polk County) and the multi-state metropolitan statistical area (MSA) of Minneapolis/St. Paul. The multi-state MSA assessment area (AA) has been weighted more heavily since 59% of deposits are located there.
- Bank lending activity reflects good responsiveness to assessment area credit needs.
- The bank's loan to deposit ratio is good.
- A majority of bank loans were originated within the bank's assessment area.
- The bank did not receive any CRA related complaints during this evaluation period.

### **CRA Rating for the Minneapolis/St. Paul MSA assessment area: Satisfactory**

- The distribution of residential real estate loans to borrower's of different income levels is excellent.
- The distribution of business loans to businesses of different revenue sizes is satisfactory.
- The geographic distribution of loans is reasonable.

### **CRA Rating for the Wisconsin assessment area: Satisfactory**

- The distribution of residential real estate loans to borrower's of different income levels is reasonable.
- The distribution of business loans to businesses of different revenue sizes is excellent.

## **DESCRIPTION OF INSTITUTION**

Eagle Valley Bank, National Association, St. Croix Falls, Wisconsin (EVB) is a \$203 million interstate community bank located in northwest Wisconsin along the Minnesota border. EVB is owned by Financial Services of St. Croix Falls, Inc., a one bank holding company.

EVB has a total of six branch locations. The bank's main office and one branch facility are located in St. Croix Falls, Wisconsin, approximately 45 miles northeast of the Twin Cities (Minneapolis/St. Paul, Minnesota). EVB has four branch facilities located within the Minneapolis/St. Paul metropolitan statistical area (MSA): Hudson; Stillwater; Apple Valley; and Burnsville. A listing of branch openings can be found in the bank's public file. The St. Croix Falls and Stillwater branches have cash dispensing only ATM's while the Hudson, Burnsville, and Apple Valley locations have full service ATM's.

EVB is a full service bank offering a variety of loan and deposit products. The bank's lending focus in the St. Croix Falls and Minneapolis/St. Paul MSA is business and residential real estate loans. This focus is evident by the bank's distribution of outstanding loans and the distribution of loans originated during the assessment period (January 1, 2004 through June 30, 2006). As of March 31, 2006 the bank's \$142MM loan portfolio consisted of construction (33%), commercial (39%), residential (25%), consumer (2%), and other (1%). Residential real estate loans for the St. Croix Falls assessment area (AA) accounted for 41% of originations by number and 60% by dollar volume while business loans accounted for 13% by number and 22% by dollar volume for

the assessment period. Residential real estate loans in the Minneapolis/St. Paul MSA accounted for 65% by number of originations and 68% by dollar volume while business loans accounted for 21% by number and 29% by dollar volume.

There are no financial, legal or other factors that impede the bank's ability to meet its CRA obligations. EVB was rated "satisfactory" as of its last CRA evaluation in November 2001.

## **DESCRIPTION OF ASSESSMENT AREAS**

### ***St. Croix Falls (Polk County) Assessment Area***

The St. Croix Falls assessment area encompasses Polk County, Wisconsin. Data dated from 2005 indicates the area has ten total geographies, nine of which are classified as middle-income (90%). The other geography is classified as upper income (10%). There are no low or moderate income census tracts in the area. Community contacts stated that there continues to be a need for affordable housing in the Polk county area due to rising home values over the past five years.

The population of the area has continued to increase at a rate of just over 9% in the five year span from 2000 to 2005, according to census data. The area consists of 11,429 families. Of these families, 15.18% are low income, 19.34% are moderate income, 24.88% are middle income and 40.6% are upper income families. According to the Department of Housing and Urban Development, the median family income was \$53,600 in 2005.

The area's population and economy continue to grow due to its short distance from the Twin Cities. Area non-farm business mostly takes place at the small business level. Of the revenues reported in the area, 66.46% were from businesses that report less than one million dollars of revenue per year. Only 5.05% of area revenues are derived from businesses that generate over one million dollars of revenue per year. The manufacturing industry is the area's leader in employment by providing 25% of total jobs. Healthcare provides the second most employment opportunities at 15% of total jobs. Unemployment is usually higher in the winter months but has recently been averaging just over 5%.

Competition in the assessment area is high. There are 9 other financial institutions in the AA and a strong presence by Riverbank and Bremer Bank NA. Riverbank and Bremer Bank NA account for over half of all deposits located within Polk County.

### ***Minneapolis/St. Paul Assessment Area***

The Minneapolis/St. Paul MSA is a multi-state MSA consisting of Hennepin, Ramsey, Washington, Dakota, Scott, and Chisago counties in Minnesota and St. Croix County, Wisconsin. The assessment area complies with regulatory requirements and does not exclude any low- or moderate-income census tracts. Based on 2000 census data, there are 47 (7.72%) low income tracts, 135 (22.17%) moderate income tracts, 263 (43.19%) middle income tracts, 160 (26.27%) upper income tracts, and 4 tracts that did not report any data.

The population of this assessment area according to 2000 census information was 2,968,806. This represents a 16.9% increase over the 1990 census population of 2,538,834. Of the 78,358

families located within the Minneapolis/St. Paul MSA, 9,530 (12.16%) are designated as low-income, 13,545 (17.29%) are designated moderate-income, 21,724 (27.72%) are designated middle-income, and 33,559 (42.83%) are designated upper-income. The weighted average of HUD updated MSA median family income from which these figures are based was \$77,000 according to 2000 census data. A community contact stated that overall credit needs of the community are being met but banks could improve programs available to first time home buyers. First time homebuyers are able to get credit needed, however so many homes require renovation and many times this leads to the house not qualifying for first time home buyer programs.

The economy of the Minneapolis/St. Paul MSA area is good. The unemployment rate in the MSA is low at 3.5% compared to the Minnesota state average of 3.6% and the national average of 4.8%. The Minneapolis/St. Paul MSA is home to 18 Fortune 500 companies. These companies have made the MSA a center for high-tech electronics, medical instruments, health care, finance, insurance, entertainment/arts, printing/publishing, as well as the processing and transporting of agricultural products. The MSA is home to the University of Minnesota and several other public/private universities and colleges.

Bank competition in the assessment area is strong. There are more than 170 deposit taking financial institutions in the AA. There are also numerous lenders, besides deposit taking institutions in the AA. Therefore, competition for both loans and deposits is intense.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

Bank CRA performance will be rated on five factors: Loan to Deposit Ratio, Lending within the AA's, income distribution, geographical distribution, and responses to CRA related complaints. The assessment period for loan activity is from January 1, 2004 to June 30, 2006.

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

EVB's loan to deposit (LTD) ratio is good. The bank's average quarterly LTD ratio for the period from September 30, 2001 to March 31, 2006 was 88.78%. EVB's average quarterly ratio ranged from 81% to 99% during this time.

EVB's LTD ratio is comparable to similarly situated banks. The average quarterly LTD ratio for 7 similarly situated banks was 89.78%. Similarly situated banks are defined as those banks with between \$175MM and \$250MM in total assets as of 3/31/06 with at least one office located in Dakota (MN), Scott (MN), Washington (MN), or St. Croix (WI) counties. Individually, the similarly situated banks average quarterly LTD ratio ranged from 70% to 104%. EVB's performance ranked 4<sup>th</sup> out of eight total banks for this period.

### **Lending in Assessment Area**

EVB's record of lending within its assessment area is good. The bank originated 86.25% by number and 83.22% by dollar amount of loans within its assessment area. The bank's ratio of lending within its assessment area was calculated from its primary loan types. Residential real estate (RE) and business loans were selected as the bank's primary products for both assessment areas based on loan portfolio composition and new loans originated during the assessment period

(January 1, 2004- June 30, 2006). Specifically we reviewed a random sample of 20 loans of each primary product type from each assessment area and combined the figures of each product type to arrive at a conclusion. The table below shows the results of our in/out lending analysis.

<b>In/Out Lending Analysis</b>	<b>In Assessment Area By Number %</b>	<b>In Assessment Area by Dollar %</b>
Business Loans (Random Sample)	90%	82.78%
Residential Real Estate (Random Sample)	82.5%	83.62%
<b>Aggregate Results</b>	<b>86.25%</b>	<b>83.22%</b>

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

#### *St. Croix Falls Assessment Area*

EVB’s overall distribution of loans to businesses of different sizes and borrowers of different income levels in the St. Croix Falls AA is reasonable.

The distribution of loans to borrowers of different income levels is reasonable. The following table illustrates the distribution of loans sampled: 13.33% of loans originated to low-income borrowers and 15% of loans originated to moderate-income borrowers. These ratios are comparable to the AA demographics (15% of families are low-income and 19% are moderate-income). Performance is found to be reasonable based on lack of affordable housing stock in the area and the demographic of 8% of families living below the poverty level.

<b>Income Level of Borrower</b>	<b>By Number %</b>	<b>By Dollar %</b>	<b>Demographic for Assessment Area</b>
Low	13.33%	5.44%	15.18%
Moderate	15.00%	8.16%	19.34%
Middle	43.33%	33.91%	24.88%
Upper	28.33%	52.49%	40.60%

The distribution of loans to small business (annual gross revenues <\$1 million) is excellent. The bank originated 85% by number (17 out of 20) of loans to small businesses. This is well in excess of the demographic of 63% for the assessment area, although it should be noted that 31.94% of businesses did not report revenue.

<b>Revenue Size of Business</b>	<b>By Number %</b>	<b>By Dollar %</b>	<b>Demographic for Assessment Area</b>
Less Than \$1 Million	85%	65.25%	63.02%
Greater Than \$1 Million	15%	34.75%	5.04%
Revenue Not Reported	0%	0%	31.94%

#### *Minneapolis/St. Paul MSA Assessment Area*

EVB’s overall distribution of loans to borrowers of different income levels and businesses of different sizes in the Minneapolis/St. Paul assessment area is reasonable.

The distribution of loans to borrowers of different income levels is excellent in the

Minneapolis/St. Paul AA. The following table illustrates the borrower income distribution of residential RE loans sampled. Five loans (25%) were to low income borrowers; this ratio exceeds area demographics (17.5% of families in the assessment area are low income). Three loans were to moderate income borrowers; this ratio approximates the demographic of 18.52%.

<b>Income Level of Borrower</b>	<b>By Number %</b>	<b>By Dollar %</b>	<b>Demographic for Assessment Area</b>
Low	25%	12.11%	17.5%
Moderate	15%	13.41%	18.52%
Middle	25%	23.22%	25.3%
Upper	35%	51.26%	38.67%

The distribution of loans to small businesses is reasonable. EVB originated 60% of loans sampled to businesses with revenues less than \$1 million. This level approximates the demographic of 61.79%. There was a significant portion of businesses, 32.5%, that did not report revenue. EVB’s performance remains reasonable despite being lower than the demographic.

<b>Revenue Size of Business</b>	<b>By Number %</b>	<b>By Dollar %</b>	<b>Demographic for Assessment Area</b>
Less Than \$1 Million	60%	34.98%	61.79%
Greater Than \$1 Million	40%	65.02%	5.71%
Revenue Not Reported	0%	0%	32.50%

### **Geographic Distribution of Loans**

#### *St. Croix Falls Assessment Area*

The geographic distribution of loans does not provide a meaningful analysis in the Non-MSA AA as none of the census tracts in this AA are defined as low- or moderate- income.

#### *Minneapolis/St. Paul Assessment Area*

The geographic distribution of loans in the Minneapolis/St. Paul MSA assessment area is reasonable, despite the fact that none of the loans we sampled were located in a low or moderate income census tract. Of the low and moderate income census tracts in the assessment area, 94% are located in either Hennepin or Ramsey counties, where EVB does not have a branch location. There are also numerous competing financial institutions in closer proximity to these census tracts, which already service these areas. EVB’s branch locations are on the southern side and eastern side of the MSA located in Dakota and Washington counties in Minnesota and St. Croix County in Wisconsin.

<b>Table 9. Residential RE Income Level of Geography</b>	<b>Residential RE Loans by Number %</b>	<b>Residential RE Loans by Dollar %</b>	<b>Assessment Area Owner Occupied %</b>
Low-Income	0%	0%	1.9%
Moderate-Income	0%	0%	15.13%
Middle-Income	50%	40.69%	50.08%

Upper-Income	50%	59.31%	32.89%
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<b>Table 8. Business Loans Income Level of Geography</b>	<b>Business Loans by Number %</b>	<b>Business Loans by Dollar %</b>	<b>Assessment Area Businesses %</b>
Low-Income	0%	0%	4.61%
Moderate-Income	0%	0%	17.06%
Middle-Income	70%	62.06%	48%
Upper-Income	30%	37.94%	30.17%

### **Responses to Complaints**

EVB has not received any CRA related complaints.

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

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