



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 16, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of River Falls
Charter Number: 7087

104 East Locust Street
River Falls, WI 54022-0000

Office of the Comptroller of the Currency

MINNEAPOLIS Field Office
Campbell Mithun Tower 222 South Ninth Street
Minneapolis, MN. 55402-3393

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: Satisfactory

The Major Factors that support this rating include:

- The bank's loan-to-deposit ratio is reasonable.
- A majority of the bank's loans are made within the bank's assessment area.
- The distribution of loans reflects reasonable penetration among business of different sizes and individuals of different income levels.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The bank's community development performance reflects adequate responsiveness to the community development needs of its assessment area through community development lending, qualified investments, and community development services.

Scope of Examination

We evaluated the First National Bank of River Falls Community Reinvestment Act performance under the Lending and Community Development Tests. In evaluating the lending performance we reviewed lending data for the bank's two primary products. We reviewed commercial and home refinance loans for the period January 1, 2008 through December 31, 2009. These two loan types comprised 55% by number and 79% by dollar volume of originations during this time frame. We selected a random sample of each loan type and compared them to 2000 census data for home refinance loans and 2009 demographics for commercial loans.

The Community Development Test covered community development loans, investments, and services during the entire evaluation period January 10, 2007 through December 31, 2009. We used only those that met the regulatory definition for community development in our analysis of the Community Development Test.

Description of Institution

First National Bank of River Falls (FNB) is a \$283 million bank located in River Falls, WI. FNB is owned by First National Bancorp of River Falls, Inc., a one bank holding company.

FNB's main office is located in River Falls, WI and full-service branches are located in Prescott, WI and New Richmond, WI. In addition, the bank operates a limited service branch facility at the University of Wisconsin River Falls (UWRF). The UWRF branch provides deposit services and consumer installment loans. The bank operates two automated teller machines (ATM) at its main office and one at each of its other locations. The bank also operates an ATM in the Hunt Arena on the UWRF campus. Only the ATM at the UWRF branch location accepts deposits.

The bank offers on-line and telephone banking to customers. Each of these services provides 24-hour access to deposit and loan account information. Transactions on these platforms are limited to transfers between accounts and loan payments. Internet banking is provided to consumer and business customers and includes on-line bill pay.

FNB is a full-service bank that offers a wide variety of banking products. As of December 31, 2009, the bank's \$189 million loan portfolio consisted of 65% commercial loans, 27% residential real estate, 7% consumer installment loans, and 1% agriculture loans. Net loans total 66% of total assets.

There are no legal financial, or other factors that impede FNB's ability to help meet the credit needs in its assessment area (AA). At its last CRA examination, dated January 9, 2007, the bank was rated Satisfactory under the Intermediate Small Bank procedures.

Description of Assessment Area

FNB's AA includes Pierce County and the majority of St. Croix County. Both counties are part of the Minneapolis-St. Paul Metropolitan Statistical Area (MSA). The AA consists of eight census tracts (CTs) in Pierce County (9601-9608) and nine CTs in St. Croix County (1201-1206 and 1208-1210). The AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

Based on 2000 census data, there are no CTs designated low-income, two designated as moderate-income, 13 designated as middle-income, and two designated as upper-income. The two moderate-income CTs are located the farthest from any of the bank branch locations on the eastern edge of Pierce County. All bank branches and ATM's are located in middle income geographies.

The Department of Housing and Urban Development's 2009 estimated median family income for the MSA is \$83,900, up 34% from \$62,716 in 2000. There are 651 or 2.61% of families below the poverty level in the AA. The median housing value in the AA is \$137,496. Owner occupied housing represents 69% of the housing stock within the AA. Rental units have an average gross rent of \$561 per month.

The local economy is good. Employment is centered in several major industries including educational services, food services, nursing and residential care facilities, and local government. Unemployment in Pierce and St. Croix Counties is 6.4% and 7.3% respectively. This is below the unemployment rate for the state of Wisconsin at 8.7% and the national rate of 10% as of December 2009.

Competition from other financial institutions is strong. There are 18 financial institutions, excluding credit unions, with offices in the AA. According to the June 30, 2009 information from the Federal Deposit Insurance Corporation, FNB ranked second among the 18 institutions with a 14.83% deposit market share. The community contact indicated that local financial institutions particularly FNB River Falls have done a good

job of meeting the local community's credit needs.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the Lending Test is satisfactory. This conclusion is based on commercial and home refinance loans sampled during this examination.

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly loan-to-deposit ratio averaged 84.46% from first quarter 2007 through fourth quarter 2009. FNB's loan-to-deposit ratio peaked in fourth quarter 2008 at 91.86% and has since decreased steadily to 79.64% as of fourth quarter 2009.

FNB's ratio is reasonable compared with other community banks of similar size (total assets \$150MM to \$480MM). FNB ranks fourth out of seven similarly situated banks in the assessment area. The six other banks had an average loan-to-deposit ratio of 86.82% and ranged from 74% to 102% during the 12 quarters from March 31, 2007 to December 31, 2009.

Lending in Assessment Area

FNB originates a majority of its loans to borrowers located within its defined AA. Based on a sample of 20 commercial and 20 home refinance loans, 82.50% by number and 85.32% by dollar volume were made to businesses and individuals located within the bank's AA. The following table shows loans originated inside the AA by number and dollar volume:

Lending in Assessment Area by Number and Dollar Amount								
Loan Type	In Assessment Area				Out of Assessment Area			
	#	%	\$(000's)	%	#	%	\$(000's)	%
Commercial	15	75.00%	8,259	87.04%	5	25.00%	1,230	12.96%
Home Refinance	18	90.00%	2,416	79.92%	2	10.00%	607	20.08%
Total	33	82.50%	10,675	85.32%	7	17.50%	1,837	14.68%

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

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

Commercial lending activity in the AA is reasonable compared to community demographics. The volume of loans made to businesses with less than \$1 million in gross annual revenues is similar to the percentage of comparable businesses in the AA.

The following table compares the bank's commercial lending activity by revenue size to community demographics:

Borrower Distribution of Loans to Businesses in the AA
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Business Revenues	< \$1,000,000	> \$1,000,000	Not reported
% of AA Businesses	81.43%	3.65%	14.92%
% of Bank loans in AA by #	78.33%	21.67%	0.00%
% of Bank loans in AA by \$	62.86%	37.14%	0.00%

Source: Business Geodemographic Data (2009)

Residential Real Estate Lending in the AA is reasonable. Based on our loan sample, FNB exceeds the demographic for lending to moderate-income borrowers at 30%. The bank originated 10% of its home refinance loans to low-income families. The percentage of families living below the poverty level in the AA is 2.6% and these families would have a difficulty purchasing or refinancing homes. Taking this into consideration, the bank’s penetration of lending to low-income families closely approximates area demographics. The following table compares the bank’s home refinance lending activity by borrower income to AA demographics.

Borrower Distribution of Home Refinance Loans by Income Level								
Borrower Income	Low \$0 - \$39,249		Moderate \$39,250 - \$62,799		Middle \$62,800 - \$75,360		Upper \$75,360 and over	
	% of families	% of bank loans	% of families	% of bank loans	% of families	% of bank loans	% of families	% of bank loans
Home Refinance	16.55%	10.00%	21.47%	30.00%	29.73%	30.00%	32.25%	30.00%

Source: Examiner loan sample and 2000 census data

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA. There are no low-income CTs in the bank’s AA.

FNB’s lending for commercial loans is low for moderate-income CTs compared to demographic data. FNB’s lending for home refinance loans approximates the demographic data. The bank’s branch locations relative to the moderate income CTs limits its ability to make loans in those areas. The two moderate-income CTs are located on the eastern side of Pierce County, opposite of the bank’s locations. The moderate-income CTs are also served by several other local financial institutions. The following tables compare the bank’s commercial and home refinance lending to the low- and moderate-geographies.

Geographic Distribution of Commercial Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA businesses	% of bank loans	% of AA businesses	% of bank loans	% of AA businesses	% of bank loans	% of AA businesses	% of bank loans
Commercial	0.00%	0.00%	6.74%	0.00%	80.56%	91.67%	12.70%	8.33%

Source: Examiner loan sample and Business Goedemographic Data (2009)

Geographic Distribution of Home Refinance Loans				
Census Tract	Low	Moderate	Middle	Upper

Income Level								
	% of AA Owner Occupied	% of bank loans						
Home Refinance	0.00%	0.00%	7.44%	5.00%	77.32%	93.33%	15.24%	1.67%

Source: Examiner loan sample and 2000 census data

Responses to Complaints

FNB River Falls has not received any CRA related complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank’s community development performance demonstrates adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services.

Number and Amount of Community Development Loans

FNB originated three qualifying loans totaling \$3,849 thousand during the evaluation period. Loans were used to support affordable housing, job creation, and to support the operations of a business which provides services to low- to moderate-income individuals.

FNB also originated a note totaling \$725 thousand for a senior housing project located outside the bank’s AA in Clear Lake, WI. The project consists of 23 units, with 50% of the apartments being leased by low-to-moderate income individuals.

Number and Amount of Qualified Investments

FNB had a satisfactory level of qualified community development investments. During the evaluation period, the bank’s qualified investments included donations totaling \$65 thousand to 19 organizations located in the bank’s AA. Donations included funds to Habitat for Humanity, the United Way, YMCA Y-Partners, need based scholarship programs, food shelters, and the River Falls Free Clinic. All funds were specifically targeted to benefit low-to-moderate income individuals.

Community Development Services

FNB provides a satisfactory level of community development services through its branches, products, and activities with local organizations that support qualified community development activities.

The bank’s delivery systems are accessible to businesses and individuals of different income levels. The River Falls, Prescott, and New Richmond branches provide similar hours of operations with extended hours available through drive-up.

FNB provides a full range of consumer and commercial banking products and services at the River Falls, Prescott, and New Richmond branches. FNB participates in two loan programs to assist LMI home buyers, WHEDA and the Guaranteed Rural Housing Program. Deposit products include a free checking account, suitable for LMI

individuals, and a checking account targeted to small businesses.

Through its employees, FNB is involved in various community development services. Bank employees serve on the Board of Directors and other committees for organizations such as Chambers of Commerce and Economic Development Corporations. Employees also lend their financial expertise to non-profit organizations that provide services to LMI individuals such as Habitat for Humanity, YMCA Y-Partners, United Way, and the Salvation Army.

Fair Lending or Other Illegal Credit Practices Review

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