



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 16, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Park Falls
Charter Number 10489
110 North Division Street
Park Falls, WI 54552

Office of the Comptroller of the Currency
Iron Mountain Field Office
P.O. Box 666
Iron Mountain, Michigan 49801

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 Outstanding.

- The bank originates a substantial majority of its loans inside the assessment area.
- The bank's loan-to-deposit ratio is reasonable.
- The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes.

SCOPE OF EXAMINATION

We evaluated The First National Bank of Park Falls (FNB Park Falls) Community Reinvestment Act (CRA) performance using the Small Bank Lending Test. Data from the bank's primary loan products, commercial loans and home mortgage loans, were used to evaluate the bank's lending performance.

The evaluation covered the period since the previous CRA examination, October 6, 2003 through June 6, 2011. The Lending Test evaluated commercial loans and home mortgage loans originated between January 1, 2008 and May 16, 2011. A random sample of loans within the bank's assessment area for each primary loan product and the most recent demographic data available were used to complete our analysis.

DESCRIPTION OF INSTITUTION

FNB Park Falls is a \$105 million bank with its main office located in Park Falls, WI. The bank operates two full-service branches, one located on the south side of Park Falls and one located in Phillips, WI. The main office and both branch locations are located in middle-income census tracts (CTs). There is one 24-hour automated teller machine (ATM) located at the main office. ATM's are also located at the following locations: Pamida, Northway Motor Lodge and Park Falls Petro in Park Falls, and Express Mart in Phillips. These ATM's are located in middle-income CTs and are available during normal business hours. The bank is 100% owned by Park Falls Agency, Inc., a one-bank holding company located in Park Falls, WI. All financial information is as of March 31, 2011.

The bank offers traditional community bank products and services and is primarily a commercial and residential real estate lender. As of March 31, 2011, the loan portfolio represented 54% of total assets. By dollar volume, the loan portfolio consists of commercial loans (52%), residential real estate loans (43%), consumer loans (3%), and other loans (2%).

The bank's business strategy has been to provide personalized banking services to meet the financial needs of the local community.

There are no legal or financial impediments limiting the bank's ability to meet the credit needs of its assessment area. FNB Park Falls' previous CRA evaluation was dated October 6, 2003, and resulted in an Outstanding rating.

DESCRIPTION OF ASSESSMENT AREA

FNB Park Falls has one assessment area which includes ten CTs located in Northern Wisconsin. The assessment area is not located in a Metropolitan Statistical Area and is composed of all middle income CTs. The assessment area includes all of Price County, the southern portions of Ashland and Iron Counties, and the eastern portion of Sawyer County. Of the ten CTs, four in Price County and one tract in Iron and Sawyer counties have been designated as “Underserved Middle-Income Non Metropolitan Tracts” due to population loss. Additionally, two CTs in Ashland County have been designated as both distressed and underserved. The bank’s main office and two of its branches in their assessment area are located in CTs designated as “underserved.” The assessment area complies with regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

According to 2000 census data, the total population of the bank’s assessment area is 24,033 which is composed of 6,765 families. Distribution of these families among income levels is as follows: 1,470 low-income families (22%), 1,491 moderate-income families (22%), 1,816 middle-income families (27%) and 1,988 upper-income families (29%). There are 1,001 households, or 10% of total households, below the poverty level. The 2000 U.S. Census estimated median family income (MFI) is \$41,126. The 2010 updated Department of Housing and Urban Development (HUD) estimated MFI is \$58,600.

The local economy is characterized as depressed. The economy is supported largely by seasonal tourism, manufacturing, and services. Major employers in the area include: Flambeau River Paper Mill, Marshfield Clinic (hospital and dental services), and Weathershield. According to the Bureau of Labor Statistics, the unemployment rate in March 2011 for Ashland County is 10.9%, Iron County is 12.5%, Price County is 9.3%, and Sawyer County is 11.7%. These rates are higher than the state’s unemployment rate, which is 8.1% for the same period. These figures are not seasonally adjusted.

Competition among financial institutions in the area is strong. The bank's competitors include branches of larger state banks and several credit unions. Based on June 30, 2010 FDIC deposit market share data, FNB Park Falls’ deposit market share ranks sixth out of fifteen FDIC-insured institutions at 7.92%. The balance of the market share is divided among fourteen institutions with market shares ranging from 0.39% to 19%.

In assessing the bank’s CRA performance, we contacted a local organization to determine the community’s profile and the performance of local financial institutions. The contact stated that local financial institutions are meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank’s loan-to-deposit ratio is reasonable given its size, financial condition, and the credit needs of the community. The average quarterly loan-to-deposit ratio for the bank since the last examination is 67%, which ranks fifth in a peer group of five similarly situated banks. The peer group consists of banks with assets less than \$300 million with branches within 50 miles of FNB

Park Falls. FNB Park Falls ranks fourth in average assets of these banks at \$105 million. The other banks' average assets ranged from \$33 million to \$284 million. The average loan-to-deposit ratios for the similarly situated banks ranged from 67% to 96%, over the same time period.

Although FNB Park Falls' loan-to-deposit ratio is lower than the comparison group, the bank originates a significant number of residential real estate loans that are immediately sold on the secondary market. In 2009 and 2010, the bank originated and sold \$6.9 million and \$4.5 million, respectively. These loans are not used in the loan-to-deposit calculation.

Lending in Assessment Area

The bank originates a substantial majority of its loans to borrowers within its assessment area. A random sample of the bank's primary loan products shows 98% of loans by dollar amount and 97% of loans by number were originated within the assessment area.

Lending in the Assessment Area										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgages	29	96.67%	1	3.33%	30	\$1,416	87.52%	\$202	12.48%	\$1,618
Commercial Loans	30	100.00%	0	0.00%	30	\$4,792	100.00%	\$0	0.00%	\$4,792
Totals	59	98.33%	1	1.67%	60	\$6,208	96.85%	\$202	3.15%	\$6,410

Source: Bank records (verified by examiners)

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

The distribution of loans reflects excellent penetration among businesses of different sizes. By number, the bank originated 90% of its business loans to small businesses (those with revenues of \$1 million or less).

Borrower Distribution to Businesses				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	78.96%	2.47%	18.57%	100.00%
% of Bank Loans in AA by #	90.00%	10.00%	0.00%	100.00%
% of Bank Loans in AA by \$	52.83%	47.17%	0.00%	100.00%

Source: Sample of bank records (verified by examiners) and 2010 Business Demographic Data

The borrower distribution of home mortgage loans to low- and moderate-income borrowers is excellent. The bank originated 20.69% of its mortgage loans to low-income borrowers and 27.59% to moderate-income borrowers. In total, lending to low and moderate income borrowers compares favorably to the demographics.

Borrower Distribution of Residential Real Estate Mortgage Loans								
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
% of Total	21.73%	20.69%	22.04%	27.59%	26.84%	24.14%	29.39%	27.59%

Source: Sample of bank records (verified by examiners) and U.S Census Demographic Data.

Geographic Distribution of Loans

The bank's assessment area contains only middle-income CTs. Therefore, an analysis of geographic distribution of loans within its assessment area would not provide meaningful information.

Responses to Complaints

The bank has not received any CRA-related complaints since the last CRA examination.

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.