



Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

August 21, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number: 21610
111 Jefferson Street
Waupaca, Wisconsin 54981**

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

NOTE: 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.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **First National Bank, Waupaca, Wisconsin** prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of **August 21, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating: This institution is rated **Satisfactory Record of Meeting Community Credit Needs**.

First National Bank's (FNB's) average loan-to-deposit ratio is excellent, particularly in the Waupaca assessment area. A majority of the bank's loans are made within its assessment areas. FNB has a reasonable distribution of loans to borrowers of different income levels. A significant amount of FNB's commercial loans are made to small businesses and farms. The bank has also demonstrated a commitment to the only moderate-income geography within its assessment areas.

DESCRIPTION OF INSTITUTION

First National Bank (FNB) is headquartered in Waupaca, Wisconsin, approximately 60 miles southwest of Green Bay. FNB has total assets of \$191.7 million as of June 30, 1998. Loans comprise \$166.4 million, or 87% of the bank's total assets. FNB's loan portfolio is broken down as follows: \$73.4 million (44% of total loans) in residential-related mortgage loans; \$61.8 million (37%) in commercial loans; \$14.0 million (8%) in consumer loans; \$10.1 million (6%) in agricultural-related loans; and, \$7.1 million (5%) in other loans.

FNB operates three full-service branches in the State; one in Iola, one in Weyauwega, and one in Chetek. The Chetek branch is located in Barron County, approximately 150 miles northwest of Waupaca. FNB entered the Chetek market in 1992 when the bank purchased the deposits of a defunct federal savings bank. Due to the distance between Waupaca and Chetek, FNB has two assessment areas. The Weyauwega branch opened in February of 1998 after FNB management determined that a need existed for the bank's products and services in that area. FNB also operates nine Automated Teller Machines (ATMs); five are located in Waupaca, two in Weyauwega, and one each in Iola and Chetek, Wisconsin. Six of the nine ATMs began operation subsequent to the bank's last CRA examination dated February 13, 1996. The opening of the Weyauwega branch and the expansion of ATM operations has enhanced credit availability and banking services within FNB's assessment areas.

The bank has no legal impediments that would hinder meeting the needs of its assessment area.

DESCRIPTION OF THE WAUPACA ASSESSMENT AREA

The Waupaca assessment area consists of eight block numbering areas (BNAs)¹ in Waupaca County. All eight BNAs are middle-income tracts, which is defined as 80-119% of the 1990 State of Wisconsin's non-metropolitan median family income of \$30,290. Based on 1990 census data, the population of this assessment area is 28,099. The population consists of 7,504 families of which 1,175 (16%) are low-income; 1,377 (18%) moderate-income; 1,908 (25%) middle-income; and, 3,044 (41%) upper-income.² Based on 1998 Housing and Urban Development (HUD) data, the median family income level in this assessment area is \$41,800. The weighted average median housing value in this assessment area is \$50,839.

The local economy is healthy. According to the Department of Workforce Development (DWD) in Wisconsin, the unemployment rate in Waupaca County is 3.0% as of June 1998. This is comparable to the State unemployment rate of 3.2%. The Waupaca area industrial base has seen recent growth and tourism continues to play an important role in the local economy. Also, growth in the Appleton/Fox River Valley economy has resulted in an increase in the assessment area population. Many residents live in the Waupaca area and commute to the Fox River Valley for employment. Major employers in the Waupaca area include Waupaca Foundry, Incorporated, Wisconsin Veterans Home, and AmeriTruck Refrigerated Transport, Incorporated.

There is strong competition among financial institutions in the area. FNB competitors include The Farmers State Bank of Waupaca; a branch of Bank One, Wisconsin; a branch of Baylake Bank; and a branch of M&I (formerly Security Bank S.S.B.). Community First Credit Union also operates in Waupaca.

Both this assessment area, and the Chetek assessment area described below, meet the requirements of the Community Reinvestment Act and do not arbitrarily exclude low- or moderate-income geographies.

DESCRIPTION OF THE CHETEK ASSESSMENT AREA

The Chetek assessment area consists of four BNAs in Barron County. These BNAs are 9607, 9608, 9610 and 9611. BNA 9610 is a moderate-income BNA, defined as 50-79% of the 1990 State of Wisconsin's non-metropolitan median family income level. The remaining BNAs are middle-income. The population of this area is 10,450. The population consists of 2,912 families of which 657 (23%) are low-income; 669 (23%) moderate-income; 796 (27%) middle-income; and, 790 (27%) upper-income. The weighted average median housing value in this assessment area is \$46,050.

¹ Block numbering areas 9902 through 9907, 9910 and 9912. BNA 9912 was added to FNB's assessment area in 1998 upon the opening of the Weyauwega branch.

² Based on the Housing and Urban Development 1998 estimate of the State of Wisconsin non-metropolitan area median family income.

The local economy has remained stable. DWD data indicates the June 1998 unemployment rate in Barron County is 3.6%. Tourism continues to be a major industry while retail trade, manufacturing and agriculture add diversity to the economic base.

Financial competition in Chetek includes The Chetek State Bank and a credit union. Several other community banks are situated throughout Barron County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio:

- FNB's loan-to-deposit ratio in the Waupaca assessment area is excellent and satisfactory in the Chetek assessment area.

FNB's average loan-to-deposit (LTD) ratio in the Waupaca assessment area is 97%, based upon the bank's quarterly performance since its February 13, 1996, examination through June 30, 1998. The bank's LTD ratio in the Waupaca assessment area ranks first among the 14 banks in its local peer group. The range of LTD ratio averages of 14 local peer group banks is 64% to 95%, with an overall average of 79%. FNB's local peer group for this analysis consists of all banks with total assets less than \$250 million in Waupaca, Portage and Waushara counties. FNB has also sold approximately \$12 million of loans in the secondary market since the bank's previous CRA examination. Had the bank not sold these loans, its LTD ratio would be even higher.

The LTD ratio in the Chetek assessment area has increased substantially since February of 1996. During the nine quarters since that time, the LTD ratio in this assessment area went from 33% to 66% with an average LTD ratio of 47%. The current LTD ratio in this assessment area is comparable to a Barron County peer group average of 69%. The local peer group for this analysis consists of all banks with total assets less than \$250 million in Barron County, a population of seven banks. The LTD ratios of these seven banks range from 63% to 76%. The bank's lending volume in Chetek was initially lower due to the bank's purchase of deposits only in 1992.

Lending in Assessment Area:

- FNB originates a majority of its loans within its assessment areas.

A majority of the bank's loans are made within both assessment areas. This conclusion is based upon a sample of sixty-one 1-4 family residential mortgages originated or refinanced in 1996 and 1997 in both the Waupaca and Chetek assessment areas. Residential mortgage loans were chosen for the sample as this loan type represents the largest portion of FNB's loan portfolio. The results of our sample are illustrated in Table 1.

TABLE 1								
Number of 1-4 Family Residential Loan Originations/Refinancings in 1996 and 1997 in Waupaca and Chetek Assessment Areas (AA)								
Waupaca AA			Chetek AA			Total Lending in AA's		
# In	# Out	% In	# In	# Out	% In	# In	# Out	% In
37	7	84.1%	13	4	76.5%	50	11	82.0%
Dollar Amount of 1-4 Family Residential Loan Originations/Refinancings in 1996 and 1997 in Waupaca and Chetek AA (000's)								
Waupaca AA			Chetek AA			Total Lending in AA's		
\$ In	\$ Out	% In	\$ In	\$ Out	% In	\$ In	\$ Out	% In
2,722	558	83.0%	721	212	77.3%	3,443	770	81.7%

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

- FNB's overall distribution of loans to borrowers of different income levels in its assessment areas is satisfactory.
- A significant number of loans are extended to small businesses and small farms.

A sample of fifty-six 1-4 family residential mortgage loans was used to test the bank's distribution of loans to borrowers of different income levels. Tables 2 and 3 reflect the results of the sample. Lending in both assessment areas have been combined in these tables.

TABLE 2 - 1996 Loan Distribution by Borrower Income Level in both the Waupaca and Chetek Assessment Areas						
Income Category	# Loans Extended	% Loans Extended	\$* Loans Extended	% Loans Extended	% of Families by Income Level**	Ranges of Incomes in Income Category
Low-income	3	10.7%	94	4.9%	18.1%	<\$18,850
Moderate-income	5	17.9%	412	21.5%	19.9%	\$18,850<\$30,160
Middle-income	10	35.7%	632	33.0%	25.9%	\$30,160<\$45,240
Upper-income	9	32.1%	710	37.1%	36.1%	\$45,240 & above
N/A***	1	3.6%	67	3.5%	N/A	
	28	100%	1,915	100%	100%	

* Dollar amount in thousands

** Based on 1990 census data

*** No income information available

TABLE 3 - 1997 Loan Distribution by Borrower Income Level in both the Waupaca and Chetek Assessment Areas						
Income Category	# Loans Extended	% Loans Extended	\$ Loans Extended*	% Loans Extended	% of Families by Income Level**	Ranges of Incomes in Income Category
Low-income	3	10.7%	144	7.7%	18.1%	<\$18,850
Moderate-income	3	10.7%	201	10.7%	19.9%	\$18,850<\$30,160
Middle-income	11	39.3%	681	36.4%	25.9%	\$30,160<\$45,240
Upper-income	11	39.3%	847	45.2%	36.1%	\$45,240 & above
	28	100%	1,873	100%	100%	

* Dollar amount in thousands

** Based on 1990 census data

The percentage of dollars loaned to low-income individuals is indicative of the smaller dollar loans persons in those income ranges typically demand or can afford.

Tables 4 and 5 represent outstanding business and agricultural loans of \$1 million or less as of June 30, 1998.

TABLE 4 - Small Business Loans Outstanding as of June 30, 1998				
	# of Loans Outstanding	% of Total	\$(000's) of Loans Outstanding	% of Total
Original Amount Under \$100,000	785	82%	\$15,205	33%
Original Amount \$100,000-\$250,000	111	12%	\$14,140	30%
Original Amount \$250,000-\$1 million	61	6%	\$17,422	37%

TABLE 5 - Agricultural Loans Outstanding as of June 30, 1998				
	# of Loans Outstanding	% of Total	\$(000's) of Loans Outstanding	% of Total
Original Amount Under \$100,000	149	78%	\$3,275	32%
Original Amount \$100,000-\$250,000	36	19%	\$5,020	50%
Original Amount \$250,000-\$500,000	6	3%	\$1,838	18%

The figures from Tables 5 and 6 were derived from the bank's June 30, 1998, Consolidated Reports of Condition. A substantial majority of loans extended to businesses and farms are in original amounts under \$100,000. Furthermore, the dollar amount extended to small businesses is similar to that extended to larger businesses. This is a proxy analysis for small business and farm lending as loans under \$100,000 are typically extended to smaller businesses and farms.

Geographic Distribution of Loans

- FNB has a satisfactory distribution of loans.

The only low- or moderate-income BNA in FNB's assessment area is BNA 9610 in the Chetek assessment area. Seventeen residential mortgage loans from the Chetek branch were included in the samples discussed above. Of these seventeen, ten (59%) were originated to borrowers living in BNA 9610. This result is expected as the branch is located in that BNA. Still, FNB is showing a good commitment to this geography, not only by the physical location of the branch, but also by the loan growth this branch has exhibited the last two years. As all BNAs in the Waupaca assessment area are middle-income, an analysis of the geographic distribution of the loans within this assessment area would not provide any meaningful information.

Response to Consumer Complaints and Compliance with Fair Lending Laws and Regulations

The bank has received no CRA-related complaints since its last CRA examination. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.