



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 20, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of River Falls
Charter Number 7087**

**104 East Locust Street
River Falls, WI 54022**

**Comptroller of the Currency
1310 West Clairemont Avenue Suite 100
Eau Claire, WI 54702**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- Average loan-to-deposit ratio is reasonable.
- A substantial majority of loans are in the bank's assessment area.
- First National Bank of River Falls has a reasonable distribution of credit among individuals of different income levels.

DESCRIPTION OF INSTITUTION

First National Bank of River Falls (FNB) is a \$217 million bank located in West Central Wisconsin just south of the Pierce and St. Croix County line, near the Wisconsin-Minnesota border. FNB is owned by First National Bancorp of River Falls, Inc., a one-bank holding company.

FNB's main office is in River Falls and a full-service branch is located in Prescott. Both offices are located in middle-income census tracts in Pierce County. These two bank locations offer automated teller machine (ATM) services. The bank also has a cash withdrawal ATM located at a convenience store in River Falls and another in a grocery store in Ellsworth. The Ellsworth ATM is located in a moderate-income census tract. The River Falls ATM is the only FNB ATM that accepts deposits.

In September 2001, the bank began providing branch services at the Well Haven Senior Apartments in River Falls on the 2nd and 4th Tuesday of each month. The activities in this assisted-living facility mainly include cashing checks and taking deposits; however, they also open accounts. The bank offers telephone banking to its customers. The telephone banking service provides the customers with 24-hour access to deposit and loan account information. It also allows the customer to make transfers between accounts. The bank is also now offering transactional internet banking for both consumer and business customers. The online banking also provides the customers with bill payment services.

FNB offers a wide range of loan and deposit products well suited to the community's needs. Its \$119 million loan portfolio is made up of residential real estate loans (35.04%), commercial (44.87%), agricultural (3.05%), consumer (10.50%), and other (6.54%). Average assets in 2001 were \$204 million. As of December 31, 2001, total assets totaled \$217M and net loans made up 53.68% of total assets. Among the financial institutions that reported Home Mortgage Disclosure Act (HMDA) data in 2000, the bank ranked sixth in its assessment area in home purchase loans and fourth in home mortgage refinance loans. In 2001, the bank sold \$41 million in residential real estate loans to the secondary market.

There are no financial, legal or other factors that impede FNB's ability to meet its CRA obligations. FNB was rated Satisfactory at its last CRA evaluation in September 1997.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area consists of Pierce County, and the majority of St. Croix County. Both counties are part of the Minneapolis/St. Paul Metropolitan Statistical Area (MSA). The assessment area consists of seventeen census tracts including 9601-9608, 1201-1206, and 1208-1210. The assessment area meets the requirements of the regulation.

Based on the 1990 census data, one of the census tracts is upper-income, twelve are middle-income and four are moderate-income. The moderate-income tracts are located on the eastern edges of Pierce and St. Croix Counties, farthest from the bank. Of the 20,403 families in the assessment area, 19% are low-income, 21% are moderate-income, 28% are middle-income and 32% are upper-income.

The 2000 census information pursuant to the US Census Bureau indicates the population of Pierce County to be 36,804 and St. Croix County at 63,155. The combined population of these counties per the 1990 census was 83,016, representing an increase in population of 20%. Growth can be attributed to the close proximity of Minneapolis and St. Paul (Twin Cities). Many of the residents in the assessment area commute to the Twin Cities for employment.

The assessment area is economically prosperous. Unemployment is low based on the 2000 Census data at 3.6% for Pierce County and 2% for St. Croix County. The 2000 Census data also indicates that only 2.64% of families in these counties are living below the poverty level. Family incomes continue to increase as well. The 1990 Minneapolis/St. Paul MSA Census Median Family income was \$43,063. Based on the Department of Housing and Urban Development's 2001 estimate, the median family income for the Minneapolis/St. Paul MSA is \$74,700.

Bank competition in the area is healthy. There are 17 financial institutions with a presence in Pierce and St. Croix Counties. These financial institutions are of varied sizes and offer the typical array of banking products. FNB has the largest share of deposits (15.23%) in Pierce and St. Croix Counties according to June 30, 2001 deposit information from the Federal Deposit Insurance Corporation.

The home ownership percentages for both counties are above the state level of 68.4%. Pierce County home ownership is at 73.1% and St. Croix County is 76.4%.

Two community contacts were conducted during the exam. There were no other community contacts conducted in the assessment area by regulators within the year. One community contact was from a governmental organization; the other contact was from a non-profit organization that provides housing for low-income families. Both community contacts indicated that the area has a need for more affordable housing, particularly in the City of River Falls where university students occupy the majority of rental units.

In 1990 the service sector provided the most jobs (31%). Small businesses with nine or less employees make up 82% of the businesses in the assessment area. And 89% of the businesses in the assessment area have less than \$1 million in gross annual revenues. Agriculture, retail trade and manufacturing are also important employment sectors.

The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

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 last 19 quarters since the previous CRA exam is 68.41%. Similarly situated banks have quarterly average loan-to-deposit ratios ranging from 60.91% to 94.12% over the same time frame. Similarly situated banks include the local state bank, along with other banks in Wisconsin within 50 miles of FNB with total assets between \$100 million and \$315 million.

Institution	Assets (as of 3/31/02)	Average Loan-to-Deposit Ratio 4Q97 – 1Q02
SECURITY NATIONAL BANK, Durand, WI	\$169M	60.91
RIVER FALLS STATE BANK, River Falls, WI	\$ 72M	62.89
FIRST NATIONAL BANK, River Falls, WI	\$217M	68.41
S & C, New Richmond, WI	\$311M	77.91
FIRST NATIONAL BANK, Baldwin, WI	\$103M	82.56
FIRST NATIONAL BANK, Hudson, WI	\$284M	84.31
EAGLE VALLEY BANK, St. Croix Falls, WI	\$116M	88.93
RIVER BANK, Osceola, WI	\$162M	91.69
CITIZENS STATE BANK, Hudson, WI	\$104M	94.12

Lending in Assessment Area

The bank originates a substantial majority of its home purchase and home refinance loans in the assessment area. The table below shows the number and dollar (in thousands) of loans based on 1998 through May 10, 2002 HMDA data. For home purchase loans, 88.47% of total number of loans, and 89.81% of total dollar amount of loans were originated within the bank's assessment area. For home mortgage refinance loans, 92.21% of total number of loans, and 91.84% of total dollar amount of loans were originated within the bank's assessment area.

LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Purchase	445	88.47%	52,242	89.81%	58	11.53%	5,930	10.19%
Home Refinance	994	92.21%	107,835	91.84%	84	7.79%	9,587	8.16%

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

The distribution of loans reflects reasonable penetration among individuals of different income levels given the demographics of the assessment area (AA).

Our analysis of HMDA information for loans originated and purchased by FNB from January 1, 2000 to May 10, 2002 indicates 13.83% of home purchase loans and 8.97% of home mortgage refinance loans were made to low-income families. The same analysis indicates that 31.91% of home purchase loans and 24.57% of home mortgage refinance loans were made to moderate-income families. The demographics of the assessment area show that 19.02% of families are in the low-income category and 21.03% are in the moderate-income category.

Our community contacts mentioned that it is difficult to find houses for sale that are under \$150,000. This makes it difficult for low-income families to be able to afford to purchase a house. Some low-income families that have purchased a home have used WHEDA loans or other first-time homebuyers programs. These programs offer interest rates that are lower than conventional rates, making it undesirable for those participants to refinance their homes. Taking these factors into consideration, the bank's penetration of lending to low-income families more closely approximates area demographics.

HOME PURCHASE LOANS								
Borrower Income	Low \$ 0 to \$37,350		Moderate \$37,351 to \$59,760		Middle \$59,761 to \$89,640		Upper \$89,641 and over	
% of AA Families	19.02%		21.03%		28.39%		31.56%	
	% of # of Bank Loans	% of \$ Amount of Bank Loans	% of # of Bank Loans	% of \$ Amount of Bank Loans	% of # of Bank Loans	% of \$ Amount of Bank Loans	% of # of Bank Loans	% of \$ Amount of Bank Loans
	13.83%	7.05%	31.91%	27.40%	31.38%	34.26%	22.87%	31.29%

HOME MORTGAGE REFINANCE LOANS								
Borrower Income	Low \$ 0 to \$37,350		Moderate \$37,351 to \$59,760		Middle \$59,761 to \$89,640		Upper \$89,641 and over	
% of AA Families	19.02%		21.03%		28.39%		31.56%	
	% of # of Bank Loans	% of \$ Amount of Bank Loans	% of # of Bank Loans	% of \$ Amount of Bank Loans	% of # of Bank Loans	% of \$ Amount of Bank Loans	% of # of Bank Loans	% of \$ Amount of Bank Loans
	8.97%	4.80%	24.57%	19.95%	36.32%	36.09%	30.13%	39.16%

Geographic Distribution of Loans

The bank exhibits reasonable geographic distribution of loans throughout the assessment area. None of the census tracts in FNB's assessment area are designated low income.

Although 21.07 % of the owner occupied housing in the Assessment Area is in moderate-income census tracts, only 12.77% of the number of home purchase loans and 8.55% of home mortgage refinancing loans were originated in those census tracts. A disproportionately large number of loans were originated in the middle-income census tracts. The analysis reflects lending in all tracts.

However, the bank's office and branch are located in middle-income census tracts and the surrounding census tracts in their assessment area are also middle-income geographies. Since the majority of the bank's loans are generated in and around the bank's office locations, it is reasonable that a large number of loans would be originated in middle-income census tracts.

RESIDENTIAL REAL ESTATE LOANS								
Census Tract Income Level	Low		Moderate		Middle		Upper	
% of AA Owner Occupied	0.00%		21.07%		72.50%		6.43%	
	% of # of Bank Loans	% of \$ Amount of Bank Loans	% of # of Bank Loans	% of \$ Amount of Bank Loans	% of # of Bank Loans	% of \$ Amount of Bank Loans	% of # of Bank Loans	% of \$ Amount of Bank Loans
Home Purchase	0.00%	0.00%	12.77%	10.72%	80.85%	81.45%	6.38%	7.83%
Refinance	0.00%	0.00%	8.55%	6.45%	88.89%	91.30%	2.56%	2.25%

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 Review

An analysis of most recent year's public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.