



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**April 10, 2006**

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

**First National Bank and Trust  
Charter Number 10890**

**436 East La Salle Avenue  
Barron, WI 54812**

**Comptroller of the Currency  
Minneapolis South  
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:** **This institution is rated Satisfactory.**

- The bank's average loan-to-deposit ratio is reasonable.
- The bank originates a majority of its loans by number within its assessment area.
- The bank has an excellent distribution of credit among commercial borrowers of different sizes and an excellent distribution of credit among residential real estate borrowers of different income levels.
- The geographic distribution of residential real estate loans throughout the assessment area is satisfactory and the geographic distribution of commercial loans throughout the assessment area is excellent.

## **DESCRIPTION OF INSTITUTION**

First National Bank & Trust of Barron (FNB Barron) is a \$58 million financial institution located in west central Wisconsin. The main office is located in Barron, Wisconsin, a city of 3,200 people. FNB Barron opened a branch office in Rice Lake, Wisconsin, a city of 8,300 people in early 2004. Both locations are full-service. FNB Barron also has a loan production office in Hayward, WI, which opened in early 2006. In addition, the bank has three cash dispensing automated teller machines. Barron Investment Corporation, a one-bank holding company located in Golden Valley, Minnesota, owns First National Bank & Trust of Barron. The bank does not have any affiliate relationships that impact the bank's CRA performance.

FNB Barron offers telephone and Internet banking services to their customers. These services provide customers with 24-hour access to deposit and loan account information. It also allows customers to make transfers between accounts.

FNB Barron offers a variety of loan and deposit products designed to meet the community's needs. As of December 31, 2005, the bank's \$46 million loan portfolio consisted of 43% residential real estate loans, 42% commercial loans, 9% consumer loans and 6% agricultural loans. As of December 31, 2005, net loans made up 78% of total assets. The bank's primary lending focus is commercial and residential real estate loans.

There are no financial, legal or other factors that impede FNB Barron's ability to meet its CRA obligations. The bank's last CRA rating was "Satisfactory" dated December 20, 2001.

## **DESCRIPTION OF ASSESSMENT AREA**

FNB Barron's assessment area consists of all of Barron and Washburn Counties and two census tracts in Rusk County. Based on the 2000 U.S. Census data, the assessment area includes fifteen middle-income census tracts (94%) and one moderate-income census tract (6%). There are no low- or upper-income census tracts in the bank's assessment area. The bank and the branch office are both located in Barron County. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income census tracts.

According to 2000 U.S. Census data, the bank's assessment area has a total population of 65,386, with 19.5% of the families within this assessment area low-income, 22.15% moderate-income, 27.38% middle-income and 30.97% upper-income. Based on the Department of Housing and Urban Development's 2005 estimate, the updated median family income for the bank's assessment area is \$53,600.

The 2000 U.S. Census data indicates that 2,601 households (9.88%) within the assessment area are below the poverty level and 174,845 households (8.38%) within the State of Wisconsin are below the poverty level, compared to 12.7% nation-wide.

Per 2000 Census information, the median value of owner-occupied housing units for the State of Wisconsin is \$112,200, compared with \$80,509 for the bank's assessment area. Less than 60% of the assessment area housing units are owner-occupied as compared to more than 68% statewide.

According to the Wisconsin Department of Workforce Development, unemployment levels in the State of Wisconsin in 2005 averaged 4.7%, compared to 5.2% in Barron County, 5.9% in Washburn County and 6.1% in Rusk County. The nationwide unemployment rate as of December 31, 2005 was 4.7%. The largest employers in the area include Jennie-O Turkey Store (poultry processing) and St Croix Band of Chippewa of Wisconsin (casinos). The largest industry in the area is manufacturing. According to the 2004 Business Demographic Data, the bank's assessment area is comprised of 3,973 businesses, with 70% of these companies having gross annual revenues of \$1 million or less. Almost 79% of the businesses in the bank's assessment area have less than ten employees.

Competition among financial institutions in the bank's assessment area is strong. There are 16 other full-service financial institutions with a presence in the bank's assessment area. FNB Barron is ranked 9<sup>th</sup> in deposit market share with 4.43% of the market share based on June 30, 2005 deposit information obtained from the Federal Deposit Insurance Corporation. Based on bank records, 79% of the bank's accounts and 75% of the bank's deposits are from within the bank's assessment area.

Our community contact indicated the economy in Barron County is growing with both new business and established businesses expanding staff, space and product lines. They also stated financial institutions in the county do a great job working with businesses that qualify and meet all of the requirements of the traditional financial programs. However, a funding need remains for financial programs to assist people who do not qualify for the traditional financial programs. These people include those with less than desirable credit scores, a past credit issue, or those wanting to establish a business creating only minimal jobs.

## 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 17 quarters since the previous CRA exam is 85.73%. The bank's quarterly loan-to-deposit ratio ranged from 76.46% to 101.47%. Similarly situated banks with a presence in the assessment area are state and nationally chartered banks with total assets between \$58 and \$71 million. Quarterly average loan-to-deposit ratios for similarly situated banks range from 57.66% to 94.92% over the same time frame.

Institution	Assets (as of 12/31/05)	Average Loan-to-Deposit Ratio 4Q01-4Q05
Bank of Turtle Lake	\$59 million	57.66
<b>First National Bank &amp; Trust of Barron</b>	<b>\$58 million</b>	<b>85.73</b>
Brill State Bank	\$63 million	89.30
Community Bank of Cameron	\$71 million	94.92

### Lending in Assessment Area

Based on a random sample of 20 commercial loans and 20 residential real estate loans originated between January 1, 2004 and March 31, 2006, FNB Barron originated 57.5% of loans by number inside of their defined assessment area. However, by dollar, just over 43% of their commercial and residential real estate loans were originated in their defined assessment area. Our sample revealed larger commercial loans purchased from other financial institutions outside of the bank's assessment area, as well as credit extended to borrowers within the assessment area using the funds for vacation property outside of the bank's defined assessment area. The following table shows loans originated inside and outside their assessment area by number and dollar volume.

	Number of Loans				Dollar of Loans			
	Inside		Outside		Inside		Outside	
Loan Type	#	%	#	%	\$	%	#	%
<b>Commercial</b>	10	50%	10	50%	1,056,017	33.63%	2,083,868	66.37%
<b>Residential Real Estate</b>	13	65%	7	35%	1,195,374	57.97%	866,800	42.03%
<b>TOTALS:</b>	<b>23</b>	<b>57.5%</b>	<b>17</b>	<b>42.5%</b>	<b>2,251,391</b>	<b>43.28%</b>	<b>2,950,668</b>	<b>56.72%</b>

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

FNB Barron's distribution of credit among businesses of different sizes is excellent. Commercial borrowers have a wide diversity of annual gross revenues ranging from a few thousand to more than a million dollars. A random sample of 20 commercial files indicates the following breakdown of annual revenues.

<b>Borrower Distribution of Loans to Businesses</b>		
<b>Business Revenues</b>	<b>&lt; \$1,000,000</b>	<b>&gt; \$1,000,000</b>
% of AA Businesses*	70.27%	5.29%
% of Bank Loans in AA by #	95.00%	5.00%
% of Bank Loans in AA by \$	91.65%	8.35%

\* 2004 Business Demographic Data; 24.44% of businesses did not report revenues

FNB Barron has an excellent distribution of credit among residential real estate borrowers of different income levels. The following table compares the percentage of families based on income level located within the assessment area to those loans made by the bank from a random sample of 20 residential real estate loans.

<b>Borrower Distribution of Residential Real Estate Loans</b>								
<b>Borrower Income Level*</b>	<b>Low (\$0 &lt; \$26,800)</b>		<b>Moderate (\$26,800 &lt; \$42,880)</b>		<b>Middle (\$42,880 &lt; \$64,320)</b>		<b>Upper (\$64,320 and over)</b>	
	% 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
Residential Real Estate	19.5%	30.00%	22.15%	15.00%	27.37%	45.00%	30.97%	10.00%

\*2005 HUD Estimated Median Family Income for the Non-Metro Portion of Wisconsin

## Geographic Distribution of Loans

FNB Barron's geographical distribution of residential real estate loans reflects satisfactory dispersions through the bank's assessment area. Both bank locations are in middle-income census tracts and our random sample of loans indicated FNB Barron is primarily lending to borrowers in the middle-income census tracts. While all of the loans in our random sample of residential real estate loans were in the middle-income census tracts of the assessment area, the demographics for the one moderate-income census tract in the bank's assessment area is very low. Only 3.28% of the bank's assessment area population resides in the moderate-income census tract and only 3.66% of the housing is owner/occupied. In addition, 9.54% of the families in the moderate-income tract live below the poverty level. The following table reflects the demographics of the area to the bank's actual lending, based on a random sample of 20 residential real estate loans.

<b>Geographic Distribution of Residential Real Estate Loans in Assessment Area</b>								
<b>CT Income Level</b>	<b>Low 0%</b>		<b>Moderate 6.25%</b>		<b>Middle 93.75%</b>		<b>Upper 0%</b>	
<b>Loan Type</b>	<b>% of AA Owner Occupied Housing Units</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing Units</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing Units</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing Units</b>	<b>% of Number of Loans</b>
Residential Real Estate	0%	0%	3.66%	0%	96.34%	100.00%	0%	0%

2004 Business Demographic Data and 2000 Census

The distribution of commercial loans from our random sample exceeds the assessment area demographics. The following table reflects the demographics of the area to the bank's actual lending, based on a random sample of 20 commercial loans.

<b>Geographic Distribution of Loans to Businesses in Assessment Area</b>								
<b>Census Tract Income Level</b>	<b>Low 0%</b>		<b>Moderate 6.25%</b>		<b>Middle 93.75%</b>		<b>Upper 0%</b>	
<b>Loan Type</b>	<b>% of AA Businesses</b>	<b>% of Number of Loans</b>	<b>% of AA Businesses</b>	<b>% of Number of Loans</b>	<b>% of AA Businesses</b>	<b>% of Number of Loans</b>	<b>% of AA Businesses</b>	<b>% of Number of Loans</b>
Commercial	0%	0%	2.33%	5.00%	97.67%	95.00%	0%	0%

2004 Business Demographic Data and 2000 Census

### **Responses to Complaints**

FNB Barron has not received any complaints about its performance in helping meet assessment area credit needs during this evaluation period.

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

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