



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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## PUBLIC DISCLOSURE

August 20, 2012

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank First National  
Charter Number 4975

402 North 8th Street  
Manitowoc, WI 54221

Office of the Comptroller of the Currency

Milwaukee Field Office  
1200 North Mayfair Road, Suite 200  
Wauwatosa, WI 53226

**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 Lending Test is rated: Outstanding.**

**The Community Development Test is rated: Outstanding.**

The major factors supporting the institution's rating include:

- The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and credit needs of the assessment areas.
- A substantial majority of loan originations are made within the bank's assessment areas.
- The borrower distribution of loans reflects excellent penetration among individuals of different income levels and reasonable distribution to businesses of different sizes.
- The geographic distribution of business loans reflects excellent dispersion throughout the bank's assessment areas.
- The bank's community development performance through community development loans, qualified investments, and services demonstrates excellent responsiveness to community development needs in the assessment areas.

### **Scope of Examination**

We evaluated Bank First National's (BFN) Community Reinvestment Act (CRA) performance under the Intermediate Small Bank Lending and Community Development tests. In evaluating the bank's lending performance, we reviewed data for the bank's primary loan products which are business loans and home mortgage loans.

The evaluation period covers the period since the date of the previous CRA examination, June 23, 2008 to August 20, 2012. The Lending Test evaluated loans originated between January 1, 2010 and December 31, 2011. The Community Development Test covered community development loans, investments, and services during the entire evaluation period. Prior to conducting this evaluation, we tested the accuracy of the bank's Home Mortgage Disclosure Act (HMDA) data for 2010 and 2011. We found the data to be accurate; therefore, we used all reported HMDA data for both years in our evaluation of home mortgage lending. To evaluate small business lending, we used a random sample of business loans from each of the bank's four assessment areas. Additionally, we obtained the most recent demographic data available for the Lending Test. We reviewed the bank's community development loans, investments, and services based on information provided by the bank. We only considered those items that met the regulatory definition of community development in the Community Development Test.

## **Description of Institution**

BFN is a \$933 million financial institution headquartered in Manitowoc, Wisconsin. The bank is 100 percent owned by First Manitowoc Bancorp, Inc., a one-bank holding company also headquartered in Manitowoc, Wisconsin. The bank's wholly-owned subsidiaries are Bank First Investments, Inc. (formerly FNBM Investment Corp.) and TVG Holdings, Inc. The bank has two investments in minority-owned subsidiaries. The bank owns 49.8 percent of United Financial Services, Inc. (UFS) and 28.8 percent of Ansay & Associates, LLC. UFS provides data processing services to BFN as well as 31 other banks. The bank offers insurance products through Ansay & Associates.

BFN operates 13 full service offices: seven in Manitowoc County, three in Sheboygan County, two in Brown County, and one in Winnebago County. The bank opened its newest location in February 2011 in Oshkosh, Wisconsin. In September 2011, the bank consolidated the Expo Drive and Custer Street locations in Manitowoc County. Almost all locations have deposit-taking ATMs, and all have drive-up facilities in addition to regular lobby hours. The bank's lending area is entirely within the State of Wisconsin. The bank designated all of Manitowoc, Sheboygan, Brown, and Winnebago counties as assessment areas. The assessment areas meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income areas.

BFN offers traditional community bank products and services and is primarily a commercial lender. As of June 30, 2012, the bank has a total loan portfolio of \$705 million, representing 76 percent of total assets. By dollar volume, the loan portfolio consists of business loans (68 percent), residential real estate loans (27 percent), consumer loans (2 percent), agricultural loans (1 percent), and other loans (2 percent). All financial information is as of June 30, 2012.

The bank's business strategy is general community banking with an emphasis in commercial lending.

There are no legal or financial constraints limiting the bank's ability to meet community credit needs. The bank received an "Outstanding" rating at the last CRA examination, dated June 23, 2008.

## **Description of Assessment Areas**

BFN has four assessment areas. We selected the Manitowoc County assessment area for a full scope review. Since the majority of lending and deposit activity occurs in Manitowoc County, it received more weight in our analysis. We selected the Brown, Sheboygan, and Winnebago County assessment areas for limited scope reviews.

Other financial institutions provide strong competition throughout the bank's four assessment areas. Thirty-eight other banks serve the four counties the bank operates in. As of June 30, 2012, BFN had a deposit market share of 7.29 percent, ranking third.

### **Manitowoc County Assessment Area**

Nineteen census tracts comprise this assessment area: zero are low-income, one (5 percent) is moderate-income, 13 (69 percent) are middle-income, and five (26 percent) are upper-income. Based on 2011 demographic data, this assessment area has 6,787 businesses. Of these businesses, 4,819 (71 percent) have gross revenues of less than \$1 million, 254 (4 percent) have gross revenues over \$1 million, and 1,714 (25 percent) have revenues that were not reported. Manitowoc County has a population of 82,887 based on 2000 census data. The median family income is \$52,245, and the updated 2011 HUD estimated median family income is \$59,100. The percentage of assessment area households that have incomes below the poverty level is 5.76 percent. Owner-occupied units comprise 72 percent of total housing units. Manitowoc County's annual unemployment rate decreased to 8.1 percent in 2011 from 9.6 percent in 2010. The unemployment rate exceeded the state average of 7.5 percent in 2011. Manitowoc County is not located in an MSA.

Major employers in Manitowoc County include Holy Family Memorial Healthcare, Manitowoc Cranes, Lakeside Foods, and Thermo Fischer Scientific. Employers include traditional manufacturing, healthcare, high-tech fabrication facilities, and global producers.

### **Sheboygan County Assessment Area**

Twenty-four census tracts comprise this assessment area: zero are low-income, four (17 percent) are moderate-income, 17 (71 percent) are middle-income, and three (12 percent) are upper-income. Based on 2011 demographic data, this assessment area has 7,808 businesses. Of these businesses, 5,437 (70 percent) have gross revenues of less than \$1 million, 328 (4 percent) have gross revenues over \$1 million, and 2,043 (26 percent) have revenues that were not reported. Sheboygan County has a population of 112,646 based on 2000 census data. The median family income is \$54,544, and the updated 2011 HUD estimated median family income is \$69,700. The percentage of assessment area households that have incomes below the poverty level is 5.19 percent. Owner-occupied units comprise 95 percent of total housing units. Sheboygan County's annual unemployment rate decreased to 7.6 percent in 2011 from 8.9 percent in 2010. The unemployment rate slightly exceeded the state average of 7.5 percent in 2011. Sheboygan County is located in the Sheboygan MSA.

### **Brown County Assessment Area**

Fifty census tracts comprise this assessment area: zero are low-income, nine (18 percent) are moderate-income, 32 (64 percent) are middle-income, eight (16 percent) are upper-income, and one (2 percent) is designated as NA. The NA census tract is the Green Bay Correctional Institution located in Allouez, Wisconsin. Based on 2011 demographic data, this assessment area has 22,650 businesses. Of these businesses, 15,028 (66 percent) have gross revenues of less than \$1 million, 864 (4 percent) have gross revenues over \$1 million, and 6,758 (30 percent) have revenues that were not reported. Brown County has a population of 226,778 based on 2000 census data. The median family income is \$56,999, and the updated 2011 HUD estimated median family income is \$67,600. The percentage of assessment area households that have incomes below the poverty level is 6.97 percent. Owner-occupied units comprise 97 percent of total housing units. Brown County's annual unemployment rate decreased to 6.8 percent in 2011 from 7.5 percent in 2010. The unemployment rate is less than the state average of 7.5 percent in 2011. Brown County is located in the Green Bay MSA.

### **Winnebago County Assessment Area**

Thirty-eight census tracts comprise this assessment area: zero are low-income, four (10.5 percent) are moderate-income, 30 (79 percent) are middle-income, and four (10.5 percent) are upper-income. Based on 2011 demographic data, this assessment area has 13,174 businesses. Of these businesses, 9,001 (68 percent) have gross revenues of less than \$1 million, 455 (4 percent) have gross revenues over \$1 million, and 3,718 (28 percent) have revenues that were not reported. Winnebago County has a population of 156,763 based on 2000 census data. The median family income is \$54,411, and the updated 2011 HUD estimated median family income is \$61,200. The percentage of assessment area households that have incomes below the poverty level is 6.73 percent. Owner-occupied units comprise 94 percent of total housing units. Winnebago County's annual unemployment rate decreased to 6.6 percent in 2011 from 7.4 percent in 2010. The unemployment rate is less than the state average of 7.5 percent in 2011. Winnebago County is located in the Oshkosh-Neenah MSA.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

BFN's performance under the Lending Test is rated **Outstanding**.

### **Loan-to-Deposit Ratio**

BFN's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size and financial condition, as well as the credit needs of the assessment areas. The bank's quarterly LTD ratio averaged 88 percent over 17 quarters from the second quarter of 2008 to second quarter 2012. The peer group consists of banks with assets ranging from \$47 million to \$933 million. The average loan-to-deposit ratio for the 14 banks located in the assessment areas over the same period ranged from 74 percent to 104 percent.

### **Lending in Assessment Area**

BFN originates a substantial majority of its loans to borrowers located within its assessment areas. We reviewed 74 commercial and 1,698 home mortgage loans originated during the evaluation period. These are the bank's primary loan products. Approximately 87 percent by number and 82 percent by dollar volume were made to businesses and individuals located within the bank's assessment areas.

<b>Lending in the Assessment Area</b>										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgages	1,469	86.51%	229	13.49%	1,698	\$182,116	82.76%	\$37,935	17.24%	\$220,051
Commercial	65	87.84%	9	12.16%	74	\$9,907	71.88%	\$3,876	28.12%	\$13,783
<b>Totals</b>	1,534	<b>86.57%</b>	238	<b>13.43%</b>	1,772	\$192,023	<b>82.12%</b>	\$41,811	<b>17.88%</b>	\$233,834

Source: 2010 – 2011 HMDA data and Bank records (verified by examiners)

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

The distribution of borrowers in the Manitowoc County assessment area reflects excellent penetration among individuals of different income levels and reasonable distribution to businesses of different sizes.

The distribution of loans reflects reasonable among businesses of different sizes. The number of business loans originated by the bank to small businesses (those with revenues of \$1 million or less) exceeds the demographic comparator. By number, the percent of small business loans originated is 74 percent.

<b>Borrower Distribution to Businesses in Manitowoc County AA</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	71.00%	3.75%	25.25%	100.00%
% of Bank Loans in AA by #	74.07%	25.93%	0.00%	100.00%
% of Bank Loans in AA by \$	14.97%	85.03%	0.00%	100.00%

Source: Sample of bank records (verified by examiners) and 2011 Dunn & Bradstreet data

The distribution of home mortgage loans among borrowers of different income levels is excellent. The bank originated 8 percent of its mortgage loans to low-income borrowers and 19 percent to moderate-income borrowers. Although the bank's percentage of loans to low-income borrowers is lower than the percentage of low-income families in the area, consideration is given to the percentage of families living below the poverty level (5.76 percent). The bank's lending to moderate-income borrowers exceeds the demographic comparator.

<b>Borrower Distribution of Home Mortgage Loans in Manitowoc County AA</b>									
Borrower Income Level	Low		Moderate		Middle		Upper		Unavailable
	% 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 Number of Loans
% of Total	12.60%	8.17%	16.87%	18.98%	26.13%	28.85%	44.40%	40.63%	3.37%

Source: 2010-2011 HMDA data and U.S. Census Demographic Data

**Geographic Distribution of Loans**

The geographic distribution of business loans reflects excellent dispersion throughout the bank's assessment areas.

The bank originated 4 percent of its business loans in moderate-income census tracts. This slightly exceeds the demographic comparator, which shows 3 percent of area businesses are located in moderate-income census tracts.

<b>Geographic Distribution of Business Loans in Manitowoc County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
% of Total	0.00%	0.00%	2.86%	3.70%	68.63%	62.96%	28.51%	33.34%

Source: Sample of bank records (verified by examiners) and 2011 Dunn & Bradstreet data

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the bank's assessment areas. The bank originated 1 percent of its home mortgage loans in moderate-income census tracts. This is slightly less than the demographic comparator, which shows 3 percent of area owner occupied housing are located in moderate-income census tracts.

<b>Geographic Distribution of Home Mortgage Loans in Manitowoc County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
% of Total	0.00%	0.00%	2.93%	1.20%	67.92%	61.90%	29.15%	36.90%

Source: 2010-2011 of HMDA data and U.S. Census Demographic Data

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance in the Brown, Sheboygan, and Winnebago assessment areas is not inconsistent with the bank's overall performance.

The distribution of loans to borrowers of different incomes and businesses of different sizes is reasonable in each of the three areas.

The geographic distribution of loans reflects reasonable penetration throughout the Brown and Sheboygan County assessment areas. Lending in the Winnebago County assessment area is low. Consideration is given to the fact that the bank's branch in this area has only been open for a little more than one year. Competition from other larger financial institutions in this area is strong.

### **Responses to Complaints**

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

### **COMMUNITY DEVELOPMENT TEST**

BFN's performance under the Community Development Test is rated **Outstanding**. Community development performance through community development loans, qualified investments, and services demonstrates excellent responsiveness to community development needs in the assessment areas.

### **Number and Amount of Community Development Loans**

BFN provided an excellent level of community development (CD) lending. The bank originated seven qualifying CD loans within the assessment areas totaling \$10.8 million, including:

A letter of credit totaling \$5 million that supports a development revenue bond in Sheboygan County. The bond was for the construction of a two-story facility containing office space and various social service programs provided to those with disabilities.

A prior period letter of credit for \$4 million is still outstanding that supports an industrial revenue bond in Sheboygan County. The bond was for a local business which helped support the creation and retention of jobs for low- and moderate-income individuals.

A line of credit renewed for \$25,000 to a Manitowoc County nonprofit organization that provides housing for low-income families.

A \$270,000 loan to a business in Winnebago County. This loan finances a 15 unit, two-story row housing unit in a moderate-income census tract in Oshkosh.

A \$748,000 loan to a business in Sheboygan County. This loan finances two 12 unit apartment buildings in a moderate-income census tract in Sheboygan.

Two loans totaling \$800,000 to a nonprofit, charitable organization in Sheboygan County. These loans financed the purchase and remodeling of a vacant building in a moderate-income census tract in Sheboygan. The building is to house administrative offices, a volunteer center, a kitchen, and a fresh produce processing area to service home delivered meals to the elderly, homebound, and disabled in Sheboygan County.

BFN also participates in the following loan programs that target or primarily benefit small businesses and low- and moderate-income individuals.

The Wisconsin Home and Economic Development Authority (WHEDA) Home program is a first-time home buyer program that provides below market interest rates and allows for a lower down payment than conventional mortgage programs. This program benefits primarily low- and moderate- income individuals. Since 2008, the bank originated 16 loans totaling approximately \$2 million.

Small Business Administration (SBA) loans are available in the assessment areas for businesses that may not qualify for conventional loan terms. Under the SBA programs, the bank originated 112 small business loans totaling \$54 million during the evaluation period. These loans would have already been reported under the small business lending test.

BFN partnered with a local community organization to provide down payment and closing cost assistance using FHLB grant funding through the Affordable Housing Program. This program gives each family \$5,000 for down payment assistance and \$500 for home buyer education. To qualify, household income for a four family household may not exceed 115 percent of the area median income. The Affordable Housing Program offered 19 grants totaling \$109,000 during the assessment period.

### **Number and Amount of Qualified Investments**

BFN provides an excellent level of community development investments, including:

A \$2 million bond for a Winnebago County community organization that promotes programs that target low- and moderate- income families.

A \$2 million bond to benefit a Manitowoc County community organization that prepares youth and unskilled adults for entry into the workforce. The organization provides economically disadvantaged individuals and others facing barriers to employment with job training.

\$525,200 in a mortgage-backed security which is collateralized by home loans made to low- and moderate-income borrowers in the Brown and Sheboygan County assessment areas.

BFN made donations to 13 organizations in the assessment areas totaling \$217,878. These donations supported social services, job skills training for low- and moderate-income individuals, small business development, and affordable housing.

Of note, included in the above amount, is a \$100,000 donation made to Senior Housing Crime Prevention Foundation. These funds were used to provide a safe, secure, and crime free residence to 99 low- and moderate-income residents located at a senior housing facility in Manitowoc County.

### **Extent to Which the Bank Provides Community Development Services**

BFN provides an excellent level of community development services.

During the evaluation period, BFN employees provided technical assistance and financial expertise to 10 community development organizations. These organizations address assessment area needs for affordable housing, economic development, and social services to low- and moderate-income individuals.

The following are examples some of the services provided:

The bank's former BSA/Security Officer gave presentations during Money Smart Week at the Manitowoc Library. The discussion topic for this presentation included ways to avoid scams via phone and the internet. The Money Smart program is an FDIC financial education curriculum designed to help low- and moderate-income individuals outside the financial mainstream enhance their financial skills and create positive banking relationships.

The bank's executive vice president serves as president of a local organization that provides services to those with disabilities. This organization provides skill building and on-the-job training to members who desire to work in the community. The organization also provides residential services and day services for those with disabilities.

A loan officer serves as a member of the City of Manitowoc Community Development group. The bank employee uses his banking background to guide loan fund decisions. This group governs a downtown revolving loan fund, making loans to small businesses located within Manitowoc's downtown district. The organization also governs the Manitowoc Housing Authority which manages 102 units of low rent public housing.

The same loan officer mentioned above also serves as a member of Manitowoc Industrial Development Corporation. This entity governs the development of city-owned industrial parks, as well as a revolving loan fund. The bank employee uses his financial background to help guide the loan fund decisions.

A loan officer serves as a finance committee member for a social services organization. The bank employee uses her banking experience to guide decision making. The organization offers a food pantry, rental assistance, utility assistance, and appropriate community referrals.

Three bank employees serve as members or on the board of local economic development corporations, all of which benefit low- and moderate- income individuals and small businesses in the local community by encouraging job creation and retention.

**Responsiveness to Community Development Needs**

Given available opportunities, the bank's performance in meeting community development needs reflects excellent responsiveness to the needs of its communities.

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

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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