



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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## PUBLIC DISCLOSURE

June 23, 2008

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank First National  
Charter Number: 4975

402 North 8th Street  
Manitowoc, WI 54220

Office of the Comptroller of the Currency

Wisconsin & Upper Peninsula of Michigan  
1200 North Mayfair Road, Suite 200  
Milwaukee, 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.**

Major factors supporting this rating include:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the Assessment Areas (AAs).
- The bank's level of loans originated within its AAs is excellent.
- The distribution of borrowers reflects excellent penetration among businesses of different sizes and individuals of different income levels.
- The geographic distribution of loans reflects reasonable dispersion throughout its AAs.
- The bank's community development performance through community development loans, qualified investments, and services demonstrates excellent responsiveness to community development needs in its AAs.

### **Scope of Examination**

Bank First National's (BFN's) Community Reinvestment Act (CRA) performance was evaluated under the Intermediate Small Bank Lending and Community Development Tests. For the Lending Test, the bank's primary loan products, small business loans and home mortgage loans (including purchases and refinances) were chosen. The bank's Manitowoc County AA was selected for a full scope review and the bank's Sheboygan County, Brown County, and Calumet County AAs were selected for limited scope reviews.

The evaluation covers the period since the date of the previous CRA examination, March 17, 2004. The Lending Test evaluated small business and home mortgage loans originated or purchased between January 1, 2006 and May 31, 2008. The Community Development Test covered the 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 2006, 2007 and the first quarter of 2008. We found the data to be substantially accurate and therefore used all reported HMDA data for both years in our evaluation of home mortgage lending. To evaluate small business lending, we used both data from the bank's loan trial balance as well as random samples of business loans from each of the bank's four AAs. Additionally, the most recent demographic data available was obtained for the Lending Test. The bank's community development loans, investments, and services were reviewed based on information provided by the bank. Only those items that met the regulatory definition of community development were considered in the Community Development Test.

## **Description of Institution**

BFN is a \$729 million financial institution headquartered in Manitowoc, WI. On November 1, 2007, the bank's name was changed from "First National Bank in Manitowoc" to "Bank First National" to reflect its growing presence in other counties. The bank is 100% owned by First Manitowoc Bancorp, Inc., a one-bank holding company also headquartered in Manitowoc, WI. First Manitowoc Bancorp, Inc. owns 49.8% of United Financial Services (UFS). UFS provides data processing services to BFN as well as 37 other banks. The bank also offers insurance products through the Vincent Group, a financial subsidiary, which has offices in Manitowoc and Green Bay. In 2005, the bank acquired George V. Reis Investments in Two Rivers, Wisconsin, which offers retail nondeposit investment products. None of the subsidiaries have a negative impact of the bank's ability or capacity to meet the credit needs of its markets.

The bank operates sixteen full service offices, nine in Manitowoc County, four in Sheboygan County, two in Brown County, and one in Calumet County. The bank opened a new office in Sheboygan in March 2007 with the acquisition of Acuity Bank and opened its newest location on Kohler Memorial Drive in Sheboygan in February 2008. Almost all locations have deposit-taking ATMs and all have drive-up facilities in addition to regular lobby hours. The branch system is supplemented by telephone banking, Internet banking services, and debit cards. The bank's lending area is entirely within the State of Wisconsin. The bank has designated all of Manitowoc, Sheboygan, and Brown Counties as well as a small portion of Calumet County as its AAs. The AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate- income areas.

The bank offers a variety of bank products and services including business, real estate, and consumer purpose loans and various deposit and investment products. As of March 31, 2008, the bank has a total loan portfolio of \$468 million, representing 64% of total assets. The bank has Tier 1 capital of \$56 million. By dollar volume, the loan portfolio is comprised of business loans (54%), residential real estate (19%), construction (10%), agricultural (4%), consumer (11%), and other loans (2%). The bank also services a \$229 million portfolio of FNMA mortgages. These loans were originated at the bank but are not included in the bank's total assets.

The bank's business strategy has historically been in general community banking, with a primary niche in business banking. Over the past two years, the majority of the bank's loan growth has been in business loans.

There are no legal or financial constraints limiting the bank's ability to meet community credit needs. The bank received an "Outstanding" rating from the last CRA examination dated March 17, 2004, under the large bank CRA standards.

## **Description of Assessment Areas**

BFN has four AAs. The Manitowoc County AA, which represents the majority of the bank's deposit and lending activity, was selected for a full scope review. The Brown, Sheboygan, and Calumet County AAs were selected for limited scope reviews.

Competition from other financial institutions throughout the bank’s four AAs is strong. Thirty-five other banks serve the four counties the bank operates in. As of June 30, 2007, Bank First National had a deposit market share of 5.34%, ranking fourth.

The following table summarizes the income levels of census tracts and families located within the bank’s four AAs:

INCOME DISTRIBUTION OF CENSUS TRACTS AND FAMILIES								
Assessment Area	Census Tracts (#)				Percentage of Families			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Manitowoc County	0	1	13	5	12.6%	16.9%	26.1%	44.4%
Sheboygan County	0	4	17	3	14.7%	19.4%	29.3%	36.6%
Brown County *	0	9	32	8	15.6%	18.1%	26.8%	39.5%
Portion of Calumet County	0	0	1	0	15.4%	25.4%	33.9%	25.3%
<b>Total</b>	<b>0</b>	<b>14</b>	<b>63</b>	<b>16</b>	<b>14.8%</b>	<b>18.3%</b>	<b>27.4%</b>	<b>39.5%</b>

Source: 2000 U.S. Census

\*Brown County contains one census tract that is not designated as low-, moderate-, middle- or upper-income. This represents 2% of the total number of tracts in brown County and 1.1% of the total number of tracts in the combined AAs.

### ***Manitowoc County AA***

Manitowoc County has a population of 82,887 based on the 2000 Census data. The median family income was \$52,245 and the updated 2008 HUD estimated median family income is \$54,700. 3.67% of the AA’s households have incomes below the poverty level. 72% of total housing units are owner-occupied. Manitowoc County’s unemployment rate was 5.3% in 2007, an increase from 4.9% in 2006. The unemployment rate exceeded the state average of 4.9% in 2007. Manitowoc County is not located in an MSA.

Manitowoc County’s sole moderate-income census tract is located near downtown Manitowoc and is adjacent to the bank’s Custer Street branch.

The City of Manitowoc has a long history in manufacturing, where the outlying cities and villages remain predominantly agricultural. Major employers in Manitowoc County include Holy Family Memorial Hospital (healthcare), Manitowoc Cranes (manufacturing), Manitowoc Public School District (government), County of Manitowoc (government), Fisher Hamilton (manufacturing), Lakeside Foods, Inc. (manufacturing), and Federal-Mogul Powertrain Systems (manufacturing).

A community contact from the Manitowoc County AA was interviewed to determine the state of

the local economy and to identify opportunities for financial institutions to participate in community development activities. We met with the Executive Director of the Economic Development Corporation of Manitowoc County. The interviewee stated that the local economy is stable, although job growth has been slow, which has impacted the new housing construction market. He stated that the area's industrial parks are doing well, with little to no vacancies. Overall, the individual stated that local financial institutions are doing a good job at meeting the credit needs of the community.

### ***Sheboygan County AA***

The Sheboygan County AA has a population of 112,646 based on the 2000 Census data. The median family income was \$53,830 and the updated 2008 HUD estimated median family income is \$64,700. 67% of total housing units are owner-occupied. 3.67% of Sheboygan County households have incomes below the poverty level. Sheboygan County unemployment rate was 4.3% in 2007, lower than the state average. The area is located entirely in the Sheboygan MSA.

Sheboygan County's four moderate-income census tracts are located in downtown Sheboygan on the eastern portion of the County. The bank's Plymouth branches are located on the western side of Sheboygan County. The bank's branches in the City of Sheboygan, both of which were opened within the last two years, are located on the westernmost areas of the city.

### ***Brown County AA***

Brown County has a population of 226,778 based on the 2000 Census data. The median family income (MFI) was \$53,950. and the updated 2008 HUD estimated median family income is \$62,400. 63% of total housing units are owner-occupied. 4.65% of Brown County households have incomes below the poverty level. The unemployment rate in Brown County was 4.6% in 2007, yet below the state average of 4.9% in 2007. The area is located entirely in the Green Bay MSA.

Brown County's 9 moderate income census tracts are located around downtown Green Bay. The bank's Bellevue branch is adjacent to one of these moderate income tracts.

### ***Calumet County AA***

The bank has designated one tract in Calumet County in its lending area. This tract, comprised mostly of the City of New Holstein, is in the Appleton MSA, and is home to the bank's New Holstein branch. This tract has a population of 5,079 based on the 2000 Census data. The median family income was \$57,592 and the updated 2008 HUD estimated median family income is \$67,900. 76% of total housing units are owner-occupied. 2.72% of households in this tract have incomes below the poverty level. Calumet County's unemployment rate was 4.8% in 2007, slightly below the state average. This tract is a middle-income census tract.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

Small business lending is the bank’s primary business line. Therefore, more weight was given to small business lending than home mortgage lending when evaluating lending performance under the performance criteria detailed below.

## LENDING TEST

### Loan-to-Deposit Ratio

BFN’s loan-to deposit (LTD) ratio is reasonable given the bank’s size, financial condition and AA credit needs. The bank’s quarterly LTD ratio averaged 86% over 17 quarters from the first quarter of 2004 to the first quarter of 2008. Six similarly situated commercial or state savings banks, with total assets ranging from \$102 million to \$583 million were included for comparison. The average LTD ratio for all seven comparable commercial and state savings banks chartered in BFN AA’s is 92.54%. The ratios ranged from 86% to 101%, with BFN ranked seventh.

### Lending in Assessment Area

BFN originates a substantial majority of its loans to borrowers located within its AAs. We reviewed 2,131 commercial and 1,312 home mortgages originated during the evaluation period. These are the bank’s primary loan products. Approximately 86 percent by number and 80 percent by dollar volume of loans were made to businesses, and individuals located within the bank’s AAs.

Lending in the AA										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgages	1,177	90%	135	10%	1,312	123,600	85%	22,600	15%	146,200
Business	1,789	84%	342	16%	2,131	350,370	79%	93,153	21%	443,523
Totals	2,966	86%	477	14%	3,443	473,970	80%	115,753	20%	589,723

Source: January 2006 - June 2008 Home Mortgage Disclosure Act 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 AA reflects excellent penetration among individuals of different income levels and businesses of different sizes.

As shown in the following table, the distribution of loans to businesses of various revenue sizes is excellent. The number of loans to business with revenues under \$1 million exceeds the area demographics.

<b>Borrower Distribution of Loans to Businesses in the Manitowoc County AA</b>			
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown
% of AA Businesses	56%	5%	39%
% of Bank Loans in AA by #	70%	13%	17%
% of Bank Loans in AA by \$	50%	43%	7%

Source: Sample of 30 bank records (verified by examiners) and Dunn & Bradstreet Business Demographic data.

The distribution of home mortgages to borrowers of various income levels is excellent. 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 (3.67%). The bank's lending to moderate income borrowers exceeds the demographics.

<b>Borrower Distribution of Home Mortgage Loans in the Manitowoc County AA</b>								
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	13%	10%	17%	22%	26%	29%	44%	39%

Source: January 2006 – June 2008 Home Mortgage Disclosure Act Data and U.S. Census Demographic Data

### **Geographic Distribution of Loans**

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the Manitowoc County AA.

While our random sample of 30 loans did not include any loans made to business in the AA's sole moderate income census tract, our review of loan trial balance data indicates there is certainly not a lack of lending to this area. For more information, please refer to the **Community Development Loans** section of this report.

<b>Geographic Distribution of Business Loans in the 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%	0%	4%	0%	71%	97%	25%	3%

Source: Sample of 30 bank records (verified by examiners) and Dunn & Bradstreet Business Demographic data

The distribution of home mortgages to borrowers reflects the demographics. According to Census data, 3% of the AA's total owner-occupied housing units are located in the AA's sole moderate income tract. The bank originated 2% of its home mortgages to borrowers in this area.

<b>Geographic Distribution of Home Mortgage Loans in the 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%	0%	3%	2%	68%	63%	29%	35%

Source: January 2006 – June 2008 Home Mortgage Disclosure Act Data and U.S. Census Demographic Data

### **Targeted Loan Programs**

BFN also participates in the following loan programs that target or primarily benefit small businesses and LMI individuals.

- Wisconsin Housing and Economic Development Authority (WHEDA) Home Program - This program is a first-time home buyer program that provides below market fixed interest rates and allows for a lower down payment than conventional mortgage programs. This program primarily benefits LMI borrowers. These are not reported under HMDA, but the bank services these loans. Since 2005, the bank originated 79 loans totaling \$7.8 million.
- Fannie Mae “MyCommunityMortgage” program. This program serves LMI borrowers with flexible terms. The bank originated 6 of these loans totaling \$595,000. These loans were included in the totals under the lending test above.
- Small Business Administration (SBA) loans are available for businesses that may not qualify for conventional loan terms. The bank is designated a “preferred lender,” which allows a streamlined application process. From 2006 to 2007, the bank originated 26 SBA loans totaling \$5 million.
- Farm Service Agency (FSA) guaranteed loans. During the assessment period, the bank originated 36 agricultural loans totaling \$6.6 million. These loans helped small farmers in



the bank's AA. While agricultural loans are not considered among the bank's primary loan products, this demonstrates the bank's willingness to serve the predominantly rural areas of its AAs.

## **COMMUNITY DEVELOPMENT TEST**

BFN's performance under the Community Development Test is rated **outstanding**.

In particular, the community development lending activities reflect excellent responsiveness to community development needs of its AAs in relation to the bank's capacity and AA opportunities. The bank also generated a good level of qualified investments and community development services.

Retail banking services are very accessible to individuals of all income levels.

### **Community Development Loans**

BFN provided an excellent level of community development (CD) lending. The bank originated eleven qualifying CD loans totaling \$15 million. These included four loans that serve the Manitowoc County AA, three loans that serve both the Manitowoc and Sheboygan County AAs, two that serve the Sheboygan County AA, and one that serves the Brown County AA. The bank also originated a qualifying CD loan for \$3.5 million out of its lending area.

These included:

- A \$1.8 line of credit, renewed in 2007, to a manufacturer located in Manitowoc County's sole moderate income census tract. The loan was made in conjunction with a Community Development Block Grant from the State of Wisconsin. By making this loan, the bank helped stabilize this area by preventing the loss of approximately 95 jobs and created 30 new jobs.
- A \$450,000 construction loan to a nonprofit organization that serves LMI individuals in both the bank's Manitowoc and Sheboygan County AAs. The purpose of the loan was to purchase a building and to fund improvements so it could be converted into the organization's primary office space.
- Two lines of credit totaling \$175,000 to two different nonprofit organizations that serve LMI individuals in the Manitowoc and Sheboygan County AAs.
- A \$160,000 loan to construct a retail store for a nonprofit business that provides food, emergency financial assistance, and low-cost housing exclusively for low-income individuals.
- A \$700,000 loan to a hotel in the Brown County AA. The loan proceeds helped stabilize a moderate income census tract and create jobs for approximately 20-30 LMI individuals.

- Two letters of credit totaling \$8.2 million that support Industrial Revenue Bonds in Sheboygan County. These bonds supported the creation and retention of jobs for LMI individuals.
- A \$3.5 million line of credit to a Native American Tribe in St. Croix County, Wisconsin. This loan allowed for the purchase of a business and is expected to create a substantial number of new jobs in a moderate income census tract. Although this loan did not benefit any of the bank's AAs, positive consideration is given because the bank has adequately met the needs of its own AAs.

In addition to the qualified CD loans noted above, BFN originated 13 loans totaling \$1.1 million that have as their purpose community development, but which are otherwise considered small business loans or home mortgage loans. These loans resulted in, among other things, stabilization and job retention in moderate-income tracts and support for a nonprofit organization that provides housing for LMI families.

### **Community Development Investments**

The bank made a reasonable amount of qualified investments and grants in its Manitowoc County AA. During the evaluation period, BFN made thirty-seven qualified investments in Manitowoc County totaling \$73,990. These donations supported economic development, social services, and provided housing for LMI individuals.

BFN's performance in its Sheboygan and Brown County AAs was also reasonable. The bank made eight qualified investments totaling \$3,800 in Brown County and eight in Sheboygan County totaling \$3,350 to four organizations that provide community services to LMI individuals.

In addition, the bank has a mortgage-backed security backed by loans made to LMI borrowers in the Brown and Sheboygan County AAs. The amount of this investment is \$535,288. Finally, the bank has \$100,000 outstanding on a municipal bond from a prior assessment period.

### **Community Development Services**

BFN provides a good level of community development services.

Retail services are very accessible to individuals of different income levels. The bank's Custer Street branch in Manitowoc and the bank's Bellevue branch in Green Bay are both adjacent to moderate income census tracts. The bank offers a full range of consumer and commercial banking products and services at all of its branches. In addition to its full service branch and ATM locations, the bank also offers internet banking and telephone banking for added accessibility to the bank's products.

During the examination period, BFN employees provided technical assistance and financial expertise to approximately fourteen community development organizations. These organizations address AA needs for affordable housing, economic development, and social services to LMI

individuals.

The following examples illustrate some of the services provided:

- The president of the bank serves as Chairman of the West Foundation, an organization committed to providing funds for special projects, building improvements and endowments to LMI individuals.
- A bank officer serves as assistant treasurer for Habitat for Humanity, which provides housing services for LMI families.
- A loan officer serves as a member of the City of Manitowoc Community Development Group. This group governs a Downtown Revolving Loan Fund, making loans to small businesses located in Manitowoc's downtown district. The loan officer uses his financial expertise to guide the group's lending decisions.
- Approximately eight bank employees serve on boards of local economic development corporations, all of which benefit LMI families by encouraging job creation and retention throughout the bank's AAs.

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

Based on limited-scope reviews, the bank's performance in the Brown, Sheboygan, and Calumet County AAs are not inconsistent with the bank's overall performance. Branches and ATMs are readily accessible in these areas. Banking services provided are consistent with the areas receiving full-scope reviews.

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

Overall, the geographic distribution of loans reflects reasonable penetration throughout the Brown and Sheboygan County AAs. (The Calumet County AA does not have any low- or moderate income census tracts, and therefore, an analysis of geographic distribution would not be meaningful). In particular, the volume of lending in the Brown County AA's moderate income census tracts is excellent. While the volume of lending to the Sheboygan County AA's moderate income census tracts is low, this is explained by the fact that the bank's branches are not located near these tracts and by the fact that the bank's branch in the City of Sheboygan has only been open for approximately one year. Competition in this area is considered to be strong and individuals who live in these moderate-income census tracts have sufficient access to financial services.

Bank employees are also active in several organizations that serve LMI individuals or promote economic development in these areas. As described in the Community Development Test, the bank originates a good level of community development loans, investments and services in the Sheboygan, Brown, and Calumet County AAs.

**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**

There was no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the needs of the community.