



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 21, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank - Fox Valley
Charter Number: 3724**

**550 South Green Bay Road
Neenah, WI 54956**

**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.

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INSTITUTION'S CRA RATING - This institution is rated Satisfactory.

- The bank has a reasonable distribution of loans to individuals of different income levels, including low- and moderate-income levels, and businesses of different sizes.
- A substantial majority of loans are originated inside the bank's assessment area.
- The geographic distribution of loans reflects a satisfactory dispersion throughout the assessment area.
- The loan-to-deposit ratio is reasonable.

DESCRIPTION OF INSTITUTION

The First National Bank-Fox Valley (FNB-Fox Valley) is a \$145 million bank with \$11 million in tier one capital located in Neenah, WI in a middle-income census tract (CT). The bank is 100% owned by First Menasha Bancshares, Inc., a \$145 million one-bank holding company located in Neenah, WI. The bank operates three full-service branches, in Menasha, WI (moderate-income CT), Oshkosh (middle-income CT), and Appleton, WI (middle-income CT). The bank also has a full-service ATM at the main office and each branch location and three cash dispensing only ATMs. These ATMs are located at UW-Fox Valley in Menasha (middle-income CT), University Super Valu in Green Bay, WI (middle-income CT), and Doerings Super Valu in Menasha (moderate-income CT). The full-service ATMs are available 24 hours with the cash dispensing machines accessible during normal business hours. In March 2002 the main office designation was changed from the Menasha location to the Neenah facility. Also in March 2002, operations in Menasha were relocated to a new building. The new Menasha location is within the same CT as the previous bank building. The following branches have been opened since the last exam: Oshkosh in December 1999 and Appleton in June 2003. All financial information is as of March 31, 2003.

The bank offers traditional community bank products with a focus in commercial lending. As of March 31, 2003, net loans comprised 82% of the bank's total assets. A breakdown of the loan portfolio is as follows: 72% commercial loans, 26% residential real estate loans, and 2% consumer loans.

There are no financial, legal or other impediments that would hinder the bank's ability to help meet the credit needs of its assessment area. The previous Community Reinvestment Act (CRA) evaluation dated November 30, 1998, resulted in a satisfactory rating.

DESCRIPTION OF APPLETON-OSHKOSH-NEENAH MSA

The bank's assessment area (AA) includes 61 CTs located in the Appleton-Oshkosh-Neenah Metropolitan Statistical Area (MSA). The MSA includes Calumet, Outagamie and Winnebago Counties in east central Wisconsin. According to 1990 census information, the AA is comprised of one low- (2%), eight moderate- (13%), 46 middle- (75%) and six upper-income (10%) CTs.

With the opening of the Appleton branch in June 2003, the AA was expanded to include 20 additional CTs in the Appleton-Oshkosh-Neenah MSA and four CTs in the Green Bay MSA. 23 (95%) of these additional CTs are middle-income and one (5%) is upper-income. These additional CTs were not included as part of the AA for our review due to all information in the performance criteria section of this report being based on data ending December 31, 2002. Furthermore, the following description of the demographics of the AA does not include these CTs. The AA is considered legal and appropriate. It consists of only whole CTs and does not arbitrarily exclude any low- or moderate-income geographies.

According to 1990 census data, the total population of the bank's AA is 232,625, which is comprised of 61,304 families. Income levels for these families are as follows: 9,404 low-income families (15%), 11,314 moderate-income families (19%), 17,941 middle-income families (29%), and 22,645 upper-income families (37%). Of the low-income families, 2,995 (32%) are below the poverty level. The Housing and Urban Development (HUD) updated median family income for the Appleton-Oshkosh-Neenah MSA was \$61,900 in 2002 and \$58,000 in 2001. These figures were used in the borrower income distribution test. The 1990 census median family income for the MSA is \$37,202. This figure was used in the geographic distribution test. The median housing value within the AA is \$63,343, with 65% of the total housing units being owner-occupied. According to the Wisconsin Realtors Association, the median housing prices in Calumet, Outagamie, and Winnebago counties as of March 31, 2003 were \$151 thousand, \$127 thousand, and \$114 thousand, respectively.

The local economy is characterized as strong, despite the downturn in the national economy and softening in the paper and paper products industry. According to the Wisconsin Department of Workforce Development, the unemployment rate for the Appleton-Oshkosh-Neenah MSA was 4.7% in May 2003. This is less than the state unemployment rate of 5.1% for the same time period. These figures are not seasonally adjusted. The local economic base is relatively diverse; however, paper and paper products manufacturing continues to be the primary economic activity. Companies in this industry employ approximately 60% of the area's workforce. Several companies in this sector have had layoffs and some have closed due to the downturn in the paper industry, which is not expected to grow in the near future. The area has experienced growth in the retail- and service-related industries over the past several years, with Appleton considered a retail hub in east central Wisconsin. Growth has also been occurring in small business start-ups, due mainly to laid off employees wanting to start their own business instead of finding work elsewhere. Companies in the health care, insurance, plastics, and food processing industries along with public education have also contributed to the strong local economy. Major employers in the Appleton-Oshkosh-Neenah MSA include: Kimberly-Clark Corp., Appleton Papers, Inc., Thedacare Inc., Curwood Inc., Oshkosh Truck Corp., Aid Association for Lutherans, Sara Lee Corp., and the Appleton Area School District.

Competition in the area is relatively strong. The bank's competitors include several community banks, large state banks, multi-state banks, credit unions, and mortgage brokerage firms. In total deposits, FNB-Fox Valley, with a market share of 2.5%, ranks twelfth out of 33 FDIC-insured institutions with at least one branch located in Winnebago, Outagamie, or Calumet County. This is using FDIC market share data as of June 30, 2002. Based on 2001 Home Mortgage Disclosure Act (HMDA) market share data, 250 financial institutions originated at least one residential-

related loan in FNB-Fox Valley's assessment area.

In conducting this assessment of the bank's performance, we contacted a representative from a local economic development partnership. The contact stated that local financial institutions are meeting the credit needs of the community and had only favorable comments concerning FNB-Fox Valley's performance.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable given its size, financial condition, and credit needs of the community. The average quarterly loan-to-deposit ratio for the bank since the last examination is 82%, which ranks eighth in a peer group of nine similarly situated banks. The peer group consists of banks with assets less than \$250 million that are chartered within the Appleton-Oshkosh-Neenah MSA. The bank's loan-to-deposit ratio trend over the past five years shows FNB-Fox Valley's ratio increasing at a steady pace. At March 31, 2003, FNB-Fox Valley had the third highest loan-to-deposit ratio of the nine similarly situated banks at 97%.

Additionally, the bank originates residential real estate loans that are immediately sold on the secondary market. These loans are not used in the loan-to-deposit calculation. In 2002 and 2001, the bank originated and sold \$39.7 million and \$26.4 million, respectively. FNB-Fox Valley has the second largest level of average assets of these banks at \$145 million. The other banks' average assets ranged from \$56 million to \$203 million. The average loan-to-deposit ratios for the similarly situated banks ranged from 73% to 111%, over the same time period.

Lending in Assessment Area

The bank originates a substantial majority of its loans inside the AA. This conclusion is based on an analysis of the original dollar amount and number of all commercial, residential real estate and consumer loans originated or refinanced by the bank between January 1, 2001 and December 31, 2002. A comparison of zip code and CT boundaries indicated they are similar; therefore, the location of borrowers with loans in the selected time period was determined using their zip code as a proxy for the CT address. A report sorted by zip code and loan type was generated to complete the analysis. The following table illustrates the level of lending inside the bank's AA:

Penetration of Lending Inside the Bank's Assessment Area January 2001 – December 2002 Loan Originations		
	% of Total Number of Loans Inside the Assessment Area	% of Total Dollar Amount of Loans Inside the Assessment Area
Commercial Loans	88%	88%
Consumer Loans	85%	88%
Residential Real Estate Mortgages	85%	85%
Total	87%	87%

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

The bank's lending practices represent a satisfactory penetration among individuals of different income levels, including low- and moderate-income borrowers, and businesses of different sizes. The bank's primary loan products were used in our sample and are depicted in the following tables. In completing our review, more weight was given to FNB-Fox Valley's commercial lending performance. This is due to commercial lending being the bank's primary lending focus. A sample of 60 commercial customers located in the bank's AA indicates the following breakdown of annual revenues:

Lending Distribution Based on Revenue Size of Businesses January 2001 – December 2002			
Revenue Size of Businesses Sampled (000's)	Bank Lending Distribution by Number of Loans	Percent	Percentage of Businesses in Each Revenue Category (census information)
< \$100	15	25%	73%
\$100 - \$500	21	35%	
\$500 - \$1,000	9	15%	6%
> \$1,000	14	23%	8%
Revenue not Reported	1	2%	13%
Totals:	60	100%	100%

The table above shows 77% of the businesses sampled have revenues of \$1 million or less. Loans for businesses with unreported revenues included in the bank's lending distribution are loans where no income information was evident in the loan file. These businesses are included in the \$1 million or less revenue category because it can be reasonably inferred from the type of business that gross revenues are \$1 million or less.

The following table is based on an analysis of HMDA information on refinanced residential real estate mortgage loans originated to borrowers in the bank's AA between January 1, 2001 and December 31, 2002.

Lending Distribution Based on Income Level of Refinanced Residential Real Estate Borrowers January 2001 – December 2002 Loan Originations			
Borrower Income Level	Bank Lending Distribution by Number of Loans	Bank Lending Distribution by Dollar Value of Loans	Percentage of Families in each Income Category (Census information)
Low	5%	3%	15%
Moderate	15%	12%	19%
Middle	20%	17%	29%
Upper	55%	61%	37%
Income not Available	5%	7%	-
Totals	100%	100%	100%

As indicated by the table, 20% of the number and 15% of the dollar value of loans were made to low- and moderate-income borrowers, who make up 34% of the AA's population. The dollar value of loans for both low- and moderate-income borrowers is below the income characteristics of the AA. This is indicative of the smaller loans that are typically made to customers in these income ranges. In addition, approximately one-third (32%) of the low-income families in the AA are below the poverty level. These families typically have difficulty qualifying for real estate mortgage loans. Based on 2001 HMDA market share data, the bank's level of lending to low-income borrowers can also be compared to the lending pattern of all lenders with at least one loan origination in the AA. In 2001, 5% of all refinanced residential real estate loan originations in the AA were to low-income borrowers. This approximates FNB-Fox Valley's lending performance depicted above. The bank's performance is considered reasonable based on the above factors.

Geographic Distribution of Loans

Our analysis of the commercial and refinanced residential real estate loans sample above also indicates FNB-Fox Valley has a reasonable dispersion of loans throughout its AA, with lending evident in a majority of the census tracts. As described earlier, more weight was given to the bank's commercial lending performance, as this is the bank's primary lending focus. The following table illustrates the bank's performance:

Geographic Distribution Based on Number and Dollar Amount of Loans Made in Assessment Area January 2001 – December 2002 Loan Originations								
	% of Number Originated in Low-income CTs	% of Dollar Amount Originated in Low-income CTs	% of Number Originated in Moderate-income CTs	% of Dollar Amount Originated in Moderate-income CTs	% of Number Originated in Middle-income CTs	% of Dollar Amount Originated in Middle-income CTs	% of Number Originated in Upper-income CTs	% of Dollar Amount Originated in Upper-income CTs
Commercial Loans	3%	5%	12%	11%	66%	57%	19%	27%
Percentage of Businesses in the AA (census information)	3%		11%		64%		22%	
Refinanced Real Estate Mortgages	1%	1%	8%	5%	65%	64%	26%	30%
Percentage of Owner-Occupied Housing in the AA (census information)	<1%		7%		79%		14%	
Total Loans	2%	5%	10%	11%	65%	57%	23%	27%

FNB-Fox Valley has one low-income and eight moderate-income census tracts in its AA. Our review indicated lending was not evident in two of the eight moderate-income census tracts. These tracts are located in Winnebago County near Oshkosh and Outagamie County near Appleton. Both of these CTs have several other financial institutions located nearby to serve the community's needs.

Responses to Complaints

No complaints have been received by the bank or OCC relating to the bank's CRA performance since the previous evaluation.

Fair Lending Review

An analysis of 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on analysis of this information (or absence of 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 conjunction with the previous CRA evaluation in 1998.