



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**January 17, 2012**

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

First National Bank and Trust  
Charter Number 10890

436 East La Salle Avenue  
Barron, WI 54812

Office of the Comptroller of the Currency

ADC-MINNEAPOLIS (8324) Field Office  
Campbell Mithun Tower 222 South Ninth Street  
Minneapolis, MN. 55402-3393

**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 major factors supporting this rating include the following:

- The bank’s net loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and the credit needs of the assessment area.
- The bank originates a majority of its loans, by number, within its assessment area.
- Borrower distribution reflects excellent penetration among businesses and farms of different sizes.

**SCOPE OF EXAMINATION**

We evaluated First National Bank & Trust, National Association’s (FNB Barron) record of meeting the credit needs of the community for the period of January 1, 2010 through December 31, 2011 (evaluation period). FNB Barron’s Community Reinvestment Act (CRA) performance was assessed under the lending test. Our evaluation focused on the bank’s primary loan products in their assessment area (AA) based on loan originations by number and dollar volume during the evaluation period. Business loans and farm loans were determined to be primary loan products based on highest level of originations by dollar volume. Given the higher dollar volume of business loans originated, most weight was given to this product in our analysis. The table below illustrates the number and dollar volume of loan originations during the evaluation period.

<b>Loan Products</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
<b>Business Loans</b>	94	35%	<b>11,347</b>	<b>49%</b>
<b>Farm Loans</b>	33	12%	<b>5,635</b>	<b>24%</b>
Consumer Loans	107	39%	2,260	10%
Residential Real Estate Loans	37	14%	3,809	17%
<b>Total</b>	<b>271</b>	<b>100%</b>	<b>23,051</b>	<b>100%</b>

*Loans originated 1/1/10 through 12/31/11*

We selected a random sample of 20 business loans and 20 farm to evaluate the bank’s lending activity. Sample results were compared to 2011 Business Geodemographic data to determine lending performance. We made one community contact to discuss area economic conditions and the bank’s efforts in meeting the credit needs of the community.

**DESCRIPTION OF INSTITUTION**

FNB Barron is a \$46 million bank located in west central Wisconsin. The main office is located in Barron, Wisconsin, a city of 3,000 people. FNB Barron has a second location in Rice Lake, Wisconsin which is a city of 8,300 people. Both locations offer traditional

banking products and services and maintain standard banking hours. Each branch offers drive-up services and cash-dispensing automated teller machine (ATM) access. Two additional cash-dispensing ATM locations include Rice Lake Regional Airport and Wisconsin Indianhead Technical College in Rice Lake. Commercial and agricultural lending are the bank's primary business focus. As of September 30, 2011, residential real estate loans comprised 46% of outstanding loans, business loans 34%, farm loans 17%, and consumer loans 3%. FNB Barron's loan portfolio totaled \$26 million, or 57% of total assets as of September 30, 2011.

FNB Barron is owned by First Financial Holdings, Inc., a one-bank holding company located in Golden Valley, Minnesota. The bank does not have any affiliate relationships that impact the bank's CRA performance.

There are no legal, financial, or other factors outstanding that limit the bank's ability to meet credit needs of its assessment area. FNB Barron's last CRA rating was "Satisfactory" on April 10, 2006.

## DESCRIPTION OF ASSESSMENT AREA(S)

FNB Barron's assessment area (AA) consists of all of Barron and Washburn Counties. Based on 2000 U.S. Census data, the AA includes fourteen census tracts, all of which are middle-income geographies. Both bank locations are located in Barron County. The bank's assessment area complies with regulatory requirements and does not arbitrarily exclude any low- or moderate- income geographies.

The 2000 U.S. Census data indicates the bank's AA has a total population of 60,999. According to the West Central WI Regional Planning Commission website, the population in Barron County has increased 7.6% since 2000 and the cities of Rice Lake and Barron are the most populated areas in the county. Based in the Department of Housing and Urban Development's 2011 estimate, the updated median family income for the bank's AA is \$59,100. According to 2000 U.S. Census data, 19% of the families within the AA are low-income families and 22% are moderate-income families.

The following table details AA family income information.

Family Income Level	Percent of Families
Low-Income	19.15%
Moderate-Income	21.65%
Middle-Income	27.68%
Upper-Income	31.52%

Source: 2000 U.S. Census Data

The 2000 U.S. Census data indicates that 10% of households in the AA are below the poverty level, compared to 11.7% of households nation-wide (2010 U.S. Census data). According to the U.S. Bureau of Labor Statistics, unemployment levels in the state of Wisconsin were 7.3% in November 2011, compared to 6.9% in Barron County and 7.9% in Washburn County. The nation-wide unemployment rate as of November 2011 was

8.7%. Major employers in the area include Jennie-O Turkey Store (poultry processing), the St. Croix Band of Chippewa of Wisconsin (casinos), Lakeview Medical Center, and Wal-Mart. Services, retail trade, and manufacturing are the largest industries in the county. According to 2011 Business Geodemographic Data, the bank's AA is comprised of 6,804 businesses, with 75% of these companies having gross annual revenues of \$1MM or less. Approximately 78% of the businesses in the bank's AA have less than ten employees.

Competition among financial institutions in the bank's AA is strong. There are 11 community banks in the AA, including FNB Barron, along with several branches of four large state/national financial institutions. FNB Barron ranks 13<sup>th</sup> in deposit market share with 3.24% based on June 30, 2011 deposit information obtained from the Federal Deposit Insurance Corporation.

The community contact believes that the primary credit need for the community is small business lending. The contact believes local financial institutions are actively involved in meeting the credit needs of the community. Many financial institutions refer customers to the revolving loan fund when they do not qualify for traditional financing.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB Barron's net loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and the credit needs of the AA. The bank's LTD ratio averaged 84% over the 23 quarters since the last CRA examination. This ratio ranged from a quarterly low of 61% in September 2010 to a quarterly high of 107% in June 2007. FNB Barron's average quarterly LTD ratio ranks second among three similarly situated banks (defined as banks located in the AA with total assets between \$46 million and \$67 million as of September 30, 2011).

Institution	Assets (as of 9/30/11)	Average Loan-to-Deposit Ratio; (1Q06 – 3Q11)
Security Bank	\$67 million	87%
<b>First National Bank &amp; Trust (FNB Barron)</b>	<b>\$46 million</b>	<b>84%</b>
Bank of Turtle Lake	\$64 million	60%

Source: Call Report Data

### Lending in Assessment Area

FNB Barron originates a majority of its loans to borrowers located within its defined AA. Loans originated to businesses and agricultural borrowers within the bank's AA total 65% by number. The following table on the following page shows lending in the AA by product type:

<b>Lending in the Duluth AA</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	18	69%	2	14%	20	1,968	74%	900	24%	2,868
Farm	8	31%	12	86%	20	687	26%	2,915	76%	3,602
<b>Totals</b>	<b>26</b>	<b>65%</b>	<b>14</b>	<b>35%</b>	<b>40</b>	<b>2,655</b>	<b>41%</b>	<b>3,815</b>	<b>59%</b>	<b>6,470</b>

Source: OCC Loan Sample

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

FNB Barron's overall distribution of loans to businesses and farms of different sizes is reasonable.

### Lending to Businesses of Different Sizes

FNB Barron's distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. The bank originated 80% by number and 69% by dollar volume of loans during the evaluation period to businesses with gross annual revenues of \$1 million or less. This is considered excellent compared to demographic data that shows 74.5% of the AA businesses have gross annual revenues of \$1 million or less. However, another 23% is unknown which could potentially be additional small businesses. The following table shows the distribution of commercial loans among businesses of different sizes in the AA.

<b>Borrower Distribution of Loans to Businesses in the Barron AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	74.5%	2.5%	23%	100%
% of Bank Loans in AA by #	80%	20%	0%	100%
% of Bank Loans in AA by \$	69%	31%	0%	100%

Source: OCC Loan Sample & 2011 Business Geodemographic Data

### Lending to Farms of Different Sizes

FNB Barron's distribution of loans to farms reflects excellent penetration among farms of different sizes. All fourteen farm loans originated during the evaluation period to borrowers within the AA were to farms with gross annual revenues of \$1 million or less. This is considered excellent given it exceeds the demographic comparator for farm loans which shows 98% of the AA farms having gross annual revenues of \$1 million or less. The table on the following page shows the distribution of agriculture loans among farms of different sizes in the AA.

<b>Borrower Distribution of Loans to Farms in the Barron AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	98%	1%	1%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: OCC Loan Sample & 2011 Business Geodemographic Data

### **Distribution of Loans by Income Level of the Geography**

The geographic distribution of all loans with the AA was not meaningful since the AA does not include any LMI census tracts.

### **Responses to Complaints**

FNB Barron has not received any CRA related complaints.

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

We found no evidence of discriminatory or other illegal credit practices inconsistent with meeting the credit needs of the community.