



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 25, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Baldwin
Charter Number 10106**

**990 Main Street
Baldwin, WI 54002**

**Comptroller of the Currency
Minneapolis South Field Office
1310 West Clairemont Avenue Suite 100
Eau Claire, WI 54702**

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.

TABLE OF CONTENTS

<u>INSTITUTION'S CRA RATING</u>	2
<u>DESCRIPTION OF INSTITUTION</u>	2
<u>DESCRIPTION OF ASSESSMENT AREA</u>	3
<u>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</u>	4

INSTITUTION'S CRA RATING

This institution is rated Outstanding.

The CRA rating is supported by the following overall conclusions.

- The distribution of loans reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending related activities are in the bank's assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of Baldwin's (FNBB) main office is located in Baldwin, Wisconsin. The bank has one branch office located approximately one mile south of the main office. Both offices are located in the same moderate-income census tract within St. Croix County, Wisconsin. The main office has a deposit taking automatic teller machine (ATM) available through the drive-up facility. The branch location has a cash dispensing ATM. The bank is primarily a home and business lender. Total assets of the bank were \$103 million as of December 31, 2001.

As of December 31, 2001, business loans accounted for 53% of total outstanding loans, followed by residential real estate loans 27%, agriculture loans 13%, consumer 4% and other loan types 3%. Total outstanding loans equal \$83 million or 81% of assets.

FNBB is owned by a closely held one-bank holding company Baldwin Bancshares, Incorporated. The holding company is located in Baldwin, Wisconsin. The bank does not have any affiliates engaged in activities that impact the bank's CRA performance. There have been no changes in corporate structure since the last CRA examination.

There are no legal impediments or other factors, including the financial condition of the bank, which limit its ability to meet the credit needs of its assessment area. The bank's last CRA evaluation was July 30, 1997. The bank was rated satisfactory at that time.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is St. Croix County, Wisconsin. St. Croix County is located at the eastern edge of the Minneapolis/St. Paul Metropolitan Statistical Area (MSA). Opportunities to lend to homeowners and businesses in the assessment area exist because of growth in the Minneapolis/St. Paul markets.

The assessment area is economically prosperous. The population of St. Croix County is growing especially in the western half that is closer to Minneapolis/St. Paul. Unemployment is low in the MSA and moderate in the county, 3.4% and 4.7% respectively. Unemployment rates have been increasing throughout 2001 due to a slowing of the economy. The MSA's 2001 updated family income is \$74,700 compared to \$43,063 based on the 1990 census data. Census data from 2000 shows an increase in population to 63,155 from 50,251 in 1990 and an increase in home ownership to 76% from 71% over the same period. Both the local housing market and broader MSA housing markets are considered strong. Manufacturing is the leading employment sector with 26% of the labor market. Services are the next largest sector with 24% followed by retail trade at 22% of the labor market.

One new community contact and one existing contact were considered in evaluating the credit needs of the assessment area. Community contacts were not aware of any unmet credit needs. The new contact, a local economic development authority, described how the Village of Baldwin has attracted many new businesses to the industrial park. He also stated the county has developed from west to east. As the development process has reached the Baldwin area, housing and industrial development have been significant. Our analysis of the bank's lending performance indicates the bank is doing a good job of meeting the community's credit needs.

All of the larger communities in the county have multiple banking offices. For example, Hudson, New Richmond and Baldwin have several banking facilities. Smaller communities such as Woodville, Glenwood City, and Spring Valley also have branch bank facilities. Competition for banking services is considered strong. A total of thirteen banks (or savings associations) maintain offices in the county. Six are part of banking companies exceeding 1 billion in total assets.

The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. Table 1 below shows the assessment area composition by census tract income level based on the 1990 census data.

Table 1. Assessment Area by Income Level	Number of Census Tracts	Percent of Census Tract
Low	0	0.00%
Moderate	2	20.00%
Middle	7	70.00%
Upper	1	10.00%
NA	0	0.00%

Table 2 shows family income level based on the 2001 updated MSA median family income of \$74,700.

Table 2. Family Income Level	Percent of Families
Low	17.56%
Moderate	19.75%
Middle	27.48%
Upper	35.20%

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNBB has a loan-to-deposit ratio that is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio since its last CRA examination is 82%. Similarly situated banks had a quarterly average loan-to-deposit ratio ranging from 79% to 93% with an overall average ratio of 85%. Similarly situated banks are those operating primarily in St. Croix County with total assets less than \$104 million. The loan-to-deposit ratio for FNBB ranked second out of the three banks in the comparison.

Lending in Assessment Area

The bank's record for lending in the assessment area is good. A majority of loans and other lending-related activities are in the bank's assessment area. The bank's ratio of lending within the assessment area was calculated from the bank's two primary loan products, home mortgage refinance loans and business loans. Primary loan products were identified using loan originations from 2000 and 2001. Because of a system conversion, data from prior years were not readily available. A random sample of 20 home mortgage refinance loans and 20 business loans were evaluated. Table 3 below shows the bank's lending within the assessment area based on the two primary product types.

Table 3. In/Out Lending Analysis	In Assessment Area by Number %	In Assessment Area by Dollar %
Business Loans	80.00%	87.52%
Home Mortgage Refinance Loans	80.00%	76.84%

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

The distribution of loans reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels and businesses of different sizes. We used a sample of 20 loans instead of all HMDA data due to errors in the bank's HMDA data. The errors were not related to borrower income, so the HMDA data is a good indication of the

bank's overall penetration of low-income borrowers. For home mortgage refinance loans, HMDA data shows that 14.80% by number and 10.61% by dollar were to low-income borrowers in the assessment area. This is stronger than our sample results of 5.26% by number and 6.35% by dollar. 17.56% of the families in the assessment area have low incomes. For lending to families of moderate-income, HMDA data shows similar performance as the results from our sample that are shown in the table below. The bank's performance for lending to moderate-income families exceeds the demographic. Table 4 below shows the annual income of families within the assessment area compared with the findings of our sample of 20 loans.

Table 4. Annual Income of Borrower	By Number %	By Dollar %	% Families in Assessment Area
Low	5.26%	6.35%	17.56%
Moderate	31.58%	25.67%	19.75%
Middle	47.37%	45.81%	27.48%
Upper	15.79%	22.17%	35.20%

Lending to small business is good compared to the demographic information. The bank originated 81% by number and 73% by dollar of loans in our sample to businesses with revenues less than or equal to \$1 million per year. This compares with a small business demographic of 91%. Table 5 below shows loan distribution to businesses based on annual revenues.

Table 5. Revenue Size of Business	By Number %	By Dollar %	% of Businesses in Assessment Area
< \$100 Thousand	31.25%	22.42%	90.83% Revenue < \$1 Mil.
\$100 - \$250 Thousand	18.75%	14.62%	
\$250 - \$500 Thousand	12.50%	28.67%	
\$500 Thousand - \$1 Million	18.75%	6.88%	
\$1 - \$5 Million	18.75%	27.40%	9.17% Revenue > \$1Mil.

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The banking environment in the assessment area is very competitive. A total of 13 banks and savings associations have offices in the assessment area. Four of these institutions have offices in moderate-income geographies in the assessment area. FNBB is located within a moderate-income geography. An analysis of the bank's lending within all geographies of the assessment area was performed. There were no conspicuous gaps or areas of low penetration identified.

Geographic distribution of home mortgage refinance loans that were within the assessment area is outstanding. The percentage of loans the bank made to borrowers in the moderate-income areas of the assessment area significantly exceeds the area demographics. From a sample of 20 loans made within the assessment area we determined that 65% by number and 81% by dollar were made to borrowers located in moderate-income geographies of the assessment area. 19% of the owner-occupied housing in the assessment area is located in moderate-income

geographies. Table 6 below shows the geographic distribution of home mortgage refinance loans within the assessment area.

Table 6. Real Estate Loans Geographic Distribution	By Number %	By Dollar %	% Owner Occupied Housing in Assessment Area
Low	0.00%	0.00%	0.00%
Moderate	65.00%	81.49%	18.85%
Middle	30.00%	16.13%	71.44%
Upper	5.00%	2.38%	9.70%

Geographic distribution of loans to businesses within the assessment area is outstanding. From a sample of 20 loans made within the assessment area we determined that 75% by number and 73% by dollar, were made in moderate-income geographies. Demographic information indicates that 17% of businesses in the assessment area are located within moderate-income geographies. Table 7 below shows the geographic distribution of business loans within the assessment area.

Table 7. Business Loans Geographic Distribution	By Number %	By Dollar %	% of Businesses in Assessment Area
Low	0.00%	0.00%	0.00%
Moderate	75.00%	73.33%	17.07%
Middle	15.00%	17.82%	72.73%
Upper	10.00%	8.85%	10.19%

Responses to Complaints

There have been no CRA related complaints against the bank.

Fair Lending Review

An analysis of 2000 HMDA data, public comments, and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the 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 examination was performed in 1996.