



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 9, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Eagle River
Charter Number 12124

400 East Wall Street
Eagle River, WI 54521

Office of the Comptroller of the Currency
Iron Mountain Field Office
1302 1/2 South Carpenter Avenue
P.O. Box 666
Iron Mountain, MI 49801

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.

Major factors supporting this rating include:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of the Assessment Area (AA).
- A substantial majority of the bank's loans are originated inside the assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout its AA.

SCOPE OF EXAMINATION

We evaluated The First National Bank of Eagle River's Community Reinvestment Act (CRA) performance under the Small Bank Lending Tests. Data from the bank's primary loan products, home mortgage loans and business loans, were used to evaluate the bank's lending performance.

The evaluation period covered the date from the previous CRA examination, December 19, 2002 through March 9, 2009. The Lending Test evaluated home mortgage loans and business loans originated or purchased between January 1, 2007 and March 2, 2009. A random sample of loans within the bank's assessment area (AA) for each primary loan product was taken. The most recent demographic data available was also obtained.

DESCRIPTION OF INSTITUTION

The First National Bank of Eagle River (FNB Eagle River) is a \$162 million bank with its main office located in Eagle River, Wisconsin, a middle-income census tract (CT). The institution is wholly-owned by Ellis Bankshares, Inc., a one-bank holding company also located in Eagle River, Wisconsin. The bank operates three additional full-service branches in St. Germain, Phelps, and Three Lakes. The St. Germain and Three Lakes branches are located in middle-income CTs. The Phelps branch is located in a moderate-income CT. Additionally, FNB Eagle River operates four automated teller machines (ATMs) with one deposit taking ATM located at the main office. No branches have been opened or closed since the previous evaluation.

The bank offers a variety of traditional products and services including business, real estate, and consumer purpose loans and various deposit and investment products. The bank's business strategy is to serve the credit and depository needs of its local communities. As of December 31, 2008, the loan portfolio represented 68% of total assets. FNB Eagle River's primary loan products are business loans and home mortgages. By dollar volume, the loan portfolio consists of commercial loans (26%), residential real estate (67%), construction (3%), consumer loans (3%), and other loans (1%). There are no legal or financial impediments limiting the bank's ability to meet the credit needs of its AA.

FNB Eagle River's last CRA evaluation was on December 19, 2002, using Small Bank procedures. The bank received a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

FNB Eagle River has one AA located entirely in Wisconsin. The AA does not lie within a Metropolitan Statistical Area (MSA). The AA includes all of Vilas County, the northern portion of Forest County, the eastern portion of Iron County, and the northern portion of Oneida County. The bank's AA has a total of 11 census tracts. This includes zero low-, two moderate-, nine middle-, and zero upper-income CTs. The AA complies with regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The AA has a population of 40,808 and a median family income (MFI) of \$41,932 based on 2000 U.S. Census data. Updated Department of Housing and Urban Development (HUD) estimates MFI at \$56,200 in 2008. There are 12,173 families in the AA. According to Census data, 21% of families are low-income (2,535 families), 22% are moderate-income (2,705 families), 25% are middle-income (3,064 families), and 32% are upper-income (3,869 families). Eight percent of area households have incomes that fall below the poverty level. The area also has a high percentage (23%) of households that are retired.

Overall, the local and state economy is characterized as stable with some declining sectors. The local economy is heavily dependent on tourism, both in the winter and summer months. In general, local housing has not experienced the large swing in real estate value in comparison to nationwide trends. The major employers in the area include the Lac Du Flambeau Reservation, Vilas County government, Northland Pine Schools, and Eagle River Hospital. Local unemployment rates in each county are higher than the state average of 4.7% in 2008.

Competition in the area is strong. The bank's main competitors include M&I, River Valley Bank, and Mid-Wisconsin Bank. As of June 30, 2008, FNB Eagle River had a deposit market share of 8.74% ranking fourth out of all FDIC insured institutions. The balance of the market share is divided among eleven institutions with market shares ranging from 26.21% down to 1.46%.

In assessing the bank's CRA performance, we contacted representatives of two local nonprofit community development corporations to determine the community's profile and the performance of local financial institutions. In the representatives' opinions, the community's credit needs are being met.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB Eagle River's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The average quarterly loan-to-deposit ratio for the bank since the last examination is 82%, which ranks first in their peer group of three similarly situated banks. FNB Eagle River has the largest average assets of these banks at \$162 million.

The other banks had average assets of \$58 million and \$136 million. The average loan-to-deposit ratio for the similarly situated banks was 70% and 79%, over the same time period.

Lending in Assessment Area

The bank originates a substantial majority of its loans to borrowers within its AA. A random sample of the bank's primary loan products shows 92% by number and 95% by dollar volume of loans were originated within the AA.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	28	93%	2	7%	30	\$3,196	97%	\$107	3%	\$3,303
Business	27	90%	3	10%	30	\$9,619	95%	\$521	5%	\$10,140
Totals	55	92%	5	8%	60	\$12,815	95%	\$628	5%	\$13,443

Source: Bank records (verified by examiners)

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

The overall distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

The borrower distribution of home mortgage loans within the AA is adequate. Although the bank's percentage of loans to low-income borrowers is less than the percentage of low-income families in the area, consideration is given to the percentage of households living below the poverty level (8%) who may not qualify for mortgage loans. The bank's lending to moderate-income borrowers is slightly above the census demographics.

Borrower Distribution of Home Mortgage Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Home Mortgages	% 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
	21%	4%	22%	25%	25%	28%	32%	36%

Source: Sample of 28 bank records (verified by examiners) and U.S. Census Demographic Data. Income information was not readily available for 2 (7%) of the files.

The distribution of business loans within the AA is reasonable. As the following table shows, the number of loans originated to businesses with revenues under \$1 million is comparable to the demographic data.

Borrower Distribution of Loans to Businesses

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown
% of AA Businesses	62%	3%	35%
% of Bank Loans in AA by #	67%	22%	11%
% of Bank Loans in AA by \$	58%	35%	7%

Source: Sample of 27 bank records (verified by examiners) and Dun & Bradstreet Business Demographic Data

Geographic Distribution of Loans

The overall geographic distribution of loans reflects reasonable dispersion throughout the AA.

The geographic distribution of home mortgage loans in the moderate-income CTs is good. According to Census data, 18% of the AA's total owner-occupied housing units are located in moderate-income CTs. The bank originated 29% of its home mortgages to borrowers in these areas. This higher percentage may be attributed to the location of the Phelps branch in a moderate-income census tract.

Geographic Distribution of Home Mortgage Loans in the AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Home Mortgage	% 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
	0%	0%	18%	29%	82%	71%	0%	0%

Source: Sample of 28 bank records (verified by examiners) and U.S. Census Demographic Data

The geographic distribution of business loans in the moderate-income CTs is reasonable. The number of loans originated to businesses located in moderate-income CTs is comparable to the demographic data.

Geographic Distribution of Loans to Businesses in the AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans						
Business	0%	0%	18%	19%	82%	81%	0%	0%

Source: Sample of 27 bank records (verified by examiners) and Dun & Bradstreet Business Demographic Data

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 OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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