



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 13, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Tri City National Bank
Charter Number 15738**

**6400 South 27th Street
Oak Creek, WI 53154**

**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.

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

The Lending Test is rated: Outstanding.

The Community Development Test is rated: Satisfactory.

Major factors supporting this rating include:

- The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A substantial majority of loan originations are made within the bank's assessment area.
- The distribution of loans reflects 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 community development performance through retail services, community development loans, qualified investments, and community development services demonstrates satisfactory responsiveness to community development needs in its assessment area.

SCOPE OF EXAMINATION

We evaluated Tri City National Bank's (TCNB) Community Reinvestment Act (CRA) performance under the Intermediate Small Bank Lending and Community Development Tests. In evaluating the bank's lending performance we reviewed lending data for the bank's primary loan products, home mortgage loans (including both purchase and refinance loans) and small business loans.

The evaluation covers the period from the date of the previous CRA Examination, February 11, 2002 through December 31, 2005. The Lending Test evaluated home mortgage and small business lending from January 1, 2004 through December 31, 2005 and 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) and small business lending data for 2004 and 2005. We found the data to be substantially accurate and therefore used all reported HMDA and small business lending data for both years in the evaluation. The demographic analysis for the Lending Test was performed using the most recent available demographic data.

Our analysis included a full-scope evaluation of the Milwaukee-Waukesha-West Allis Metropolitan Statistical Area (MSA). A limited scope review was performed for the Racine MSA. The bank only has one branch and one ATM in the Racine MSA and less than three percent of the bank's total deposits and twelve percent of the bank's loans originated during this evaluation period were in this MSA.

The analysis for the Lending Test was performed using the most recent available demographic

data. Conclusions were based on small loans to businesses and home mortgage loans in Milwaukee-Waukesha-West Allis MSA. Equal weight was given to small loans to businesses and home mortgage loans. The loan categories were relatively balanced during the evaluation period.

We reviewed the bank's community development loans, investments, and services based on information provided by the bank. We only took into account those that met the regulatory definition for community development in our analysis of the Community Development Test.

DESCRIPTION OF INSTITUTION

Tri City National Bank (TCNB) is a \$743 million financial institution headquartered in Oak Creek, Wisconsin. TCNB is an intrastate bank with 35 offices and 33 automated teller machines (ATMs), with 16 being deposit-taking. Offices and ATMs are located throughout the assessment area (AA) in southeastern Wisconsin including 11 offices in moderate- or low-income census tracts. Sixteen of the offices are traditional full-service branches, one is a drive-up only near a traditional branch, and eighteen are convenience centers located in supermarkets. In addition, the bank is opening another convenience center location in the spring of 2006. The larger communities the bank serves include Milwaukee, Racine, Waukesha, West Allis, Wauwatosa, Brookfield, New Berlin, Greenfield, Menomonee Falls, Franklin, Oak Creek, and South Milwaukee.

TCNB is a wholly owned subsidiary of Tri City Bankshares, Incorporated, a one-bank holding company located in Oak Creek, WI with total assets of \$744 million at December 31, 2005. The bank has two subsidiaries, Title Service of Southeast WI and Tri City Capital Corporation, neither has a significant impact on TCNB's capacity to meet community credit needs and therefore were not considered in this CRA evaluation.

Net loans represent 69% of total assets at December 31, 2005. The majority of the loan portfolio is real estate secured. By dollar volume, the loan portfolio consists of commercial loans (44%), 1-4 family residential loans (41%), construction and land development loans (12%), and consumer loans (3%). Tier 1 Capital totaled \$94 million at December 31, 2005.

TCNB's historical business strategy was to operate in smaller communities on the perimeter of the city of Milwaukee. In 1990, Tri City Bankshares, Incorporated merged the then six existing community banks into one, TCNB, resulting in an expanded AA. Instead of several smaller AA's around the six individual institutions, the bank combined the separate AA's into one large AA. This resulted in a greater number of geographies further away from bank offices. This new, larger AA includes all of the City of Milwaukee, where several large regional banks with greater resources are located. Small business lending is the bank's market niche. Home mortgage lending is also a primary focus of the bank. The bank is not active in agricultural lending with less than 1% of its loan portfolio comprised of agricultural loans. There are no legal or financial factors impeding the bank's ability to help meet the credit needs in its assessment areas. TCNB received a "Satisfactory" rating at its prior CRA examination dated February 11, 2002 under the Large Bank performance test.

DESCRIPTION OF TCNB'S ASSESSMENT AREAS

TCNB's AA includes all of the Milwaukee-Waukesha-West Allis MSA and Racine MSA located in the southeastern portion of Wisconsin. The Milwaukee-Waukesha-West Allis MSA consists of Milwaukee, Ozaukee, Washington, and Waukesha Counties. The Racine MSA consists solely of Racine County. The AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

Based on 2000 census data using 2004 demographics, the Milwaukee-Waukesha-West Allis MSA includes 416 census tracts. Within the MSA, there are 79 tracts (19.0%) designated as low-income, 83 (19.9%) designated as moderate-income, 160 (38.5%) designated as middle-income, 91 (21.9%) designated as upper-income, and 3 (0.7%) with no income designation.

The 2000 weighted-average median-family income for the Milwaukee-Waukesha-West Allis MSA is \$58,726. This is slightly below the 2004 weighted average of HUD updated MSA median-family income of \$63,200. Owner-occupied housing represents 60% of housing stock within this MSA. There are 56,254 or 10% of households below the poverty level in this MSA. The area economy is stable and centered in several major industries including professional & technical services, food services & drinking places, health services, specialty trade contractors, administrative & support services, and merchant wholesalers. US Department of Labor statistics show the following county unemployment rates (not seasonally adjusted) as of December 2005: Milwaukee 5.2%, Waukesha 3.5%, Ozaukee 3.3%, and Washington 4.0%.

Bank competition is strong with 63 FDIC-insured institutions with offices in the MSA. The competition includes offices of large national and regional banking companies as well as smaller locally owned financial institutions. Two large banks dominate deposit market share in this MSA with 28% and 24%, respectively. No other institution has more than 7% and TCNB ranks twelfth with 1.4% of the deposit market share. In addition, there are 54 credit unions in the MSA that are not included in the market share information.

Based on 2000 census data using 2004 demographics, the Racine MSA includes 39 census tracts. Within the MSA, there are 3 tracts (7.7%) designated as low-income, 5 (12.8%) designated as moderate-income, 26 (66.7%) designated as middle-income, and 5 (12.8%) designated as upper-income.

The 2000 weighted-average median-family income for the Racine MSA is \$57,139. This is slightly below the 2004 weighted average of HUD updated MSA median-family income of \$62,800. Owner-occupied housing represents 70% of housing stock within this MSA. There are 5,366 or 8% of households below the poverty level in this MSA. US Department of Labor statistics show an unemployment rate (not seasonally adjusted) of 5.6% for Racine County as of December 2005.

Bank competition is also strong in the Racine MSA with 19 FDIC-insured institutions with offices in the MSA. The competition includes offices of large national and regional banking companies as well as smaller locally owned financial institutions. Two large banks dominate deposit market share in this MSA with 30% and 12%, respectively. No other institution has more than 8% and TCNB ranks sixteenth with 0.5% of the deposit market share. In addition,

there are 9 credit unions in the MSA that are not included in the market share information.

We contacted a person who works for the Milwaukee branch of a national organization whose main purpose is to provide support for community development projects. The contact stated institutions in the area are doing a good job in general. The contact mentioned two obstacles prohibiting financial institutions from more involvement, the limited number of non-profit organizations in the area and the overall lack of awareness of what opportunities are available. He noted a growing need for affordable housing and a deficit of conventional lending institutions and consumer banking literacy in several areas of Milwaukee. Many residents don't have access to bank facilities or are not aware they have options outside of the check casher type businesses in the area. He also mentioned that although the institutions in the area have done a much better job recently they could improve in the area of higher risk capital or equity type investments and lending for small businesses.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Lending Test

The bank's performance under the Lending Test is outstanding.

Loan-to-Deposit Ratio

The average quarterly loan-to-deposit ratio from January 1, 2002 through September 30, 2005 of 76.44% is reasonable given the bank's size, financial condition, and AA credit needs. TCNB ranked seventh of the similarly situated banks which are defined as national or state chartered banks and savings banks with total assets between \$475 and \$700 million with branches located within TCNB's AA.

Additionally, the bank originates home mortgage loans that are immediately sold on the secondary market but retains the servicing of these loans. The current outstanding balance of these loans is \$188 million. These loans are not used in the loan-to-deposit calculation.

Institution	Average Assets (Sep 30, 2005)	Average loan-to-deposit ratio (1Q02 - 3Q05)
Great MidWest Bank, Brookfield, WI	\$486,275	118.48%
First Banking Center, Burlington, WI	\$604,148	99.41%
The Equitable Bank, Wauwatosa, WI	\$508,354	93.58%
Park Bank, Milwaukee, WI	\$665,667	91.74%
Ozaukee Bank, Cedarburg, WI	\$626,800	85.39%
Waukesha State Bank, Waukesha, WI	\$616,492	76.79%
Tri City National Bank, Milwaukee, WI	\$695,243	76.44%
Citizens Bank of Mukwonago, Mukwonago, WI	\$478,066	73.78%

Lending in Assessment Area

The level of lending in the AA is outstanding. Based on all home mortgage loans and small

loans to businesses originated between January 1, 2004 and December 31, 2005, a substantial majority of loans, 94.33% by number and 91.78% by dollar amount, were made within TCNB's AA.

Total Loans Reviewed								
	In Assessment Area				Out of Assessment Area			
Loan Type	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential	1,315	93.39%	153,229	93.70%	93	6.61%	10,311	6.30%
Small Business	2,312	94.87%	285,158	90.79%	125	5.13%	28,943	9.21%
Total	3,627	94.33%	438,387	91.78%	218	5.67%	39,254	8.22%

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

The distribution of loans reflects excellent penetration among individuals of different income levels and businesses of different sizes.

As shown in the following table, TCNB's distribution of lending to low-income borrowers is excellent for home mortgage loans, especially considering the household poverty level in the AA of 10%. Distribution of lending to moderate-income borrowers is also excellent. In both cases the percentage of loans made by the bank is greater than the demographic comparator of families in each category. As noted below, the bank originated several loans for which income information was not used and therefore not reported (N/A in table).

Home Mortgage Loans					
Borrower Income Level	Low	Moderate	Middle	Upper	N/A
% of AA Families	9.61	15.01	43.33	32.05	N/A
% Residential loans by bank	12.90	19.95	22.36	31.47	13.32

The distribution of business loans is satisfactory. The percentage of business loans made by TCNB to small businesses (those with revenues of \$1 million or less) mirrors the business revenue demographic comparator in the AA.

Business Loans			
Business Revenues	< or = \$1 million	> \$1 million	Not Reported
% of AA Businesses	63.58	9.14	27.28
% small loans to businesses by bank	64.50	10.96	24.54

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent dispersion throughout the AA. There are 79 (18.99%) low-income census tracts and 83 (19.95%) moderate-income census tracts in the bank's AA.

The bank's geographic distribution of home mortgage loans is excellent for both low- and moderate-income tracts compared to the demographic data. The bank originated home mortgage loans at a rate greater than the percentages of owner-occupied residences within the low- and

moderate-income census tracts.

Residential Real Estate Loans					
Census Tract Income Level	Low	Moderate	Middle	Upper	N/A
% of AA Owner Occupied	4.46	12.07	46.58	36.89	0.00
% Residential loans by bank	5.64	13.32	46.87	34.18	0.00

TCNB's geographic distribution of loans to businesses is good. The percentage of small loans to businesses located in low-income geographies is only slightly less than the percentage of businesses located in those tracts. The percentage of small loans to businesses located in moderate-income geographies is greater than the percentage of businesses located in those tracts.

Business Loans					
Census Tract Income Level	Low	Moderate	Middle	Upper	N/A
% of AA Businesses	7.24	12.44	43.50	36.18	0.64
% small loans to businesses by bank	6.62	14.62	43.87	34.59	0.30

Community Development Test

The bank's performance under the Community Development Test is satisfactory.

Community Development Loans

TCNB originated seven community development loans totaling \$5.2 million. Three loans were to organizations whose purpose is to provide housing related community services and provide funding for rehabilitation of homes owned by low- or moderate-income persons. One loan was to a local community to revitalize their business district. The other three loans funded multi-family affordable housing projects. All seven of these loans relate to projects within the Milwaukee-Waukesha-West Allis MSA portion of the bank's AA and address the communities' needs. The bank also has three community development loans totaling \$518,000 in the Racine MSA.

Qualified Investments

During the evaluation period, the bank's qualified investments in the Milwaukee-Waukesha-West Allis MSA portion of the bank's AA included the purchase of 2 CDs totaling \$300,000 from minority owned financial institutions and 58 donations to 23 organizations totaling \$140,639. In addition, the bank has one qualified investment totaling \$50,000 and 2 donations to 1 organization totaling \$4,000 in the Racine MSA. All funds are specifically targeted to benefit low- or moderate-income (LMI) persons or support organizations whose major purpose is revitalizing low- and moderate-income census tracts within the AA.

Community Development Services

31% of TCNB's 35 branches are located in low- or moderate-income census tracts. This compares favorably to the 37% of low- and moderate-income census tracts in the AA. In addition to their full-service branch and ATM locations, TCNB also offers internet banking and telephone banking for added availability to the bank's products.

TCNB offers a full range of consumer and commercial banking products and services at all of its branches. The bank participates in the 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. The bank does not offer any loan products specifically targeted to low- or moderate-income individuals, but does offer a completely free checking account to all customers.

Through its employees, TCNB is also involved in a variety of community development services. Many of the bank's employees are involved with non-profit organizations that provide services for LMI individuals. Most notably, an assistant vice president of the bank is a member of the loan committee of Neighborhood Housing Services of Milwaukee, Inc. whose purpose is to provide homebuyer education, assist LMI individuals in locating financing, and provide funding for home improvements in low- and moderate-income census tracts. A vice president of the bank is vice president of a local chamber of commerce which acts as an intermediary that promotes and supports small business development. The chamber acts as a conduit for entrepreneurs to obtain Small Business Administration funding and obtain business development grants from the City of Milwaukee's Community Development Block Grant Fund. TCNB has also entered into a contract with the City of West Allis to provide loan-processing services for the City of West Allis Low Housing Loan Program. These loans are to assist LMI residents in the purchase or renovation of single and multi-family housing.

Responses to Complaints

The bank has not received any complaints regarding its CRA performance since the last examination.

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.