



## **PUBLIC DISCLOSURE**

May 19, 2014

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

Union National Bank & Trust Company  
Charter Number 11463

124 West Oak Street  
Sparta, WI 54656

Office of the Comptroller of the Currency

Campbell Mithun Tower  
222 South Ninth Street  
Suite 800  
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 bank’s loan to deposit ratio is reasonable and comparable to similarly situated banks.
- The bank originates a substantial majority of its loans inside its assessment area (AA).
- The bank has a reasonable penetration of loans to individuals of different income levels.
- The bank has reasonable penetration of loans to businesses of different sizes.

**SCOPE OF EXAMINATION**

We evaluated Union National Bank & Trust Company’s (UNB’s) Community Reinvestment Act (CRA) performance from January 20, 2009 to May 19, 2014 using Small Bank Procedures. We evaluated quarterly loan-to-deposit ratios to assess the bank’s performance over this timeframe. We assessed the bank’s lending performance by selecting primary products based on the number and dollar volume of loans originated between January 1, 2012 and December 31, 2013. Our analysis found that commercial and residential real estate loans are the bank’s primary products. We selected a sample of 20 loans from each primary product type in order to evaluate lending activities within the AA. The following table shows the bank’s primary products by loan originations and purchases.

<b>Loan Originations and Purchases in 2012 and 2013</b>		
<i>Loan Type</i>	<i>Volume by #</i>	<i>Volume by \$</i>
Commercial	28%	63%
Residential RE	18%	26%
Consumer	48%	4%
Ag	6%	7%

*Source: Bank loan origination report for 2012 and 2013*

**DESCRIPTION OF INSTITUTION**

UNB is a \$115 million full-service bank located in Sparta, WI. The community of Sparta is located in Monroe County, approximately 25 miles east of La Crosse, WI. The bank has one full-service branch and one auto branch. The bank does not have any deposit-taking ATMs. Both branches are located in Sparta, WI. There were no branches opened or closed during the evaluation period. UNB is 100 percent owned by Sparta Union Bancshares, a single bank holding company also located in Sparta. UNB does not have any affiliate relationships that would impact its CRA performance.

UNB offers a wide range of loan and deposit products designed to meet the credit needs of the community. The bank’s primary lending focus is on commercial and residential real estate loans. As of March 31, 2014, the loan portfolio totaled \$75 million or 65.44 percent of total assets. Commercial loans totaled approximately \$52 million (68.61 percent), residential real estate at \$12 million (15.83 percent), agriculture at \$8 million (10.13 percent), and consumer loans at \$4 million (5.43 percent).

There are no known financial or legal impediments that would affect UNB’s ability to meet the credit needs within its communities. The last CRA performance evaluation was conducted as of January 19, 2009 and resulted in a satisfactory rating.

**DESCRIPTION OF ASSESSMENT AREA(S)**

UNB’s AA consists of five contiguous census tracts (CTs) in western Monroe County. All five of the CTs are designated as middle-income. The AA includes the CTs where the bank’s two branches are located. The bank’s AA meets regulatory requirements and does not reflect discrimination. The table below shows demographic information for the Western Monroe County AA.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE Western Monroe County AA</b>	
Population	
Number of Families	6,574
Number of Households	9,829
% of Low-Income Families	19.33%
% of Moderate-Income Families	15.26%
% of Middle-Income Families	26.62%
% of Upper-Income Families	38.79%
Geographies	
Number of Census Tracts	5
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	100%
% Upper-Income Census Tracts	0%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$57,384
2013 HUD-Adjusted MFI	\$58,600
Economic Indicators	
2013 Unemployment Rate	6.5%
2010 Median Housing Value	\$129,231
% of Households Below Poverty Level	12.29%

Source: 2010 U.S. Census data with updated information when available

Unemployment rates in the AA are slightly lower than the state of Wisconsin. The unemployment rate in Monroe County in 2013 was 6.5 percent according to Bureau of Labor Statistics. The Wisconsin unemployment rate for 2013 was 6.7 percent. Major employers in the AA include the Fort McCoy military base, Northern Engraving, Century Foods, Monroe County, Sparta School District, and Franciscan Skemp Healthcare.

We contacted a local representative from the Monroe County Economic Development Commission to gain a better understanding of the local economy and opportunities for bank involvement. Our community contact indicated that the local economy continues to improve from the recession. The local housing market is good, with a low volume of vacant homes and foreclosures, and increasing construction of new homes. The local businesses provide a strong economic base to the area. The area has not had any new large businesses enter the market, but local businesses have been expanding.

Competition in the AA is moderate. There are 10 national and state chartered financial institutions with a presence in the AA. UNB ranks third in deposit market share with 13.08 percent market share.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

UNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and local credit needs. The bank's quarterly average loan-to-deposit ratio for the 22 quarters since the prior CRA evaluation was 77.17 percent. Similarly situated banks, defined as banks with a presence in the AA with asset sizes between \$70 million and \$170 million, had loan-to-deposit ratios ranging from 68.84 percent to 115.85 percent during this same timeframe.

<b>Loan-to-deposit Ratio Institution (Headquarters)</b>	<b>Assets as of 3/31/14 (\$000s)</b>	<b>Average LTD Ratio (%)</b>
Bank of Cashton (Cashton, WI)	\$77,799	68.84%
<i>Union National Bank &amp; Trust (Sparta, WI)</i>	<i>\$114,746</i>	<i>77.17%</i>
First Bank (Tomah, WI)	\$158,426	82.16%
Citizens First Bank (Viroqua, WI)	\$164,196	84.13%
Timberwood Bank (Tomah, WI)	\$170,411	86.81%
Farmers & Merchants Bank of Kendall (Kendall, WI)	\$72,893	115.85%

Source: Call Report data as of March 31, 2014.

**Lending in Assessment Area**

The bank originated a substantial majority of its loans inside its AA. Based on a sample of primary product loan types, UNB originated 85.00 percent of loans by number and 80.11 percent by dollar volume within their AA. The following table shows loans originated inside and outside UNB’s AA by number and dollar volume.

<b>Lending in (Western Monroe County AA)</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	17	85.00%	3	15.00%	20	\$2,264	78.02%	\$638	21.98%	\$2,902
Commercial	17	85.00%	3	15.00%	20	\$3,420	81.57%	\$773	18.43%	\$4,193
Totals	34	85.00%	6	15.00%	40	\$5,684	80.11%	\$1,411	19.89%	\$7,095

Source: Home mortgage and commercial loan samples.

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

**Borrower Distribution of Residential Real Estate Loans**

The distribution of loans reflects reasonable penetration among persons of different income levels given the demographics of the AA. The bank’s lending to low- and moderate-income individuals is comparable to the percentage of low- and moderate-income families in the AA. The bank’s performance in lending to low-income individuals was below the demographic comparator. However we noted that this is reasonable given that 9.08 percent of families in the AA are below poverty level and less likely to be seeking residential real estate loans. The table below shows the bank’s lending performance compared to the demographics of the AA.

<b>Borrower Distribution of Residential Real Estate Loans in the Western Monroe County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Res RE	19.33%	10.00%	15.26%	15.00%	26.62%	40.00%	38.79%	35.00%

Source: Loan sample; 2010 US Census Data

**Borrower Distribution of Commercial Loans**

UNB has reasonable penetration of lending to businesses of different sizes. The number of loans to small businesses, defined as businesses with revenues less than \$1

million, was comparable to the percentage of small businesses in the AA. The percentage of loans to small businesses by dollar volume was lower than the demographic comparable due to the sample containing one large-dollar loan to a business with revenue greater than \$1 million. The following table shows the bank's lending performance as compared to the AA demographics.

<b>Borrower Distribution of Loans to Businesses in the Western Monroe County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	73.00%	3.90%	23.10%	100%
% of Bank Loans in AA by #	70.00%	15.00%	15.00%	100%
% of Bank Loans in AA by \$	40.08%	54.76%	5.17%	100%

*Source: Loan sample; 2013 Dunn and Bradstreet Data*

### **Geographic Distribution of Loans**

The geographic distribution of loans does not provide a meaningful analysis as the bank's AA has no low- or moderate- income CT's.

### **Responses to Complaints**

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

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

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's (bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance.

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