



## PUBLIC DISCLOSURE

June 05, 2014

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Berlin  
Charter Number 4620

140 West Huron Street  
Berlin, WI 54923

Office of the Comptroller of the Currency

Chicago Field Office  
1700 East Golf Road  
Suite 800  
Schaumburg, IL 60173

**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: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The major factors that support the institutions rating include:

- First National Bank of Berlin, N.A.'s (FNBB) distribution of loans represents a reasonable penetration among individuals of difference income levels and businesses of different sizes.
- A significant majority of the loans originated or purchased are within the assessment area (AA) and FNBB's loan-to-deposit ratio is reasonable.
- Geographic distribution of loans within the AA is reasonable.
- FNBB shows adequate responsiveness in meeting the community development (CD) needs of the AA.

## **Scope of Examination**

FNBB was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a CD test, to assess compliance with the Community Reinvestment Act (CRA). The lending test evaluates FNBB's record of meeting the credit needs of its AAs through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and CD services.

FNB Berlin has five AAs all within the state of Wisconsin. The AAs include the Fond du Lac MSA, Brown County in the Green Bay MSA, Oshkosh-Neenah MSA, Columbia and Dane Counties in the Madison MSA. In addition, the bank has delineated non-MSA areas as AAs, which are combined for analysis purposes in this evaluation.

The evaluation period for the lending test, excluding community development loans, was January 1, 2012 through December 31, 2013. Products reviewed in the lending test included commercial small business loans and home mortgages that originated during the years 2012 through 2013. We used the bank's Home Mortgage Disclosure Act (HMDA) loan types for reviewing residential real estate lending. The loan data was captured in bank reports that were validated during our examination. Errors noted during this data integrity review were readily corrected by the bank. All data used within

this evaluation was verified as being accurate and qualified per CRA requirements. The evaluation period for CD activities was January 26, 2009 through December 31, 2013. Donations made from January 26, 2009 through December 31, 2013 were considered. FNBB did not become a small intermediate bank until January 2014.

We used annual deposit information, reported to the Federal Deposit Insurance Corporation, to determine the bank's deposit market share and market presence within its AA. The most recent FDIC deposit market share data dated June 30, 2013.

## Description of Institution

FNBB is an intrastate financial institution headquartered in Berlin, Wisconsin, approximately 90 miles northwest of Milwaukee, Wisconsin. FNBB is 100% owned by First Berlin Bancorp, Incorporated, a one-bank holding company also located in Berlin, Wisconsin. The bank has experienced significant growth since our previous evaluation. As of March 31, 2014, FNBB had total assets of \$344 million and is now considered an Intermediate Small Bank for CRA evaluation purposes. Net loans comprised \$230 million, or 67 percent, of the bank's total assets. FNBB's loan portfolio is broken down in Table 1 below:

<b>Table 1 – Loans By Category</b>	<b>\$ (000s)</b>	<b>Percent</b>
Residential Mortgages	78,679	33.87
Commercial (including commercial RE and non-residential construction loans)	143,745	61.88
Agricultural (including farmland loans)	3,668	1.58
Consumer Loans	6,153	2.65
Other Loans	62	0.03
<b>Total Gross Loans</b>	<b>232,307</b>	<b>100.00</b>

Management's primary lending focus has shifted from residential mortgage loans to commercial real estate; however, the bank still maintains a large residential mortgage portfolio (33.87 percent of gross loans). The bank sells the vast majority of the residential mortgage loans originated through the Mortgage Partnership Finance (MPF) program at the Chicago Home Loan Bank. The bank only retains mortgage loans that do not meet the underwriting requirements of MPF.

In addition to the main branch in Berlin, FNBB operates seven other branches located throughout its delineated AA, an investment services office in Berlin and a loan production office in Green Bay/Fox Cities, Wisconsin. The seven other branches are located in the towns of Green Lake, Montello, Omro, Poy Sippi, Waunakee, Westfield and Winnecome. The other branches have similar hours and services as the main branch. The bank has eight ATM's, one located at each of the eight branches. The ATM's at Poy Sippi and Green Lake are now deposit taking ATMs.

The bank does not have any legal impediments that hinder their ability to meet the needs of its AAs. The bank received a “Satisfactory” rating at its last CRA evaluation dated January 26, 2009.

## **Description of Assessment Areas**

The bank’s non-MSA AA, which represents the majority of the bank’s deposit and lending activity, was selected for a full-scope review. Our evaluations of the bank’s CRA performance for the remaining AAs received limited-scope reviews. The AAs comply with regulatory requirements and do not arbitrarily exclude any low- or moderate- income geographies.

Competition from other financial institutions is strong throughout the AAs. In total deposits, FNBB, with a market share of 1.10%, ranks 16th of all FDIC insured institutions in their combined AA. This is using FDIC market share data dated June 30, 2013. The balance of the AA’s deposit market share is divided among 86 other institutions. The market share for these institutions ranges from 14.90% down to 0.06%.

### ***Full-Scope AA: Non-MSA AA***

According to 2010 census data, the total population of the bank’s non-MSA AA was 72,800, which is comprised of 20,754 families. Income levels for these families were as follows: 4,307 low-income families (21 percent), 4,373 moderate-income families (21 percent), 5,170 middle-income families (25 percent), and 6,904 upper-income families (33 percent).

Of the low-income families, 1,739 (40.4 percent) were below the poverty level. The 2010 U.S. Census estimated median family income (MFI) is \$52,446 for the AA. The 2013 updated FFEIC estimated MFI was \$58,600 for the AA. The unemployment rate as of December 2010 for this area was 4.6 percent.

The bank’s non-MSA AA has three moderate-income census tracts. Two are located in the southeast portion of Adams County and one in the northwest portion of Waushara County. The bank has five branches in this assessment area.

In conducting this evaluation of the bank’s performance, we contacted one CD service organization to inquire about the economic conditions and credit needs within the AA. The contact stated that the local economy is mixed with some sectors improving while others continue to struggle in light of the recent recession. Overall, retail consumer credit and small business credit needs exist in the AA while banks are tightening credit standards.

Other demographic data for the FNBB AAs:

**Fond du Lac MSA**

According to 2010 census data, the total population of the bank's Fond du Lac MSA AA was 13,119, which comprised of 3,403 families. Income levels for these families were as follows: 590 low-income families (17 percent), 647 moderate-income families (19 percent), 955 middle-income families (28 percent), and 1,211 upper-income families (36 percent). Of the low-income families, 228 (38.6 percent) were below the poverty level. The 2000 U.S. Census estimated MFI was \$62,617 for the AA. The 2013-updated FFEIC estimated MFI was \$65,600 for the AA. The 2010 unemployment rate for this area was 4.08 percent.

There are no low- or moderate- income census tracts in this area. The bank selected census tracts in this area due to actual lending activity. The bank has no branches in this assessment area.

**Madison MSA**

According to 2010 census data, the total population of the bank's Madison MSA AA was 101,001, which comprised of 26,387 families. Income levels for these families were as follows: 3,903 low-income families (15 percent), 4,518 moderate-income families (17 percent), 6,755 middle-income families (26 percent), and 11,211 upper-income families (42 percent). Of the low-income families, 799 (20.5 percent) were below the poverty level. The 2010 U.S. Census estimated MFI was \$86,128 for the AA. The 2013-updated FFEIC estimated MFI was \$80,900 for the AA. The 2010 unemployment rate for this area was 3.11 percent.

The bank's Madison County MSA AA has two moderate- income census tracts in the northeast portion of Dane County. The bank has one branch in this assessment area.

**Oshkosh-Neenah MSA**

According to 2010 census data, the total population of the bank's Oshkosh MSA AA was 18,189, which comprised of 5,083 families. Income levels for these families were as follows: 633 low-income families (12 percent), 958 moderate-income families (19 percent), 1,330 middle-income families (26 percent), and 2,162 upper-income families (43 percent). Of the low-income families, 102 (16.1 percent) were below the poverty level. The 2010 U.S. Census estimated MFI was \$70,230 for the AA. The 2013-updated FFEIC estimated MFI was \$65,800 for the AA. The 2010 unemployment rate for this area was 3.6 percent.

There were no low- or moderate- income census tracts in this area. The bank has two branches in this assessment area.

**Green Bay MSA**

According to 2010 census data, the total population of the bank's Green Bay MSA AA was 248,007, which comprised of 63,331 families. Income levels for these families were as follows: 11,651 low-income families (18 percent), 11,308 moderate-income

families (18 percent), 14,731 middle-income families (23 percent), and 25,641 upper-income families (40 percent). Of the low-income families, 4,459 (38.3 percent) were below the poverty level. The 2010 U.S. Census estimated MFI was \$67,067 for the AA. The 2013-updated FFEIC estimated MFI was \$65,500 for the AA. The 2010 unemployment rate for this area was 4.4 percent.

There are two low- income and 12 moderate- income census tracts in this area all located in the central portion of Brown Country. The bank has no branches in this assessment area; however, they have a loan production office in the AA.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

**FNBB's performance under the Lending Test is satisfactory.** FNBB's loan to deposit ratio is reasonable and a substantial majority of loans are originated within the bank's AAs. The geographic distribution of residential mortgages and commercial loans reflect reasonable penetration throughout the AAs and the bank's borrower distribution shows reasonable penetration among borrowers of different income levels.

#### **Loan-to-Deposit Ratio**

FNBB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. As of March 31, 2014, FNBB's quarterly average loan-to-deposit ratio for the period from September 30, 2009 to March 31, 2014 was 75.05 percent. FNBB ranked 34<sup>th</sup> out of 44 institutions with assets in the range of \$56 million to \$24 billion. The quarterly average loan-to-deposit ratios for three other similarly situated financial institutions located within the AA range from 56 percent to 91 percent over the same time period.

#### **Lending in Assessment Area**

A substantial majority of the loans originated by the bank are within its AA. The analysis was conducted on 1,015 HMDA loans originated in 2012 and 2013. We also analyzed the 60 random commercial loans selected for this CRA evaluation. These commercial loans were also originated or renewed in 2012 and 2013. Using the total sample of commercial and residential mortgage loans, 81 percent by number and 78 percent by total dollar volume were originated within the bank's AA. See Table 2 below for details:

Table 2 – Lending in Assessment Area										
Loan Type	Number of Loans				Total	Dollars of Loans				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Commercial*	60	100.00	-	0.00	60	18,012	100.00	-	0.00	18,012
Home Purchase**	128	74.85	43	25.15	171	15,310	70.39	6,440	29.61	21,750
Home Refinance**	688	81.52	156	18.48	844	98,376	75.82	31,367	24.18	129,743
<b>Total HMDA</b>	816	80.39	199	19.61	1,015	113,686	75.04	37,807	24.96	151,493
<b>Totals</b>	876	81.49	199	18.51	1,075	131,698	77.70	37,807	22.30	169,505

\* Represents sample of loan selected originated from January 2012 through December 2013.

\*\* Represents loans originated between January 1, 2012 and December 31, 2013 as reported under the Home Mortgage Disclosure Act.

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

Overall, the bank's lending to borrowers of different income levels and businesses of different sizes is reasonable.

### Home Mortgage Loans

Consideration was given in our analysis to the percentage of families living below the poverty rate in reaching conclusions on the bank's borrower distribution performance to low-income borrowers. Most families living below the poverty rate cannot readily afford homeownership. Forty percent of the low-income families in the Non-MSA AA live below the poverty rate. The bank's borrower distribution of home purchase and home refinance loans to low- and moderate-income borrowers is reasonable. The bank's percentage of home purchase and home refinance loans originated or purchased to low-income borrowers is lower than the percentage of low-income families. The percentage of home purchase and home refinance loans originated or purchased to moderate-income borrowers is near to the percentage of moderate-income families in the AA. See Table 3 below for details.

Table 3 - Borrower Distribution of 2012 and 2013 HMDA Reported Loans								
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
Home Purchase	20.75	7.87	21.07	19.10	24.91	25.84	33.27	47.19
Home Refinance	20.75	4.66	21.07	15.08	24.91	23.06	33.27	57.21
<b>Total</b>	20.75	5.19	21.07	15.74	24.91	23.52	33.27	55.56

### Commercial Loans

The borrower distribution of commercial loans is reasonable. The percentage of the bank loans to businesses with revenues of less than \$1 million by number and dollar is near to the percentage of small businesses in the AA. See Table 4 below for details.

Table 4 - Borrower Distribution from Loans to Businesses				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	95.06	4.94	0.00	100%
% of Bank Loans in AA by #	85.00	15.00	0.00	100%
% of Bank Loans in AA by \$	93.84	6.16	0.00	100%

*\*\*Two loans out of the sample of 20 loans did not have reported revenues in the file. For these two loans, we used loan size as a proxy.*

### Geographic Distribution of Loans

The geographic distribution of the bank's home mortgage loans and commercial loans reflects a reasonable dispersion throughout the AA geographies. There are no low-income census tracts in the bank's Non-MSA AA. Home purchase and home refinance loans reflect poor dispersion in moderate- income tracts. The geographic distribution of small business loans is excellent in moderate- income census tracts.

### Home Mortgage Loans

The geographic distribution of home purchase and home refinance loans is poor. The percentage of bank loans originated or purchased in moderate- income census tracts is significantly below the percentage of owner occupied housing units located in the AA's moderate- income geographies. See Table 5 below for details.

Table 5 - Geographic Distribution of 2012-2013 HMDA Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase	NA	NA	14.45	2.25	81.22	83.15	4.33	14.61
Home Refinance	NA	NA	14.45	2.22	81.22	87.14	4.33	12.64
Total	NA	NA	14.45	.56	81.22	86.48	4.33	12.96

### Commercial Loans

The geographic distribution of commercial loans is excellent in moderate-income geographies during the evaluation period. The percentage of small business loans originated or purchased in moderate-income census tracts significantly exceeded the percentage of businesses located in the AA's moderate-income geographies. See Table 6 below for details.

Table 6 - Geographic Distribution of 2012-2013 Loans to Businesses								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	NA	NA	13.64	30.00	81.81	40.00	4.55	30.00

### Responses to Complaints

FNBB has not received any written complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

### Conclusions for Areas Receiving Limited-Scope Reviews:

Based on a limited-scope review, FNBB's lending test performance in the Fond du Lac MSA, Green Bay MSA, Madison MSA and Oshkosh-Neenah MSA is not inconsistent with the overall satisfactory rating for the lending test for BBT.

## **COMMUNITY DEVELOPMENT TEST**

**FNBB's performance under the CD test is Satisfactory.** Combined the bank's CD lending and CD qualified investment performance reflects an adequate level of responsiveness to the CD needs in the AA.

### **Number and Amount of Community Development Loans**

The bank's volume of CD loans in the AA reflects excellent responsiveness to the CD credit needs of the AA. During the evaluation period, the bank extended two loans for the construction/rehabilitation and permanent financing loans for affordable housing projects totaling \$2 million. The bank also extended one loan to finance redevelopment of an industrial site as part of an effort to revitalize a moderate- income geography totaling \$1.33 million. In addition, the bank extended five Small Business Administration (SBA) loans totaling approximately \$1.58 million to small businesses in the AA. These loans were either SBA 504 or 7A special lending programs that promote economic development through the creation of jobs in the AA.

### **Number and Amount of Qualified Investments**

The bank's level of qualified investments during the evaluation period reflects an adequate level of responsiveness to the known CD needs in the AA. Although the bank had no qualified community development investments during the evaluation period, donations were made to AA charitable organizations that provide CD services to low- and moderate-income persons. During the evaluation period, twenty-eight donations were made to eight local food pantries totaling \$5,576.

### **Extent to Which the Bank Provides Community Development Services**

FNBB did not document any qualified CD Services during the evaluation period. While the bank does not have any branches located in moderate- income geographies, the branch distribution in the AA is considered to be reasonably accessible to all segments of the AA. Hours and services are reasonable and do not vary between branch locations.

### **Responsiveness to Community Development Needs**

Overall FNBB CD performance reflects an adequate response to the CD needs of the AA. The bank has an excellent level of CD lending within the AA achieving a positive impact on the affordable housing and economic development needs of the community.

In addition, the bank made many donations to support local CD service organizations that provide needed services throughout the AA.

### **Conclusions for Areas Receiving Limited-Scope Reviews:**

Based on a limited-scope review, FNBB's CD test performance in the Fond du Lac MSA, Green Bay MSA, Madison MSA and Oshkosh-Neenah MSA is not inconsistent with the overall satisfactory rating for the CD test for BBT.

### **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 consider 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.