



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**March 4, 2009**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank at Darlington  
Charter Number 14184**

**245 Main Street  
Darlington, Wisconsin 53530**

**Comptroller of the Currency  
Chicago North 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.**

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## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of The First National Bank at Darlington (FNB) prepared by The Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of March 4, 2009. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

This evaluation covers the period since December 2, 2002, the date of the last CRA examination when the bank was rated "Satisfactory Record of Meeting Community Credit Needs".

## **INSTITUTION'S CRA RATING**

**INSTITUTION'S OVERALL CRA RATING:** This institution is rated: Satisfactory

The major factors that support FNB's overall rating include:

- The loan-to-deposit is reasonable.
- The level of lending within FNB's designated assessment area is reasonable.
- The distribution of loans to farms of different sizes is satisfactory. Lending to borrowers of different income levels and business of different sizes is excellent.

## DESCRIPTION OF INSTITUTION

FNB is a \$76.3 million intrastate financial institution. FNB is headquartered in Darlington, Wisconsin, approximately 70 miles southwest of Madison, Wisconsin, 40 miles northeast of Dubuque, Iowa, and 35 miles north of Galena, Illinois. FNB is a stand-alone financial institution and is not owned by a holding company.

FNB has a single location in Darlington, Wisconsin. Competition within the area includes Woodford State Bank, Gratiot State Bank, Benton State Bank, and Mound City Bank. FNB has a 20.88 percent deposit market share within its assessment area. FNB has one automated teller machine (ATM).

As of December 31, 2008, the bank reported approximately \$45 million in outstanding loans and had a net loans and leases to assets ratio of 58.79 percent. Tier 1 capital was reported at \$9.4 million. FNB is primarily an agriculture lender. Table 1 shows that the loan portfolio consists of the following:

Table 1

<b>Loan Category</b>	<b>\$(000)</b>	<b>Percent</b>
<b>Agricultural Loans</b>	\$ 18,748	40.64%
<b>Commercial Loans</b>	\$ 10,347	22.43%
<b>Residential Loans</b>	\$ 9,863	21.38%
<b>Individual Loans</b>	\$ 5,753	12.47%
<b>Other</b>	\$ 1,421	3.08%
<b>Total</b>	<b>\$46,132</b>	<b>100%</b>

There are no financial circumstances, legal constraints, or other factors that would hinder FNB's ability to meet the credit needs of the assessment area.

## DESCRIPTION OF ASSESSMENT AREA

FNB has one assessment area (AA) that is comprised of Lafayette County, 70 miles southwest of Madison, Wisconsin. There are five Block Numbering Areas (BNAs) included in Lafayette County. All five BNAs are considered middle-income geographies. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

According to the 2000 Census data, the county's population was 16,137. There are 4,387 families in the county, of which 821 are low-income (18.71 percent), 910 are moderate-income (20.74 percent), 1,182 are middle-income (26.94 percent), and 1,474 are upper-income (33.60 percent). The Department of Housing and Urban Development calculates the median family income for this area as \$56,200.

The local housing demand in the AA is moderate. The 2000 US Census data shows that there

are 6,674 housing units within the AA. Of these, 72 percent are owner-occupied units and 21 percent are rental-occupied units. The weighted average median housing value in the AA is \$81,022.

The AA's local economy's 2008 annual unemployment rate is relatively good at 4.3 percent, versus the State of Wisconsin unemployment rate of 5.8%. The 2007 annual unemployment rate of the AA was 3.6 percent, versus the State of Wisconsin unemployment rate of 4.6 percent. The local economy is dependent on agriculture and services. The largest employers in the AA include: Dick's Supermarket, Shullsburg Creamery II LLC, and Lafayette County. The majority of the businesses in the AA are small businesses. Approximately 68 percent of the businesses have less than 50 employees and 57 percent of the businesses have only one to four employees.

Competition among financial institutions within the AA is strong. As of June 30, 2008, FNB is the market leader with a deposit market share of 20.88 percent. Competitors include Woodford State Bank with 18.62 percent of the market, Citizens Bank with 10.16 percent of the market, and Benton State Bank with 10.07 percent of the market.

During our examination, we conducted one community contact interview relating to this AA. We contacted a local businessperson. The contact indicated the major credit need was housing. The contact indicated the performance of the local financial institutions has been excellent. The local financial institutions play an active role in the community.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

The bank's average loan-to-deposit ratio is satisfactory given the bank's size, financial condition, and AA credit needs. FNB's quarterly average loan-to-deposit ratio for the period from December 31, 2002 to December 31, 2008 was 65.55 percent. The most recent loan-to-deposit ratio (December 2008) is 65.68 percent. Banks of similar size in the AA range from 46.52 percent to 91.81 percent. FNB is fourth out of five when compared to the banks of similar size in the AA.

### **Lending in Assessment Area**

FNB's lending within the AA is satisfactory. We sampled 60 loans originated between 2006 and 2009. Twenty loans from each major product line, residential, commercial, and agriculture were randomly sampled. Based on the review, a substantial majority, 78 percent of the number of loans and 87 percent of the dollar amount of FNB's loans are inside the AA. Please refer to Table 2.

Table 2

<b>Lending in Lafayette County</b>
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Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$ (000)	%	\$	%	
Residential	17	85%	3	15%	20	1,549	89%	194	11%	1,743
Commercial	14	70%	6	30%	20	1,895	84%	350	16%	2,245
Agriculture	16	80%	4	20%	20	1,114	88%	150	12%	1,264
Total	47	78%	13	22%	60	4,558	87%	694	13%	5,252

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

The bank's overall lending to borrowers of different income levels and businesses of different sizes is reasonable.

FNB's lending to small farms is reasonable. During our examination, we sampled 14 agricultural loans (with gross revenues available) in the bank's AA that were originated between 2006 and 2009. 85.71 percent of agriculture loans were made to small farms. The 2008 Business Demographic Data shows 99.38 percent of farms in the AA are defined as small farms.

Lending to businesses of different sizes is excellent. During our examination, we sampled 14 commercial loans (with gross revenues available) in the bank's AA that were originated between 2006 and 2009. 94.12 percent of commercial loans were made to businesses with revenues of less than \$1 million. The 2001 Business Demographic Data shows 49.03 percent of businesses in the AA are defined as small business.

Residential real estate lending to borrowers of different income levels is reasonable. Table 3 below reflects our sample of residential mortgage loans originated between 2006 and 2009. The table illustrates that 15 percent of the number and 13.55 percent of the dollar amount of loans were made to low-income borrowers as compared to 18.71% of low-income families. The percentage of the bank's loans to low-income borrowers is less than the overall percentage of low-income families in the AA. However, we gave consideration to the high poverty level (9.25 percent) within the AA and the impact this has on the ability to afford a home. Lending to moderate-income borrowers is reasonable. Table 3 below illustrates that 25 percent of the number and 11.21 percent of the dollar amount of loans were made to moderate-income borrowers. 20.74 percent of families in the AA are moderate-income.

Table 3

Borrower Distribution of Residential Real Estate Loans in Lafayette County
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Borrower Characteristics by Income	Number of Loans	Percent of Total	\$ (000) of Loans	Percent of Total	Percent of Families by Income
Low-Income	3	15%	\$238	13.55%	18.71%
Moderate-Income	5	25%	\$197	11.21%	20.74%
Middle-Income	6	30%	\$383	21.8%	26.94%
Upper-Income	6	30%	\$939	53.44%	33.60%
TOTAL	20	100%	\$1,757	100%	100%

### **Geographic Distribution of Loans**

There are no low- or moderate-income census tracts in FNB's AA. Therefore, an analysis of the geographic distribution of loans was not performed, as it would not be meaningful.

### **Responses to Complaints**

First National Bank at Darlington has not received any written complaints regarding its performance in helping to meet the credit needs within its assessment area during the evaluation period.

### **Fair Lending Review**

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