



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

## **PUBLIC DISCLOSURE**

**January 26, 2009**

### **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  
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 loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the Assessment Areas (AAs).
- The bank originates a substantial majority of loans inside its 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 the AAs.

**SCOPE OF EXAMINATION**

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

The evaluation covered the period from the date of the previous CRA examination, January 1, 2004 through January 26, 2009. The Lending Test evaluated small business and home mortgage loans from January 1, 2007 to December 31, 2008. Prior to conducting this exam, the accuracy of the bank's Home Mortgage Disclosure Act (HMDA) data for 2007 and 2008 was tested. The data was found to be accurate and therefore all reported HMDA data for both years was used in evaluating home mortgage lending. To evaluate small businesses, we used both data from the bank's loan trial balance as well as random samples of business loans for each of the bank's four AAs. The most recent demographic data available was also obtained.

Our analysis included a full-scope evaluation for the bank's non-Metropolitan Statistical Area (MSA) assessment area. A limited-scope evaluation was performed for the bank's MSA assessment areas.

**DESCRIPTION OF INSTITUTION**

FNB-Berlin is a \$253 million bank with its main office located in downtown Berlin, Wisconsin, a middle-income census tract (CT). The bank's full-service branches are located in the surrounding communities of Poy Sippi, Green Lake, Montello, Westfield, Omro, Winneconne, and a new branch in Waunakee. The bank does not have any deposit-taking ATMs. The Omro branch was consolidated and a new branch in Waunakee opened since our previous performance evaluation. The bank is wholly owned by First Berlin Bancorp, Inc., a one-bank holding company also located in Berlin, Wisconsin with approximately \$255 million in total assets. All financial information is as of December 31, 2008, unless otherwise noted.

The bank offers traditional community bank products and services and has a net loan portfolio

representing 62% of total assets. The bank is primarily a commercial and residential real estate lender, with a loan portfolio that consists of (by dollar value) 53% commercial loans, 34% residential real estate loans, 4% consumer, 8% agricultural, and 1% other loans. Financial information is as of December 31, 2008.

The bank's business strategy has historically been to serve the credit and depository needs of its local community. The bank is predominantly a commercial lender and would like to maintain a growing market in the existing footprint, serving small to medium-sized businesses.

There are no financial, legal or other impediments that would hinder the bank's ability to help meet the credit needs of its assessment areas. The previous CRA evaluation dated January 5, 2004 resulted in a Satisfactory rating.

## **DESCRIPTION OF ASSESSMENT AREAS**

FNB Berlin has four AAs. The Berlin non-MSA assessment area, which represents the majority of the bank's deposit and lending activity, was selected for a full scope review. The Fond du Lac, Madison, and Oshkosh MSA AAs were selected for 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. In total deposits, FNB Berlin, with a market share of 5.96%, ranks fourth of all FDIC insured institutions. This is using FDIC market share data as of June 30, 2008. The balance of market share is divided among 30 other institutions. The market share for these institutions ranges from 19.84% down to 0.04%.

### ***Berlin Area Non-MSA***

According to 2000 census data, the total population of the bank's non-MSA AA is 70,029, which is comprised of 19,376 families. Income levels for these families are as follows: 3,477 low-income families (18%), 4,495 moderate-income families (23%), 5,360 middle-income families (28%), and 6,044 upper-income families (31%). Of the low-income families, 2,423 (9%) are below the poverty level. The 2000 U.S. Census estimated median family income (MFI) is \$42,901 for the AA. The 2008 updated Department of Housing and Urban Development (HUD) estimated MFI is \$56,200 for the AA. The unemployment rate as of December 2008 for Green Lake County was 7.2%.

The bank's non-MSA AA has two moderate-income census tracts in the southeast portion of Adams County and one moderate-income census tract in Marquette County. The bank has five branches in this assessment area.

In conducting this assessment of the bank's performance, we contacted a representative of the City of Berlin. The individual stated that local financial institutions are meeting the credit needs of the community.

### ***Fond du Lac MSA***

According to 2000 census data, the total population of the bank's Fond du Lac MSA AA is 12,805, which is comprised of 3,313 families. Income levels for these families are as follows: 504 low-income families (15%), 676 moderate-income families (20%), 1,014 middle-income families (31%), and 1,119 upper-income families (34%). Of the low-income families, 312 (6%) are below the poverty level. The 2000 U.S. Census estimated median family income (MFI) is \$52,657 for the AA. The 2008 updated HUD estimated MFI is \$62,500 for the AA. The 2008 unemployment rate for this area was 4.8%.

There are no low- or moderate-income census tracts in this area. The bank selected census tracts in this area due to lending in the area. The Green Lake branch does some lending in the Ripon area and the outlying areas east to Rosendale, which are located in Fond du Lac County. The bank has no branches in this assessment area.

### ***Madison MSA***

According to 2000 census data, the total population of the bank's Madison MSA AA is 78,699, which is comprised of 21,834 families. Income levels for these families are as follows: 2,586 low-income families (12%), 4,020 moderate-income families (18%), 6,706 middle-income families (31%), and 8,522 upper-income families (39%). Of the low-income families, 1,068 (4%) are below the poverty level. The 2000 U.S. Census estimated median family income (MFI) is \$65,568 for the AA. The 2008 updated HUD estimated MFI is \$73,700 for the AA. The 2008 unemployment rate for this area was 3.7%

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

### ***Oshkosh MSA***

According to 2000 census data, the total population of the bank's Oshkosh MSA AA is 16,682, which is comprised of 4,916 families. Income levels for these families are as follows: 660 low-income families (13%), 979 moderate-income families (20%), 1,463 middle-income families (30%), and 1,814 upper-income families (37%). Of the low-income families, 310 (5%) are below the poverty level. The 2000 U.S. Census estimated median family income (MFI) is \$55,233 for the AA. The 2008 updated HUD estimated MFI is \$64,400 for the AA. The 2008 unemployment rate for this area was 4.7%.

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

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

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

The bank's loan to deposit ratio is reasonable given its size, financial condition, and the credit needs of the community. The average quarterly loan to deposit ratio for the bank since the last examination was 81%, which ranks 8th in a peer group of 12 similarly situated banks. FNB Berlin has the 3rd highest level of average assets of these banks at \$235 million. The other

bank's average assets ranged from \$55 million to \$389 million. The average loan to deposit ratios for these banks ranged from 67% to 112% over the same period.

**Lending in Assessment Area**

FNB Berlin originates a substantial majority of its loans to borrowers located within its four assessment areas. A review of the bank’s primary loan products shows that 88% by number and 86% by dollar volume of loans were made to businesses and individuals located within the bank’s assessment areas.

<b>Lending in the Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgages	274	89%	34	11%	308	38,094	88%	5,198	12%	43,292
Business	292	87%	42	13%	334	47,108	85%	8,389	15%	55,497
Totals	566	88%	76	12%	642	85,202	86%	13,587	14%	98,789

Source: 2007-2008 Home Mortgage Disclosure Act data and bank records (verified by examiners)

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

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

As shown in the following table, the distribution of loans to businesses of various revenue sizes is excellent. The number of loans to businesses with revenues under \$1 million exceeds the area demographics.

<b>Borrower Distribution of Loans to Businesses</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	57%	3%	40%	100%
% of Bank Loans in AA by #	82%	7%	11%	100%
% of Bank Loans in AA by \$	89%	3%	8%	100%

Source: Sample of 30 bank records (verified by examiners) and Dunn & Bradstreet Business Demographic Data

The distribution of home mortgages to borrowers of various income levels is reasonable. Although the bank’s percentage of loans to low- and moderate-income borrowers is lower than the percentage of families in the area, consideration is given to the percentage of families living below the poverty level (9%). Bank management also reports that loan demand was low during the years 2007 and 2008.

**Borrower Distribution of Home Mortgage Loans**

Borrower Income Level	Low		Moderate		Middle		Upper		Information Not Available	
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	% of AA Families	% of Number of Loans
Home Mortgages	18%	7%	23%	14%	28%	34%	31%	45%	0%	0%

Source: 2007-2008 Home Mortgage Disclosure Act Data and U.S. Census Demographic Data

### Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout its AAs.

Of our sampled business loans, 4% were located in a moderate-income census tract in the assessment area. According to demographic data, 14% of the assessment areas businesses are located in this area. Although the bank’s percentage is lower than the percentage of businesses in the area, consideration is given to the fact that there are no branches located in the Adams and Marquette County area, which is where the moderate-income census tracts are located.

Geographic Distribution of Business Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	0%	0%	14%	4%	86%	96%	0%	0%

Source: Sample of 30 bank records (verified by examiners) and Dunn & Bradstreet Business Demographic data

The distribution of home mortgages is reasonable. The bank originated 7% of its mortgage loans to borrowers in a moderate-income census tract. While lending is lower when compared to the percentage of owner occupied housing in these areas, we again gave consideration to the fact that there are no branches located in the Adams and Marquette County area, which is where the moderate-income census tracts are located.

Geographic Distribution of Home Mortgage Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	0%	0%	17%	7%	83%	93%	0%	0%

Source: January 2007 – December 2008 Home Mortgage Disclosure Act Data and U.S. Census Demographic Data

## **Conclusions for Areas Receiving Limited-Scope Review**

Based on limited-scope reviews, the bank's performance in the Fond du Lac, Madison, and Oshkosh MSAs are not inconsistent with the bank's overall performance. While the bank's lending performance was somewhat lower in these areas, consideration was given to such factors as location of branches, competition in these areas, and the bank's business strategy. Banking services provided are consistent with the area receiving a full-scope review.

The distribution of loans to borrowers of different incomes and to businesses of different sizes is reasonable in each of the three areas.

Overall, the geographic distribution of loans reflects reasonable penetration through each of the areas. All of the census tracts in the Fond du Lac MSA and Oshkosh MSA are either middle-or upper-income geographies. Therefore an analysis of the geographic distribution of the bank's loans within these assessment areas would not provide meaningful information. While the volume of lending to the Madison MSA's sole moderate-income census tract was low, this is explained by the fact that the new branch has only been open since October 2008.

## **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**

There was no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the needs of the community.