



## PUBLIC DISCLOSURE

August 24, 2020

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank at Darlington  
Charter Number 14184

245 Main Street  
Darlington, WI 53530

Office of the Comptroller of the Currency

Chicago Field Office  
2001 Butterfield Rd  
Suite 400  
Downers Grove, IL 60515

**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, and should not 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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## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

**The lending test is rated: Satisfactory.**

The major factors that support this rating include:

- The distribution of lending among small farms with gross revenues less than \$1 million is reasonable.
- A substantial majority of originated and purchased small farm loans are within the assessment area (AA).
- The average loan-to-deposit (LTD) ratio is reasonable.

### Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, the bank's LTD ratio reasonable.

First National Bank at Darlington's ("Darlington" or "the bank") LTD ratio is satisfactory given the local market, credit needs of the AA, and the bank's size and complexity. Darlington's quarterly LTD ratio experienced some fluctuation since the last evaluation, with the highest quarterly LTD ratio totaling 88.64 percent and the lowest totaling 68.59 percent. The LTD ratio as of June 30, 2020 is 78.47 percent.

The bank's average quarterly ratio since the last evaluation is 77.77 percent. Quarterly average LTD ratios for peer banks within the market during the same period ranged from 60.73 percent to 98.49 percent. Of the seven peer banks in the market, Darlington's average quarterly ratio was the fourth highest.

### Lending in Assessment Area

A substantial majority of the bank's loans are inside its AA. Our conclusions are based on a sample of small farm loans selected from the three-year evaluation period, as the bank is not a Home Mortgage Disclosure Act (HMDA) reporter and does not file a Loan Application Register (LAR).

The bank originated and purchased 77.05 percent of its total loans inside the bank's AA during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

Overall, a substantial majority of small farm loans originated and purchased in 2017, 2018, and 2019 were located within the bank's AA both in terms of volume and dollar amount. We reviewed 61 small farm loans originated during the three-year evaluation period. Of these 61 loans, 47 (77.05 percent) were located within the AA and 14 (22.95 percent) were located outside of the AA. Small farm loans within the AA totaled \$13.2 million (88.45 percent) while small farm loans outside of the AA totaled \$1.7 million (11.55 percent).

<b>Table D - Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>Darlington AA Small Farm 2017- 2019</b>	47	<b>77.05</b>	14	<b>22.95</b>	61	13,194	88.45	1,723	11.55	<b>14,917</b>
<b>Total</b>	47	<b>77.05</b>	14	<b>22.95</b>	61	13,194	88.45	1,723	11.55	<b>14,917</b>

*Source: Evaluation Period: 1/1/2017 - 12/31/2019 Bank Data  
Due to rounding, totals may not equal 100.0*

## Description of Institution

Darlington is a small, independent community bank headquartered in Darlington, Wisconsin. Darlington is located in southwest Wisconsin, near the Iowa and Illinois borders. The bank is not owned by a holding company and has no subsidiaries or affiliates. The bank has two offices, with the main branch located in Darlington, WI and the second branch in Gratiot, WI. Both branches are located in middle-income census tracts.

As of June 30, 2020, the bank reports total assets of \$159 million, with total loans and leases of \$107 million. The majority of the loan portfolio is agriculture loans at \$77.3 million, or 72.44 percent of total loans. Commercial loans comprise 13.04 percent of the portfolio and total \$13.9 million. Residential real estate loans have a balance of \$9.9 million and represent 9.31 percent of the portfolio. At \$3.9 million, consumer loans encompass 3.69 percent of the loan portfolio. Tier 1 Capital totals \$23.7 million and is comprised of common stock, surplus, and retained earnings.

The bank's local market is reasonably competitive with seven other institutions in the area, as reflected by the Federal Deposit Insurance Corporation report as of June 30, 2019. There are eight financial institutions with offices inside the bank's AA with deposits totaling \$359 million. Darlington ranked first in the market with \$128 million in deposits and 35.7 percent share of the market. It is important to note that the deposit market share report does not include institutions not insured by the FDIC, such as local credit unions.

There are no financial impediments or legal constraints that would hinder FNB Darlington's ability to help meet the credit needs of the assessment area. The bank received a rating of "Satisfactory" at the last CRA evaluation dated June 9, 2015.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

With an evaluation period end date of December 31, 2019, qualifying activities performed in response to the significant impact the coronavirus pandemic has had on economies across the United States are not addressed in this evaluation. Bank qualifying activities will be appropriately considered in the subsequent evaluation.

The bank offers traditional, non-complex loan products with a strategic focus on agricultural lending given the bank's proximity to the industry. Our evaluation period focuses on the level of bank lending during the three-year timeframe of January 1, 2017 through December 31, 2019. The bank is not a HMDA reporter, and the level of home mortgage loans originated and purchased during the evaluation period is nominal. Any analysis of HMDA loans would not prove meaningful. While lending to small businesses exhibited a larger volume compared to home mortgage loans, the volume was insufficient to be considered a primary product providing meaningful analysis. As such, our analysis for the Lending Test focuses on lending to farms within the bank's delineated AA.

The bank provided a list of loans originated in 2017, 2018, and 2019, with agricultural loans overwhelmingly the most originated loan type. We reviewed a sample of 61 small farm loans originated during the evaluation period with the following breakdown: 21 loans from 2017, 21 loans from 2018, and 19 loans from 2019. As the bank is not a HMDA nor a CRA reporter, examiners collected the data used in this analysis based off of the sample above.

### **Selection of Areas for Full-Scope Review**

The bank's delineated AA consists of five contiguous census tracts (CTs) forming Lafayette County in Wisconsin. The entirety of the AA is made up of middle-income census tracts and no low- to moderate-income census tracts and is not part of a larger Metropolitan Division (MD) or Metropolitan Statistical Area (MSA). Given the bank's size, operational strategy, and office location, the delineated AA meets the requirement of the CRA. The CTs are contiguous and do not arbitrarily exclude any low- or moderate-income CTs and does not reflect any discrimination.

There is only one AA for which we performed a full-scope review. We assessed the bank's performance using the Small Bank examination procedures. The primary focus of a small bank evaluation is the Lending Test, which evaluates a bank's record or meeting the credit needs of its AA through lending activities.

### **Wisconsin Non-MSA – Lafayette County**

As our review focuses on lending to farms within the AA, we used 2019 Dun & Bradstreet (D&B) data for comparison. There were 299 farms within the AA from 2017-2019. Because there are no low- or moderate-income census tracts in the AA, when developing conclusions, we gave greater weight to the distribution of loans among farms of different revenues.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Lafayette County, WI						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	5	0.0	0.0	100.0	0.0	0.0
Population by Geography	16,835	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	7,240	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	5,083	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,563	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	594	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	1,007	0.0	0.0	100.0	0.0	0.0
Farms by Geography	299	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	4,550	15.5	20.2	24.0	40.3	0.0
Household Distribution by Income Level	6,646	19.6	16.7	19.9	43.9	0.0
Median Family Income Non-MSAs - WI		\$60,742	Median Housing Value			\$125,448
			Median Gross Rent			\$640
			Families Below Poverty Level			7.3%
<small>Source: 2015 ACS Census and 2019 D&amp;B Data            Due to rounding, totals may not equal 100.0            (*) The NA category consists of geographies that have not been assigned an income classification.</small>						

During this evaluation we interviewed one community member in the Darlington area who actively serves in the community. The contact stated that housing and real estate in the area has remained stable over the last few years, and farms in the area have been profitable. The contact noted that primary credit needs in the area consist of financing to farms as well as consumer financing, such as auto loans and residential loans. The contact emphasized that the credit needs of the AA are being met by the lenders in Lafayette County. The community has initiated a housing development project to assist seasonal farm workers in the area. Additionally, a major agricultural producer recently moved into the area which will provide job opportunities to local residents.

## Ratings

Given the bank's size and complexity, the overall rating is based solely on the Lending Test performance within the state of Wisconsin. As previously explained, weight was primarily given to agricultural products and lending to small farms.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## **State Rating**

### **State of Wisconsin**

**CRA rating for the State of Wisconsin:** Satisfactory

**The Lending Test is rated:** Satisfactory

The major factors that support this rating include:

- The distribution of lending among small farms with gross revenues less than \$1 million is reasonable.
- A substantial majority of originated and purchased small farm loans are within the assessment area (AA).
- The average loan-to-deposit (LTD) ratio is reasonable.

### **LENDING TEST**

The bank's performance under the Lending Test in Wisconsin is rated Satisfactory.

### **Conclusions for Area Receiving a Full-Scope Review**

Based on a full-scope review, the bank's performance in the AA is reasonable.

### **Distribution of Loans by Income Level of the Geography**

There are no low- or moderate-income census tracts in Darlington's AA. Therefore, an analysis of the geographic distribution of loans was not performed.

### **Distribution of Loans by Income Level of the Borrower**

The bank exhibits a reasonable distribution of loans to farms of different sizes, given the product lines offered by the bank.

#### ***Small Loans to Farms***

The percentage of loans to small farms originated or purchased was near to the percentage of small farms in the AA and exceeded the aggregate percentage of reporting lenders. Refer to Table T in appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to farms. The distribution of loans to farms of different sizes was reasonable.

## **Responses to Complaints**

The bank has not received any complaints regarding efforts to meet the credit needs of the community. The OCC has also not received any complaints concerning the bank and its efforts to comply with CRA requirements.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

<b>Time Period Reviewed:</b>	(01/01/2017 to 12/31/2019)	
<b>Bank Products Reviewed:</b>	Small Farm	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>State</b>		
Wisconsin Non-MSA Lafayette County	Full Scope	<i>Darlington has one AA consisting of five contiguous census tracts located in Lafayette County. The AA is not part of a metropolitan division (MD) or metropolitan statistical area (MSA).</i>

## Appendix B: Summary of State Ratings

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RATING		First National Bank at Darlington	
<b>Overall Bank:</b>		<b>Lending Test Rating</b>	
First National Bank at Darlington		Satisfactory	

## Appendix C: Definitions and Common Abbreviations

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The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income Individual:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

**Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues -**  
Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.

<b>Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues</b>											<b>2017-19</b>	
<b>Assessment Area:</b>	<b>Total Loans to Farms</b>				<b>Farms with Revenues &lt;= 1MM</b>			<b>Farms with Revenues &gt; 1MM</b>		<b>Farms with Revenues Not Available</b>		
	<b>#</b>	<b>\$</b>	<b>% of Total</b>	<b>Overall Market</b>	<b>% Farms</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% Farms</b>	<b>% Bank Loans</b>	<b>% Farms</b>	<b>% Bank Loans</b>	
Darlington Lafayette County AA	47	13,194	100.00	196	98.7	91.49	63.3	1.0	--	0.3	8.51	
<b>Total</b>	<b>47</b>	<b>13,194</b>	<b>100.00</b>	<b>196</b>	<b>98.7</b>	<b>91.49</b>	<b>63.3</b>	<b>1.0</b>	<b>--</b>	<b>0.3</b>	<b>8.51</b>	
<i>Source: 2019 D&amp;B Data; 01/01/2017 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "--" data not available.                      Due to rounding, totals may not equal 100.0</i>												