



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 02, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Hartford
Charter Number 8671

116 West Sumner Street
Hartford, WI 53027

Office of the Comptroller of the Currency

Milwaukee Field Office
1200 North Mayfair Road, Suite 200
Milwaukee, 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.
- The bank has a reasonable distribution of loans to individuals of different income levels and businesses of different sizes.
- A substantial majority of loans are originated inside the bank's assessment area.
- The bank's lending practices represent reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers, and businesses of different sizes.

SCOPE OF EXAMINATION

We evaluated The First National Bank of Hartford's 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 5, 2004 through June 2, 2008. The Lending Test evaluated small business and home mortgage loans from January 1, 2006 to March 31, 2008. During this examination, the accuracy of the bank's Home Mortgage Disclosure Act (HMDA) data for 2006, 2007, and 2008 was tested. The data was found to be accurate and therefore all reported HMDA data was used in evaluating home mortgage lending. To evaluate small businesses, data from the bank's loan trial balance was used. The most recent demographic data available was also obtained.

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

DESCRIPTION OF INSTITUTION

The First National Bank of Hartford (FNB-Hartford) is a \$160 million bank located in Washington County, approximately 30 miles north of Milwaukee. The main office is located in Hartford, WI, in a middle-income census tract (CT). The bank operates one full-service branch in Slinger, WI, also in a middle-income CT. The bank also maintains two cash dispensing/deposit-taking ATMs at the main office and the branch. The bank is 100% owned by FNB Harford Bancorp, Inc., located in Hartford, WI.

The bank offers traditional community bank products and services and has a net loan portfolio representing 61% of total assets. The bank is primarily a commercial and residential real estate lender, with a loan portfolio that consists of (by dollar value) 50% commercial loans, 20%

residential real estate loans, 10% construction, 10% consumer, 7% agricultural, and 3% other loans. Financial information is as of March 31, 2008.

The bank's business strategy has historically been to serve the credit and depository needs of its local community. Local area deposits fund most of the loan portfolio.

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

The bank has two assessment areas (AA), including one AA in a Metropolitan Statistical Area (MSA of Milwaukee-Waukesha-West Allis). The MSA includes all of Washington County (20 census tracts), Ozaukee County (4 western tracts), and Waukesha County (7 northern tracts). The non-MSA AA includes 9 census tracts in Dodge County, which is located west of the Washington County AA. The AAs comply with the regulatory requirements and do not arbitrarily exclude any low- or moderate-income geographies.

According to 2000 census data, the total population of the bank's MSA AA is 183,863, which is comprised of 51,605 families. Income levels for these families are as follows: 5,119 low-income families (10%), 7,894 moderate-income families (15%), 13,974 middle-income families (27%), and 24,618 upper-income families (48%). Of the low-income families, 2,338 (46%) are below the poverty level. The 2000 U.S. Census estimated median family income (MFI) is \$67,375 for the AA. The 2008 updated Department of Housing and Urban Development (HUD) estimated MFI is \$67,700 for the AA.

The current local economy is characterized as stable, although the regional real estate market has experienced a downturn. Bank management reports that loan demand has been slow over the past year. The primary economic activities include light manufacturing, retail trade, health care, and commercial printing. Major employers include Broan-Nutone, Aurora Healthcare, Quad Graphics, Inc., and Steelcraft. The average unemployment rate in 2007 for the state of Wisconsin was 4.9%. The average unemployment rates for Dodge County, Ozaukee County, Washington County, and Waukesha County for the same time period were 5.1%, 3.8%, 4.3%, and 4.0% respectively. These figures are not seasonally adjusted.

Competition from other financial institutions is strong. In total deposits, FNB Hartford, with a market share of 6% ranks eighth out of all FDIC-insured institutions. This is using FDIC market share data as of June 30, 2007. The balance of the market share is divided among 18 other institutions. The market share for these institutions ranges from 21% down to less than 1%.

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

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 69%, which ranks eleventh in a peer group of 21 similarly situated banks. FNB Hartford has the eleventh highest level of average assets of these banks at \$156 million. The other bank’s average assets ranged from \$3 million to \$836 million. The average loan-to-deposit ratios for the similarly situated banks ranged from 62% to 111%, over the same time period.

Lending in Assessment Area

FNB Hartford originates a substantial majority of its loans to borrowers located within its assessment areas. A review of the bank’s primary loan products shows that 89% by number and 92% by dollar volume of loans were made to businesses and individuals located within the bank’s assessment areas.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgages	140	93%	11	7%	151	20,459	93%	1,616	7%	22,075
Business	157	86%	26	14%	183	33,881	92%	3,037	8%	36,918
Totals	297	89%	37	11%	334	54,340	92%	4,653	8%	58,993

Source: 2006-2007 Home Mortgage Disclosure Act data and bank records (verified by examiners)

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

The bank’s lending practices represent a reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers, and business of different sizes. The bank’s primary loan products were used in our sample.

Business Loans

Our random sample consisted of 20 commercial loan customers located in the bank’s MSA AA. 67% of the businesses sampled have revenues less than \$1 million, while the demographics show that 63% in the bank’s MSA AA have revenues less than \$1 million. This represents a reasonable distribution of lending to small businesses.

Borrower Distribution of Loans to Businesses				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	63%	8%	29%	100%
% of Bank Loans in AA by #	67%	33%	0%	100%
% of Bank Loans in AA by \$	57%	43%	0%	100%

Source: Sample of 20 bank records (verified by examiners) and Dunn & Bradstreet Business Demographic Data

Home Mortgages

The borrower distribution of home mortgage loans within the AA is excellent. Home mortgage information was based on the bank’s HMDA reportable residential real estate mortgage loans. 25% of families in the AA are low- and moderate-income, while the bank originates 45% of its home mortgages to these borrowers.

Borrower Distribution of Home Mortgage Loans										
Borrower Income Level	Low		Moderate		Middle		Upper		Information Not Available	
	% 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	10%	18%	15%	27%	27%	25%	48%	29%	0%	1%

Source: 2006-2008 Home Mortgage Disclosure Act Data and U.S. Census Demographic Data

Geographic Distribution of Loans

All of the census tracts in FNB Hartford's AA are either middle- or upper-income geographies. Therefore, an analysis of the geographic distribution of the bank's loans within its assessment area would not provide meaningful information.

Conclusions for Area Receiving Limited-Scope Review

Based on limited-scope reviews, the bank’s performance in Dodge County is not inconsistent with the bank’s overall performance. Banking services provided are consistent with the areas receiving full-scope reviews. This area consists of only middle- and upper-income tracts.

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.