



PUBLIC DISCLOSURE

March 25, 2014

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 major factors supporting the institution's rating include:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the assessment areas.
- A substantial majority of loan originations are made within the bank's assessment areas.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of borrowers reflects reasonable dispersion throughout the bank's assessment areas.

SCOPE OF EXAMINATION

We evaluated the First National Bank of Hartford's Community Reinvestment Act (CRA) performance using the Small Bank Lending Test. We used data from the bank's primary loan products, commercial loans and residential real estate loans, to evaluate the bank's lending performance.

The evaluation period covered the date from the previous CRA evaluation, June 2, 2008, through March 25, 2014. The lending test evaluated small business and home mortgage loans originated between January 1, 2012 and December 31, 2013. 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.

Prior to conducting this evaluation, the accuracy of the bank's Home Mortgage Disclosure Act (HMDA) data for 2012 and 2013 was tested. We found the data to be accurate, and therefore all reported HMDA data will be used in evaluating home mortgage lending. To evaluate small businesses lending, we selected a random sample of 20 loan files from each of the bank's assessment areas. We obtained the most recent demographic data.

DESCRIPTION OF INSTITUTION

The First National Bank of Hartford (FNB Hartford) is a \$172 million bank located in Washington County, approximately 30 miles north of Milwaukee. The main office is located in Hartford, Wisconsin, in a middle-income census tract (CT). The bank operates two full-service branches. One branch is located in Slinger, Wisconsin, which is in a middle-income CT, and one branch is located in Hubertus, Wisconsin, which is in an upper-income CT. The bank also maintains three cash dispensing/deposit-taking

ATMs with one located at the main office and one at each of the branch locations. The bank is 100 percent 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 57 percent of total assets. The bank is primarily a commercial and residential real estate lender, with a loan portfolio that consists of (by dollar value) 60 percent commercial loans, 29 percent residential real estate loans, 8 percent agricultural, 1 percent consumer, and 2 percent other loans. Financial information is as of December 31, 2013.

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 June 2, 2008, resulted in a Satisfactory rating.

DESCRIPTION OF ASSESSMENT AREA(S)

The bank has two assessment areas (AA), including one AA in the Milwaukee-Waukesha-West Allis Metropolitan Statistical Area (MSA). The MSA includes all of Washington County (28 tracts), western Ozaukee County (8 tracts), and northern Waukesha County (41 tracts). Given the bank's asset size, available resources, and limited branch locations, the designation of the entire Milwaukee-Waukesha-West Allis MSA would be too large for the bank to reasonably serve. The non-MSA AA includes 20 CTs 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 2010 census data, the bank's MSA AA is comprised of 77 CTs, of which zero are low-income, one (1.30 percent) is moderate-income, 32 (41.56 percent) are middle-income, and 44 (57.14 percent) are upper-income. Based on 2013 demographic data, this AA has 25,235 businesses. Of these businesses, 18,231 (72.24 percent) had gross revenues of less than \$1 million, 2,096 (8.31 percent) had gross revenues over \$1 million, and 4,908 (19.45 percent) had revenues that were not reported. The AA has a population of 353,715, which is comprised of 99,726 families. Income levels for these families are as follows: 10,649 low-income families (10.68 percent), 14,383 moderate-income families (14.42 percent), 21,289 middle-income families (21.35 percent), and 53,405 upper-income families (53.55 percent). Of the low-income families, 2.77 percent have incomes below the poverty level. The median family income is \$88,317, and the updated 2013 HUD estimated median family income is \$70,200.

According to 2010 census data, the bank's non-MSA AA is comprised of 20 CTs, of which zero are low-income, one (5.00 percent) is moderate-income, 16 (80.00 percent) are middle-income, and three (15.00 percent) are upper-income. Based on 2013 demographic data, this AA has 4,595 businesses. Of these businesses, 3,395

(73.88 percent) had gross revenues of less than \$1 million, 265 (5.77 percent) had gross revenues over \$1 million, and 935 (20.35 percent) had revenues that were not reported. The AA has a population of 88,759, which is comprised of 23,499 families. Income levels for these families are as follows: 3,557 low-income families (15.14 percent), 4,112 moderate-income families (17.50 percent), 5,701 middle-income families (24.26 percent), and 10,129 upper-income families (43.10 percent). Of the low-income families, 6.22 percent have incomes below the poverty level. The median family income is \$62,126, and the updated 2013 HUD estimated median family income is \$58,600.

The local economy is characterized as marginally improving, although the housing market remains relatively stagnant. 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 annual unemployment rates in 2013 for Waukesha, Ozaukee, and Washington counties were 5.9 percent, 5.5 percent, and 6.1 percent, respectively. The annual unemployment rate in 2013 for Dodge County was 7.2 percent. Unemployment rates were below the annual State of Wisconsin of 6.7 percent for all counties, except Dodge County.

Competition from other financial institutions is strong. In total deposits, FNB Hartford ranks 26th out of all FDIC insured institutions with a market share of 0.95 percent. This is based on FDIC market share data as of June 30, 2013. The balance of the market share is divided among 56 financial institutions. The market share for these institutions ranges from 18 percent down to less than 1 percent.

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 (LTD) is reasonable given its size, financial condition, and the credit needs of the community. The bank's quarterly LTD ratio averaged 62.96 percent over the 24 quarters from June 30, 2008 to March 31, 2014. FNB Hartford ranks last in a peer group of 16 similarly situated banks, with peer bank ratios ranging from 67 percent to 118 percent. The banks in this peer group had total average assets ranging from \$57 million to \$380 million.

Lending in Assessment Area

FNB Hartford originates a substantial majority of its loans to borrowers and businesses within its AA. A review of the primary loan products shows that 93.39 percent by

number and 92.13 percent by dollar volume of loans were originated to businesses and individuals located within the bank's AA during 2012 and 2013.

Lending in All Assessment Areas										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
RE - Home Purchase	74	86.05%	12	13.95%	86	\$13,064	85.86%	\$2,152	14.14%	\$15,216
RE - Home Refinance	171	97.71%	4	2.29%	175	\$28,432	98.59%	\$408	1.41%	\$28,840
RE - Home Improvement	43	95.56%	2	4.44%	45	\$8,254	96.27%	\$320	3.73%	\$8,574
Commercial Loans	51	89.47%	6	10.53%	57	\$6,570	77.31%	\$1,928	22.69%	\$8,498
Totals	339	93.39%	24	6.61%	363	\$56,320	92.13%	\$4,808	7.87%	\$61,128

Source: 2012 and 2013 HMDA data (verified by examiners) and a sample of 57 commercial loans.

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

The overall distribution of borrowers reflects reasonable penetration among individuals and businesses of different income and revenue levels.

The overall distribution of borrowers within the MSA reflects reasonable penetration among individuals and businesses of different income and revenue levels.

The borrower distribution for residential real estate loans within the MSA reflects reasonable penetration. The bank originated 9.35 percent of mortgage loans to low-income families and 16.26 percent to moderate-income families. This is comparable with the demographics, which indicate 10.68 percent of AA families are low-income and 14.42 percent of AA families are moderate-income.

Borrower Distribution of Residential Real Estate Loans in the Milwaukee-Waukesha-West Allis MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Type of Loan	% 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	10.68%	11.11%	14.42%	25.93%	21.35%	11.11%	53.55%	51.85%
Home Improvement	10.68%	8.11%	14.42%	16.22%	21.35%	24.32%	53.55%	51.35
Home Refinance	10.68%	9.40%	14.42%	13.42%	21.35%	28.86%	53.55%	48.32%
Total	10.68%	9.35%	14.42%	16.26%	21.35%	23.58%	53.55%	48.37%

Source: 2012 and 2013 HMDA data (verified by examiners) and 2010 U.S. census demographic data. The bank reported income as NA for 2.44% of loans.

The borrower distribution for business loans within the MSA reflects reasonable penetration. Our random sample shows the bank originated 71.88 percent of loans by number and 44.60 percent of loans by dollar to businesses with \$1 million in revenues or less. This is consistent with demographics, which show 72.24 percent of AA businesses with revenues less than or equal to \$1 million.

Borrower Distribution to Businesses in the Milwaukee-Waukesha-West Allis MSA AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	72.24%	8.31%	19.45%	100.00%
% of Bank Loans in AA by #	71.88%	28.12%	0.00%	100.00%
% of Bank Loans in AA by \$	44.60%	55.40%	0.00%	100.00%

Source: Sample of 51 commercial loans from 2012 and 2013 and Dun & Bradstreet Business Demographic Data.

Geographic Distribution of Loans

The overall geographic distribution of business and residential loans reflects reasonable dispersion throughout the bank’s AA.

The geographic distribution of business and residential loans within the MSA AA reflects reasonable distribution. Due to 2010 census boundary changes, this AA now contains a moderate-income CT. This CT is located in Washington County and is approximately 14 miles from the main office. Consideration is given to the fact that other financial institutions in the immediate area would more readily serve the needs of this CT.

The geographic distribution of home mortgage loans in the Milwaukee-Waukesha-West Allis MSA reflects reasonable distribution. The bank originated two residential real estate loans (0.81 percent) within the one moderate-income CT, which is comparable to the demographics, which shows 0.96 percent of owner-occupied housing in the AA located in the moderate-income CT.

Geographic Distribution of Residential Real Estate Loans in Milwaukee-Waukesha-West Allis MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Type of Loan	% 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	0.00%	0.00%	0.96%	0.00%	38.92%	62.50%	60.13%	37.50%
Home Improvement	0.00%	0.00%	0.96%	0.00%	38.92%	58.97%	60.13%	41.03%
Home Refinance	0.00%	0.00%	0.96%	1.32%	38.92%	46.36%	60.13%	52.32%
Total	0.00%	0.00%	0.96%	0.81%	38.92%	52.03%	60.13%	47.15%

Source: 2012 and 2013 HMDA data (verified by examiners) and 2010 U.S. census demographic data.

The geographic distribution of business loans in the Milwaukee-Waukesha-West Allis MSA reflects reasonable distribution. The demographic data indicates that only 1.02 percent of businesses within the AA are located in the moderate-income CTs. Due to the significantly low opportunity to lend in this area, the bank did not originate loans in this moderate-income CT.

Geographic Distribution of Business Loans in Milwaukee-Waukesha-West Allis MSA AA								
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	0.00%	0.00%	1.02%	0.00%	40.13%	81.25%	58.84%	18.75%

Source: Sample of 51 commercial loans from 2012 and 2013 and Dun & Bradstreet Business Demographic Data.

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 area receiving full-scope review.

Responses to Complaints

The bank has not received any CRA-related complaints since the previous evaluation.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), in determining a national bank’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment areas 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.