



## **PUBLIC DISCLOSURE**

September 04, 2014

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Bangor  
Charter Number 13202

1798 Commercial Street  
Bangor, WI 54614

Office of the Comptroller of the Currency

Campbell Mithun Tower  
222 South Ninth Street  
Suite 800  
Minneapolis, MN 55402-3393

**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 bank’s loan to deposit ratio is more than reasonable when compared to similarly situated banks.
- The bank originates a majority of its loans inside its assessment area (AA).
- The bank has a reasonable penetration of loans to businesses of different sizes and an excellent penetration of loans to individuals of different income levels.
- The bank has a reasonable dispersion of commercial loans throughout the AA.

**SCOPE OF EXAMINATION**

We evaluated the First National Bank of Bangor’s (FNB’s) Community Reinvestment Act (CRA) performance from January 21, 2009 to September 4, 2014 using Small Bank Procedures. We evaluated quarterly loan-to-deposit ratios to assess the bank’s performance over this timeframe. We assessed the bank’s lending performance by selecting primary products based on the number and dollar volume of loans originated between January 1, 2012 and December 31, 2013. Our analysis found that commercial and consumer loans are the bank’s primary products. We selected a sample of 60 loans from each primary product type in order to evaluate lending activities within the AA. The following table shows the bank’s primary products by loan originations and purchases.

<b>Loan Originations and Purchases in 2012 and 2013</b>		
<i>Loan Type</i>	<i>Volume by #</i>	<i>Volume by \$</i>
Commercial	29%	65%
Consumer	53%	6%
Residential RE	4%	9%
Ag	14%	20%

*Source: Bank loan origination report for 2012 and 2013*

**DESCRIPTION OF INSTITUTION**

FNB Bangor is a \$207 million intrastate bank headquartered in Bangor WI, which is located in La Crosse County. FNB Bangor has two full-service branches located in Holmen and West Salem and two limited-hour branches located in Mindoro and St. Joseph Ridge. The part-time offices are open Monday, Wednesday, and Friday, and offer all loan and deposit products offered at the full-time branches. The part-time branches are staffed by lending officers from the full-time branches. The bank did not have any mergers, acquisitions, open or close any branches, or conduct any other

significant corporate activity during the evaluation period. The bank does not operate any automated teller machines (ATMs).

FNB Bangor offers traditional banking services including commercial, consumer, residential real estate, and agricultural loans. According to the bank's June 30, 2014 Call Report, the bank's outstanding loans by dollar volume are as follows: Commercial (50%), Residential Real Estate (32%), Agricultural (14%), and Consumer (4%). As of June 30, 2014, the bank had total loans and leases of \$131 million, which represented 63 percent of total assets.

Bank management has a conservative, low-risk strategy. They do not offer complex or non-traditional products. Their business philosophy is to maintain their core customer base, service the local community, and maintain a strong capital base. The bank's Tier 1 Leverage Capital ratio is 21.36 percent as of June 30, 2014.

FNB Bangor is owned 90 percent by Bosshard Banco, 3 percent by the Bosshard family, and 7 percent by other independent shareholders. The holding company had total assets of \$361 million as of June 30, 2014.

FNB Bangor received a "Satisfactory" rating at its January 20, 2009 CRA evaluation. There are no legal or financial circumstances impeding the bank's ability to meet the credit needs of its AA.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's AA consists of the entire county of La Crosse, which is part of the Lacrosse WI-MN multistate Metropolitan Statistical Area (MSA). The AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income census tracts. The AA includes the political subdivisions where the bank's branches are located and does not reflect discrimination. The following table shows the demographic and economic characteristics of the AA.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE LACROSSE COUNTY AA</b>	
Population	
Number of Families	27,454
Number of Households	45,501
% of Low-Income Families	17.97%
% of Moderate-Income Families	18.47%
% of Middle-Income Families	24.53%
% of Upper-Income Families	39.03%
Geographies	
Number of Census Tracts	25
% Low-Income Census Tracts	4.00%
% Moderate-Income Census Tracts	16.00%
% Middle-Income Census Tracts	60.00%
% Upper-Income Census Tracts	20.00%
Median Family Income (MFI)	
2010 MFI for AA	\$65,427
2013 HUD-Adjusted MFI	\$69,200
Economic Indicators	
2012 Unemployment Rate	5.30%
2010 Median Housing Value	\$146,706
% of Households Below Poverty Level	13.38%

Source: 2010 US Census Data with updated information where available

Economic conditions in the AA are favorable. During the evaluation period, the unemployment rate in the AA improved and was consistently lower than the state of Wisconsin overall. The unemployment rate in the AA in 2013 was 5.2 percent compared to 6.7 percent in the State of Wisconsin according to Bureau of Labor Statistics data. This compares to the 2009 unemployment rate of 6.8 percent and 8.7 percent for La Crosse County and the State of Wisconsin respectively. Major employers in La Crosse County include the Gunderson Health System, Ashley Furniture Industries, Inc, Fransiscan Healthcare - Mayo Clinic, Trane Company, and Kwik Trip, Inc.

Banking competition in the AA is moderate. According to the June 30, 2013 FDIC Deposit Market Share Report, there are 13 national and state chartered deposit taking financial institutions with a presence in the AA. FNB Bangor ranks seventh overall with 8.12 percent of the market share. Based on the deposit data, no one bank dominates the banking market in the area. Wells Fargo ranks number one in deposit market share with 17.23 percent followed by Associated Bank with 15.68 percent market share.

We discussed the local economic environment and the performance of local financial institutions with a community leader who indicated the local economy has improved the past several years and noted that unemployment in the county is the second lowest in

the state. Further, the contact indicated that local financial institutions are doing an outstanding job in meeting the credit needs of the community. The contact said that local credit needs are centered in growing local businesses, as the area has not had many new businesses come to the area recently. Further, the contact stated that there are not a large number of people looking to buy homes in La Crosse.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance under the lending test is satisfactory. The loan-to-deposit ratio is more than reasonable, and the majority of loans originated were inside the bank's AA. Distribution of loans reflects excellent penetration among borrowers of different income levels and reasonable penetration among businesses of different sizes. Geographic distribution of commercial loans reflects reasonable dispersion and distribution of consumer loans reflects poor dispersion throughout the bank's geographies.

### Loan-to-Deposit Ratio

FNB Bangor's average loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and local credit needs. The bank's quarterly average loan-to-deposit ratio for the 23 quarters since the prior CRA evaluation was 92.52 percent. Similarly situated banks, defined as banks with a presence in the AA with assets between \$155 million and \$440 million, had loan-to-deposit ratios ranging from 75.63 percent to 108.95 percent during the same timeframe.

<b>Loan-to-deposit Ratio Institution (Headquarters)</b>	<b>Assets as of 6/30/14 (\$000s)</b>	<b>Average LTD Ratio (%)</b>
Coulee Bank (La Crosse, WI)	\$287,119	83.03%
<b>The FNB of Bangor (Bangor, WI)</b>	<b>\$206,959</b>	<b>92.52%</b>
River Bank (Stoddard, WI)	\$440,166	90.32%
Citizens State Bank (La Crosse, WI)	\$155,712	108.95%

*Source: Call Report data as of June 30, 2014.*

### Lending in Assessment Area

The bank originates a majority of its loans inside its AA. Based on a sample of primary product loan types, FNB Bangor originated 80.00 percent of loans by number and 89.60 percent by dollar volume within their AA. The following table shows loans originated inside and outside FNB Bangor's AA by number and dollar volume.

<b>Lending in La Crosse County AA</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	18	90.00%	2	10.00%	20	1,905	92.25 %	160	7.75%	\$2,065
Consumer	14	70.00%	6	30.00%	20	128	62.91%	76	37.09%	\$204
Totals	32	80.00%	8	20.00%	40	2,033	89.60%	236	10.40%	\$2,269

Source: Commercial and consumer loan samples.

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

Overall, FNB's lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration in the AA.

#### **Commercial Loans**

FNB Bangor has a reasonable penetration of lending to businesses of different sizes. Based on loan sampling, the number of loans to small businesses, defined as businesses with revenues less than \$1 million, was comparable to the percentage of small businesses in the AA. The percentage of loans to small businesses by dollar volume was lower than the demographic comparable due to one large-dollar loan to a business with revenue greater than \$1 million. Demographic data contains a high level of businesses of unknown size, as they chose not to report the information. Although this 21.85 percent could potentially be additional small businesses, we have no reason to believe that the non-reporters are a disproportionate amount of small businesses. The following table shows the bank's lending performance as compared to the AA demographics.

<b>Borrower Distribution of Loans to Businesses in the La Crosse County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71.82%	6.33%	21.85%	100%
% of Bank Loans in AA by #	75.00%	5.00%	20.00%	100%
% of Bank Loans in AA by \$	47.96%	39.22%	12.82%	100%

Source: Loan sample; Dunn and Bradstreet Data (2013)

#### **Consumer Loans**

The distribution of loans reflects excellent penetration among borrowers of different income levels given the demographics of the AA. The bank's lending to low- and moderate-income individuals significantly exceeds the percentage of low- and moderate-income households in the AA. The table below shows the bank's lending performance compared to the demographics of the AA.

Borrower Distribution of Consumer Loans in La Crosse County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA House holds	*Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans
Consumer	25.31%	30.00%	14.82%	35.00%	19.94%	15.00%	39.93%	10.00%

Source: Loan Sample; 2010 US Census Data

\*For 10% of loans borrower income information was unknown

**Geographic Distribution of Loans**

Overall, FNB’s geographic distribution of loans in the AA reflects a poor dispersion throughout the census tracts of different income levels. There is one low- and three moderate-income census tracts in the AA. We identified a lending gap to the low-income census tracts during our consumer loan sampling.

**Commercial Loans**

The bank’s geographic distribution of commercial loans reflects reasonable dispersion of loans throughout the AA. The bank originated a comparable number of commercial loans to businesses in low- and moderate- income census tracts compared to the AA demographics of business located in those census tracts. The percentage of loans to low-income census tracts was the same as the AA demographics and the bank made a higher percentage of loans to businesses in the moderate-income census tracts. The table below shows the bank’s lending performance compared to the demographics of the AA.

Geographic Distribution of Loans to Businesses in La Crosse County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Business es	% of # of Loans	% of AA Business es	% of # of Loans	% of AA Business es	% of # of Loans	% of AA Business es	% of # of Loans
Commercial	3.34%	3.33%	21.46%	15.00%	59.50%	71.67%	15.70%	10.00%

Source: Loan Sample; 2010 US Census Data

**Consumer Loans**

The bank’s geographic distribution of consumer loans reflects poor dispersion of loans throughout the AA. Based on loan sampling, the bank did not originate any loans to consumers in the low-income census tract. Further, only 3.33 percent of loans originated were to consumers in moderate-income tracts, which is lower than the AA demographic of 13.06 percent. The bank’s poor performance is mitigated by the fact that the bank does not have any branches in or near downtown La Crosse where the low- and moderate-income census tracts are located. Additionally, financial services competition in downtown La Crosse is very strong with a number of financial institutions

operating in the area. FNB Bangor’s lending performance compared to the AA demographics is reflected in the table below.

<b>Geographic Distribution of Consumer Loans in La Crosse County AA</b>								
Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans
Consumer	4.37%	0.00%	13.06%	3.33%	65.97%	90.00%	16.60%	6.67%

*Source: Loan Sample; 2010 US Census Data*

**Responses to Complaints**

The bank has not received any complaints regarding its CRA performance since the last evaluation.

**Fair Lending or Other Illegal Credit Practices Review**

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