



PUBLIC DISCLOSURE

June 05, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Clare Bank, National Association
Charter Number 15649

345 West Pine
Platteville, WI 53818

Office of the Comptroller of the Currency

Chicago Field Office
1700 East Golf Road
Suite 800
Schaumburg, IL 60173

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.

Primary factors supporting this rating:

- The loan-to-deposit ratio is reasonable.
- A substantial majority of the bank's loans were originated in the bank's assessment area (AA.)
- Lending to borrowers of different income levels and businesses of different sizes is reasonable.

Scope of Examination

This Community Reinvestment Act (CRA) evaluation assesses Clare Bank, National Association (CBNA) performance in meeting the credit needs of its community using full-scope Small Bank CRA examination procedures. The evaluation period for this assessment is December 14, 2009 through December 31, 2013.

The primary evaluation is performed under the lending test, which evaluates the bank's record of meeting the credit needs of its AA through lending activities. The review period for the lending analysis is January 1, 2012 through December 31, 2013. The lending analysis includes a sample from the bank's primary lending portfolios. We assessed the bank's CRA performance in regards to residential, business, and agricultural loans originated or purchased in 2012 and 2013. We evaluated lending to borrowers of different incomes and to businesses of different sizes. Since the bank's AA does not include any low- or moderate- income geographies, we did not evaluate the geographic distribution of loans. We compared the bank's lending performance to 2010 demographic census data for the AA.

We generated a quarterly average of the bank's loan-to-deposit ratio since the prior CRA evaluation. The average spanned eighteen quarters dating from December 2009 through March 2014.

The reported Federal Deposit Insurance Corporation (FDIC) annual deposit information was used to determine the bank's deposit market share and market presence within its AA. The most recent deposit market share information was dated June 30, 2013.

We also considered the bank's responsiveness to community lending needs within the AA and to any complaints received during the evaluation period.

Description of Institution

CBNA was a \$283 million intrastate financial institution as of March 31, 2014; headquartered in Platteville, Wisconsin. CBNA is a wholly owned subsidiary of Montfort Bancorporation, Inc. (MB). There are no subsidiaries or affiliates. MB is a one-bank holding company headquartered in Platteville, Wisconsin.

CBNA operates eight bank branches. All eight branches are located in the State of Wisconsin. The main office is located in Platteville with the remaining seven branches located in the towns of Boscobel, Fennimore, Bloomington, Montfort, Muscoda, Shullsburg, and Kieler.

As of March 31, 2014, CBNA reported approximately \$157 million in outstanding loans for a net loans and leases to assets ratio of 55 percent. Net Tier 1 capital was \$27 million. Residential real estate loans make up the largest percentage of the loan portfolio. Table 1 shows the composition of the loan portfolio.

The last CRA Examination was December 14, 2009, and the rating was "Satisfactory."

Table 1 (as of 3/31/2014)

Loan Category	\$(000)	Percent
Agricultural Loans	\$20,922	13.30%
Commercial Loans	\$22,661	14.41%
Residential Loans	\$106,972	68.02%
Individual Loans	\$6,699	4.26%
Other	\$0	0.00%
Total	\$157,254	100.00%

There are no financial circumstances or legal constraints that would hinder CBNA's ability to help meet the credit needs of the AA.

Description of Assessment Area

CBNA's AA is comprised of Grant County and portions of Lafayette County, Richland County, and Crawford County. There are sixteen Block Numbering Areas (BNAs) included in the AA. All sixteen BNAs are middle- income geographies. The AA is reasonable based on the size and financial capacity of the bank and meets the requirements of the regulation. The AA does not arbitrarily exclude any low- or moderate- income geographies.

According to the 2010 Census data, the AA's population was 64,563. There are 16,112 families in the AA, of which 2,894 are low- income (17.96 percent), and 3,474 are moderate- income (21.56 percent). The Department of Housing and Urban Development calculates the 2013 weighted average median family income for this area to be \$54,871.

The 2010 US Census data shows that there are 27,573 housing units within the AA. Of these, 67.30 percent are owner occupied, 21.22 percent are renter occupied, and 11.48 percent are vacant units. The weighted average of median housing value in the AA is \$119,502.

As of April 2014, the unemployment rates for the different counties in the AA ranged from 4.8 percent to 7.5 percent as compared to the State of Wisconsin unemployment rate of 5.9 percent. According to the Wisconsin Department of Workforce Development, the Southwest Workforce Development Area's (comprised of Rock, Green, Lafayette, Iowa, Richland, and Grant counties) combined unemployment rate as of April 2014 was 6.0 percent. The AA's local economy is primarily comprised of service businesses (33.58 percent of businesses) and agriculture, forestry, & fishing related enterprises (22.34 percent of businesses). The majority of the businesses in the AA are small businesses. Approximately 85.8 percent of businesses in the AA have less than 50 employees with 72.76 percent of businesses having only one to four employees.

Competition among the financial institutions is strong. As of June 30, 2013, CBNA ranked second on the FDIC's deposit market share report with a deposit market share of 11.55 percent. Competitors include People's State Bank with 17.25 percent of the market, Mound City Bank with 8.82 percent of the market, and Livingston State Bank with 6.67 percent of the market. In total, there were 22 financial institutions in the market area.

During our evaluation, we conducted one community contact interview relating to this AA. The interview covered the community's profile, opportunities for local financial institutions to participate in the community, and the performance of the community's financial institutions. The contact stated that the community is still struggling with the effects of the 2008 financial crisis. The contact also stated that financial institutions need to continue to help borrowers who are "underwater on their mortgages" as a result of the recent real estate recession.

Conclusions with Respect to Performance Tests

CBNA has demonstrated a Satisfactory performance in meeting the credit needs of its AA.

Loan-to-Deposit Ratio

The bank’s average loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and AA credit needs. CBNA’s quarterly average loan-to-deposit ratio for the period from December 31, 2009 to March 31, 2014 was 65.38 percent. The most recent loan-to-deposit ratio (March 2014) is 61.75 percent. The quarterly loan to deposit ratio for 12 banks of similar size in the AA ranged from 32.45 percent to 96.38 percent. CBNA has the tenth highest loan-to-deposit ratio out of these 12 peer banks in the AA.

Lending in Assessment Area

A substantial majority of CBNA’s lending is within the AA. We randomly sampled 23 residential loans, 22 commercial loans, and 23 agricultural loans. Based on the sample of loans reviewed, 88.24 percent of the number of loans and 87.69 percent of the dollar amount of CBNA’s loans are inside the AA. Please see Table 2.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Residential	20	86.96%	3	13.04%	23	\$1,788	83.59%	\$351	16.41%	\$2,139
Commercial	20	90.91%	2	9.09%	22	\$1,619	87.94%	\$222	12.06%	\$1,841
Agricultural	20	86.96%	3	13.04%	23	\$2,133	91.23%	\$205	8.77%	\$2,338
Total	60	88.24%	8	11.76%	68	\$5,540	87.69%	\$778	12.31%	\$6,318

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

The bank’s overall lending to borrowers of different income levels and businesses of different sizes is reasonable. During our examination, we sampled 20 residential real estate loans in the bank’s AA that were originated or purchased in 2012 and 2013.

Lending to businesses of different sizes is reasonable. During our examination, we sampled 20 commercial loans and 20 agricultural loans in the bank’s AA that were originated or purchased in 2012 and 2013.

Table 3 illustrates that 60 percent of the number and 61.77 percent of the dollar amount of non-farm business loans were made to businesses with revenues of less than or equal to \$1 million. However, seven of the 20 sampled non-farm business loans did not report revenue. Of the 13 loans with reported revenue, 12 were to non-farm businesses with less than \$1 million in revenue (92.31 percent). The 2013 Business Geodemographic Data shows 71.88 percent of non-farm businesses in the AA have revenues of less than \$1 million.

Table 4 illustrates that 80 percent of the number and 83.59 percent of the dollar amount of farm loans were made to farms with revenues of less than or equal to \$1 million. However, four of the 20 sampled farm loans did not report revenue. Of the 16 loans with reported revenue, all 16 were to farm businesses with less than \$1 million in revenue

(100 percent). The 2013 Business Geodemographic Data shows 99.15 percent of farm businesses in the AA have revenues of less than \$1 million.

Non-Farm Business Revenues	≤ \$1,000,000	> \$1,000,000	Unavailable / Unknown	Total
% of AA Non-Farm Businesses	71.88%	3.68%	24.43%	100.00%
% of Bank Loans in AA by #	60.00%	5.00%	35.00%	100.00%
% of Bank Loans in AA by \$	61.77%	6.79%	31.44%	100.00%

Farm Business Revenues	≤ \$1,000,000	> \$1,000,000	Unavailable / Unknown	Total
% of AA Farm Businesses	99.15%	0.71%	0.14%	100.00%
% of Bank Loans in AA by #	80.00%	0.00%	20.00%	100.00%
% of Bank Loans in AA by \$	83.59%	0.00%	16.41%	100.00%

Overall residential real estate lending to borrowers of different income levels is reasonable. Table 5 reflects our sample of residential mortgage loans originated between 2012 and 2013. The percentage of the bank’s loans to low-income borrowers is significantly below the overall percentage of low-income families in the AA. We took into consideration the 6.69 percent of families living below the poverty level within the AA and the impact this factor has on the ability of those families to afford a home. Lending to moderate-income borrowers is reasonable. The percentage of home mortgage loans CBNA made to moderate-income borrowers was lower than the percentage of moderate-income families in the AA.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Real Estate	17.96%	5.00%	21.56%	15.00%	25.85%	40.00%	34.63%	40.00%

Geographic Distribution of Loans

There are no low- or moderate- income geographies in CBNA’s AA. Therefore, we did not perform an analysis of the geographic distribution of loans.

Responses to Complaints

CBNA did not receive any written complaints regarding its performance in helping to meet the credit needs within its assessment area during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(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.