



Office of the
Comptroller of the Currency
Washington, DC 20219

SMALL BANK

PUBLIC DISCLOSURE

June 09, 2015

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
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

- The distribution of lending among borrowers of different income levels is reasonable.
- A majority of originated loans are within the assessment area.
- The loan-to-deposit ratio is reasonable.
- The distribution of loans to businesses and farms of different sizes is excellent.

SCOPE OF EXAMINATION

This Community Reinvestment Act (CRA) evaluation assesses the First National Bank at Darlington's, Darlington, WI (FNB Darlington) performance in meeting the credit needs of its community using full scope Small Bank CRA examination procedures. This evaluation covers the period from March 04, 2009 through December 13, 2014.

The primary performance assessment was performed under the lending test, which evaluated the bank's record of meeting the credit needs of its assessment area (AA) through lending activities. The review period for the lending analysis was January 1, 2013 to December 31, 2014. FNB Darlington is not a Home Mortgage Disclosure Act (HMDA) reporter, therefore we used sampling guidelines to analyze a sample of loans originated or purchased to calculate the percentage located within the assessment area. Our sample of loans from each major product line included: 47 residential loans, 43 commercial loans, and 60 agricultural loans, originated by FNB Darlington in 2013 and 2014.

Using the 2010 U.S. Census, we generated demographic reports to compare FNB Darlington's 2013 and 2014 residential, commercial and small farm lending to the census data of the AA. We evaluated the volume of loans originated within the AA, lending to borrowers of different incomes, and lending to businesses and farms of different sizes. Additionally, we assessed the lending volume by generating a quarterly average of the loan-to deposit (LTD) ratio since the prior CRA evaluation. The LTD average spanned 24 quarters from June 30, 2009 through March 31, 2015.

We used the Federal Deposit Insurance Corporation (FDIC) annual deposit information to define the bank's deposit market share and market presence within its AA. The most recent deposit market share information was dated June 30, 2014. We also considered the bank's responsiveness to community needs within the AA and to any complaints received during the evaluation period.

DESCRIPTION OF INSTITUTION

FNB Darlington is a small, independent community bank headquartered in Darlington, WI. Darlington is located in southwest Wisconsin, near the Iowa and Illinois borders. FNB Darlington is not owned by a holding company and has no subsidiaries or affiliates. The bank has only the one office in Darlington with assets of \$100 million and is located in a middle-income census tract.

As of March 31, 2015, the bank reported total loans and leases of \$70 million. The majority of the loan portfolio was agriculture loans, at \$45 million or 64.96 percent. Commercial loans comprised 14.89 percent of the portfolio and totaled \$10.4 million. Residential real estate loans had a balance of \$8.3 million and represented 11.90 percent of the portfolio. At \$4.9 million, consumer loans encompassed 7.08 percent of the loan portfolio. Tier 1 Capital totaled \$14 million and was comprised of common stock, surplus, and retained earnings.

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 last CRA evaluation was dated March 4, 2009. The bank received a rating of "Satisfactory."

DESCRIPTION OF ASSESSMENT AREAS

FNB Darlington's assessment area is comprised of five census tracts comprising all of Lafayette County. The AA does not have any low or moderate-income census tracts, resulting in no meaningful geographic distribution analysis. Considering the bank's size and location, the delineated AA meets the requirements of the CRA regulation and does not arbitrarily exclude low or moderate-income areas.

According to the 2010 U.S. Census, the AA population was 16,836. The AA consisted of 4,522 families; of which 677 families were low-income (14.97 percent), 892 families were moderate-income (19.75 percent), 1,236 families were middle-income (27.33 percent), and 1,717 families were upper-income (37.96 percent). The 2014 weighted average median family income was \$57,787. The AA consisted of 7,167 housing units, of which 72.19 percent were owner occupied units, 18.96 percent were rental units, and 8.85 percent were vacant units. The 2014 median housing value was \$118,636 and the median monthly gross rent was \$570.

Economic conditions in the local area are stable. The majority of businesses within the AA are small businesses and small farms with revenues less than \$1 million (80.99 percent) and less than 50 employees (88.66 percent). The AA's economy is primarily comprised of agricultural, forestry, and fishing businesses (29.46 percent), service businesses (13.07 percent), and retail trade businesses (10.15 percent). The unemployment rate for Lafayette County in 2014 was 4.3 percent compared to 5.5 percent for the state of Wisconsin.

As of June 30, 2014, FNB Darlington ranked first out of the nine institutions on the FDIC's market share deposit report with a deposit market share of 24.64 percent. Top competitors in Lafayette County include Woodford State Bank (13.93 percent), The Benton State Bank (13.11 percent), and Gratiot State Bank (11.79 percent).

Our evaluation included one community contact interview that operates in the AA. We discussed credit needs in the community that include opportunities for participation by local institutions and the degree of involvement of local institutions. This organization focused on lending to new farmers in Lafayette County. The primary credit need identified is serving the beginning farmers in Lafayette County and affordable housing within the community of

Darlington. The contact emphasized that the credit needs are being met by the lenders of Lafayette County. We also reviewed one other local community contact that focused on money management, tax collection, as well as providing access to all tax information. This contact similarly reflected that the community credit needs include finding a more effective way of helping borrowers who are “underwater” on their mortgages.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's average LTD ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. FNB Darlington's quarterly average LTD ratio was 68.24 percent based on 24 quarters ranging from June 30, 2009 through March 31, 2015. Banks of similar size in the assessment area ranged from 33.01 percent to 96.64 percent. Darlington ranked 10th out of the 12 similar size banks. The most recent LTD deposit ratio as of first quarter of 2015 was 80.34 percent.

Lending in Assessment Area

The majority of Darlington FNB's lending is within the assessment area. Based on our review, 113 loans or 75 percent of the number of loans and 74 percent of the dollar amount of Darlington FNB's loans are within the assessment area. This percentage is reasonable and meets CRA performance standards. Refer to Table 1 for additional details.

Table 1 -- Lending in AA												
Loan Type	Number of Loans				Total	Dollars of Loans				Total		
	Inside		Outside			Inside		Outside				
	#	%	#	%		\$(000)	%	\$(000)	%			
Residential	37	79%	10	21%	47	3,092	75%	1,005	25%	4,097		
Commercial	36	84%	7	16%	43	2,223	89%	269	11%	2,492		
Agricultural	40	66%	20	33%	60	7,376	70%	3,217	30%	10,593		
Total	113	75%	37	25%	150	12,691	74%	4,491	26%	17,182		

Source: Bank Loan Data 2013 and 2014

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

The bank's overall distribution among borrowers of different income levels and business and farms of different sizes is excellent.

Residential

Overall borrower distribution of residential loans to low and moderate-income families is adequate.

Table 2 reflects our sample of 37 mortgage loans (\$2.363MM) within the bank's AA that were originated in 2013 and 2014. Five loans or 13 percent of the sample were made to low-income borrowers. This is very close to the percentage of families in the AA designated as low-income. When taking into consideration that 5.73 percent of the AA's families are below the poverty level, the bank's residential lending performance to low-income borrowers is excellent. Four

loans or 11 percent of the sample were made to moderate-income borrowers. Lending to moderate-income borrowers is below the percentage of AA moderate-income families. Residential lending performance to moderate-income borrowers is poor. See Table 2 below for details.

Table 2 -- Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Residential	15	13	20	11	27	35	38	41

Source: 2010 Census Data and bank loan data.

Commercial

Lending to businesses of different sizes is excellent. We sampled 36 commercial loans that were in the bank's AA and were originated in 2013 and 2014. All of the 36 loans were made to small businesses with gross revenues under \$1 million. Per the 2014 Business Geodemographic data, there were 1,195 non-farm businesses in the bank's AA. Of the total non-farm businesses, 876 or 73 percent of non-farm businesses were operating with gross revenues under \$1 million; 44 or approximately 4 percent of non-farm businesses were operating with gross revenues greater \$1 million; and 275 or 23 percent of non-farm businesses did not report their revenues. Refer to Table 3 and Table 4 for additional details.

Table 3 -- Borrower Distribution of Loans to Non-Farm Businesses				
Non-Farm Business Revenues	$\leq \$1,000,000$	$> \$1,000,000$	Unavailable / Unknown	Total
% of AA Non-Farm Businesses	73%	4%	23%	1195
% of Bank Loans in AA by #	100%	0	0	100%
% of Bank Loans in AA by \$	100%	0	0	100%

Source: 2014 Business Geo-demographic Data and 2013 and 2014 Bank Loan Data.

Table 4 – Borrower Distribution of Loans to Businesses by Loan Size in AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume Of Loans	Percent of Dollar Volume
\$0 - \$100,000	30	83%	\$1,355,000	61%
\$100,001 - \$250,000	6	17%	\$868,000	39%
\$250,001 - \$500,000	0	0	0	0
\$500,001 - \$1,000,000	0	0	0	0
Over \$1,000,000	0	0	0	0

Source: Bank Loan Data.

Agricultural

Lending to small farms is excellent. We sampled 40 agricultural loans within the banks AA originated in 2013 and 2014. All of the 40 loans were made to small farms with gross revenues under \$1 million. Per the 2014 Business Geodemographic data, there were 499 farms in the bank's AA. Of the total farms, 496 or 99 percent of the farms were operating with gross revenues under \$1 million; and 3 or approximately 1 percent of farms were operating with gross revenues greater than \$1MM. Refer to Table 5 and Table 6 for additional details.

Table 5 -- Borrower Distribution of Loans to Farm Businesses				
Farm Business Revenues	≤ \$1,000,000	> \$1,000,000	Unavailable / Unknown	Total
% of AA Farm Businesses	99%	1%	0%	499
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: 2014 Farm Geodemographic Data and Bank Loan Data.

Table 6 – Borrower Distribution of Loans to Farms by Loan Size in AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume Of Loans	Percent of Dollar Volume
\$0 - \$100,000	11	27.5%	\$606	9%
\$100,001 - \$250,000	19	47.5%	\$2,922	42%
\$250,001 - \$500,000	10	25%	\$3,409	49%
\$500,001 - \$1,000,000	0	0	0	0
Over \$1,000,000	0	0	0	0

Source: Bank Loan Data.

Geographic Distribution of Loans

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

Responses to Complaints

FNB Darlington has not received any written complaints regarding its performance in helping to meet the credit needs within its assessment area during the evaluation period. The Office of the Comptroller of the Currency (OCC) has not received any CRA-related comments or complaints during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 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.