



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 28, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank and Trust
Charter Number 230**

**1625 10th Street
Post Office Box 98
Monroe, Wisconsin 53566-0098**

**Office of the Comptroller of the Currency
Rockford Duty Station
5804 Elaine Drive
Rockford, Illinois 61108**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The First National Bank and Trust** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 28, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated: Satisfactory Record of Meeting Community Credit Needs.

The First National Bank and Trust's loan-to-deposit ratio is reasonable, its lending within the assessment area is high and its lending to borrowers of different incomes is adequate. The bank's lending to small businesses and small farms is exceptional and the geographic distribution of mortgage loans is good.

The following table indicates the performance level of The First National Bank and Trust with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank and Trust</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes	X		
Geographic Distribution of Loans	X		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The First National Bank and Trust (FNB&T), is a \$211 million bank headquartered in Monroe, Wisconsin. FNB&T is wholly owned by First National Bancorp, Inc., a one bank holding company. The bank has branch offices in Monroe, Belleville, New Glarus and two offices in Madison. One automated teller machine is located at the Monroe and New Glarus branch offices and one is located at a Madison branch office.

On December 31, 1996, FNB&T had \$145 million in outstanding loans and a loan-to-deposit ratio of 74%. Loans make up 67% of total assets. The loan portfolio consists of the following types of loans:

Type of Loans:	% of Average Total Loans
Residential	42%
Commercial & Industrial	21%
Commercial Real Estate	14%
Agriculture	12%
Agriculture Real Estate	4%
Consumer	5%
Other	2%
Total	100%

FNB&T is the third largest bank in the three county area of Green, Dane and LaFayette Counties. When compared to other similarly-situated banks in the area, with total assets of \$250 million or less, FNB&T is the largest bank in total assets, the second largest agricultural lender and the third largest commercial lender. FNB&T's primary target markets are small-to-medium sized businesses, farms and the residential loan market.

On December 23, 1996, AMCORE Financial, Inc., headquartered in Rockford, IL, filed an application with the Federal Reserve Bank to purchase First National Bancorp, Inc. The application is still pending.

The date of the last CRA examination was February 13, 1992, when the bank was rated "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREAS (AA):

FNB&T has two Assessment Areas (AA), one consists of all of Green County and two geographies in western LaFayette County. The second consists of a large portion of south-central Dane County. Dane County is included in the Madison Metropolitan Statistical Area (MSA). All counties are within the state of Wisconsin. The AAs are based on the location of FNB&T’s branch locations and the area where a substantial portion of loans are originated. The two AAs contain a population of 165,968, per 1990 census data. Table 2 contains demographic information for the entire AA:

Table 2 Demographic Information of the Assessment Areas					
Income Level:	# of Families	% of Total	# of Geographies	% of Total	% of Owner-Occupied Units
Low-Income	5,291	12%	There are no low-income geographies*.		
Moderate-Income	7,360	17%	2	5%	3%
Middle-Income	11,751	27%	27	66%	66%
Upper-Income	19,249	44%	12	29%	31%
Total	43,651	100%	41	100%	100%

* Geography is a census tract or a block numbering area (BNA).

There are 68,512 housing units in the AAs. Of this volume, 58% are owner-occupied, 39% are rental and 3% are vacant housing units. Of the rental units, approximately one-fourth consists of multi-family units.

The credit needs are identified as small business, agriculture and low-cost housing loans. These needs were identified through 11 community contacts with business, farm, housing and government representatives conducted by the Office of the Comptroller of the Currency, Federal Reserve Bank and the Federal Deposit Insurance Corporation.

The following paragraphs separately discuss the two AAs, **Green County and a portion of LaFayette County**, and **Dane County**.

Green County and a portion of LaFayette County Assessment Area:

Some of the larger cities in this AA are Monroe, Monticello, New Glarus, South Wayne, Gratiot, Argyle and Blanchardville. The area’s economy is stable. The unemployment rate is approximately 2.3%. Major industries are agriculture and tourism. The area’s larger employers are Swiss Colony, a food and gift sales packaging company, and Monroe Truck, a sales and fabricator of truck beds. The market for financial services is strong. The banks in this area are primarily small with total assets under \$250 million; however, there are a few branch locations of larger banks headquartered elsewhere in the state.

According to the U.S. Census Bureau, a vast majority of establishments are small businesses. Approximately 816 (95%) of business establishments employ between one and 49, 37 (4%) employ 50 to 499 and less than 1% employ 500 or more. Table 3 contains demographic information for Green County and a portion of LaFayette County:

Table 3 Demographic Information of the Assessment Area in Green and LaFayette Counties						
Income Level:	# of Families	% of Total	# of Geographies	% of Total	# of Owner-Occupied Units	% of Total
Low-Income	1,427	14%	There are no low-income geographies*.			
Moderate-Income	1,905	19%	There are no moderate-income geographies*.			
Middle-Income	2,630	26%	9	90%	8,651	89%
Upper-Income	4,083	41%	1	10%	1,026	11%
Total	10,045	100%	10	100%	9,677	100%

* Geography is a census tract or a block numbering area (BNA).

Although not shown in the Table, the 1996 statewide non-metropolitan statistical area median family income is \$37,700.

There are 14,619 housing units in this AA. Of this volume, 66% are owner-occupied, 29% are rental and 5% are vacant housing units. Of the rental units, 6% consists of multi-family units.

Dane County Assessment Area:

Some of the larger cities in this AA are Madison, Belleville, Verona and Mt. Horeb. Madison is the capitol city of Wisconsin. The economy in Dane County is good. The unemployment rate is low at under 2%. Major industries are government, services and retail trade. Primary employers are the State of Wisconsin and the University of Wisconsin. The market for financial services is strong as there are many financial institutions and mortgage companies in Dane County including several branches of larger banks headquartered elsewhere in the state.

According to the U.S. Census Bureau, a vast majority of establishments are small businesses. Approximately 7,289 (94%) of business establishments employ between one and 49, 443 (5%) employ 50 to 499 and 31, less than 1%, employ 500 or more. Table 4 contains demographic information for Dane County:

Table 4 Demographic Information of the Assessment Area in Dane County	
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Income Level:	# of Families	% of Total	# of Geographies	% of Total	# of Owner-Occupied Units	% of Total
Low-Income	3,864	11%	There are no low-income geographies*.			
Moderate-Income	5,455	16%	2	7%	1,203	4%
Middle-Income	9,121	27%	18	58%	17,756	59%
Upper-Income	15,166	45%	11	35%	11,135	37%
Total	33,606	100%	31	100%	30,094	100%

* Geography is a census tract or a block numbering area (BNA).

Although not shown in the Table, the Madison MSA median family income is \$52,900.

There are 53,893 housing units in the AA. Of this volume, 55% are owner-occupied, 42% are rental and 3% are vacant housing units. Of the rental units, 29% consists of multi-family units.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB&T's loan-to-deposit ratio is reasonable. The average quarterly loan-to-deposit ratio since the last examination is 73%. FNB&T's loan-to-deposit ratio was compared to other banks with total assets of \$250 million or less within Green, Dane and LaFayette Counties, Wisconsin. These other banks reflected a ratio from a low of 53% to a high of 89%. FNB&T's loan-to-deposit ratio falls in the middle of this range.

Lending in the Assessment Areas

FNB&T's lending within its entire AA is high. A sample of 560 residential, business and farm loans totaling \$33,690,250 was reviewed to determine the extent of the bank's lending within its assessment area. On the following page, Table 5 shows the results of the loans reviewed:

Table 5 Loans Originated In the Entire Assessment Area January 1, 1996 through December 31, 1996						
Type of Loans:	Total Loans Reviewed		Loans Originated within the Assessment Area			
	#	\$	#	%	\$	%
Residential	137	\$11,052,000	115	84%	\$9,706,000	88%
Business	290	\$14,867,765	257	89%	\$11,599,131	78%
Farm	133	\$7,770,485	120	90%	\$7,057,895	91%
Total	560	\$33,690,250	492	88%	\$28,363,026	84%

Table 5 reflects FNB&T's lending in the entire AA is substantial. Overall, 88% of the number and 84% of the dollar of loans reviewed are within the AA.

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

FNB&T's overall lending to borrowers of different incomes and businesses of different sizes is good. The lending volume to small businesses and small farms is exceptional. FNB&T has an adequate level of mortgage loans to borrowers of all income levels when compared to the characteristics of its entire AA. Residential mortgage loan information maintained under the Home Mortgage Disclosure Act (HMDA) and a sample of business and farm loans were reviewed to determine the volume and distribution of such lending.

Residential Mortgage Loans:

Table 6 compares the volume of residential mortgage loans made to borrowers of different income levels to the percentage of families living within the entire AA:

Table 6 Mortgage Loans Originated in the Entire Assessment Area January 1, 1996 to December 31, 1996					
Borrower Income as a % of Median Family Income:	1996				Assessment Area Characteristics
	#	% of Total	\$	% of Total	% of Families
Low-Income	10	9%	\$380,000	4%	12%
Moderate-Income	16	14%	\$760,000	8%	17%
Middle-Income	45	39%	\$3,042,000	31%	27%
Upper-Income	39	34%	\$3,626,000	37%	44%
NA*	5	4%	\$1,898,000	20%	0%
Total	115	100%	\$9,706,000	100%	100%

* NA - Income information was not available.

Table 6 shows that FNB&T adequately lends to borrowers of all income levels, including low- and moderate-income borrowers. One of the five loans in the NA category, where income information is unavailable, is a multi-family mortgage loan totaling \$1,212,000.

Green County & a portion of LaFayette County: Table 7 compares the volume of lending to borrowers of different income levels to the family characteristics in this AA:

Table 7 Mortgage Loans Originated in Green & LaFayette Counties January 1, 1996 to December 31, 1996					
Borrower Income as a % of Median Family Income:	1996				Assessment Area Characteristics
	#	% of Total	\$	% of Total	% of Families
Low-Income	6	12%	\$166,000	7%	14%
Moderate-Income	9	18%	\$445,000	19%	19%
Middle-Income	21	43%	\$967,000	40%	26%
Upper-Income	13	27%	\$813,000	34%	41%
Total	49	100%	\$2,391,000	100%	100%

Table 7 reflects that FNB&T lends to low- or moderate-income borrowers in proportion to the characteristics of this AA.

Dane County: Table 8 compares the volume of lending to borrowers of different income levels to the family characteristics in this AA:

Table 8 Mortgage Loans Originated in Dane County January 1, 1996 to December 31, 1996					
Borrower Income as a % of Median Family Income:	1996				Assessment Area Characteristics
	#	% of Total	\$	% of Total	% of Families
Low-Income	4	7%	\$214,000	4%	11%
Moderate-Income	7	13%	\$315,000	6%	16%
Middle-Income	22	39%	\$2,048,000	40%	27%
Upper-Income	23	41%	\$2,594,000	50%	46%
NA*	0	0%	\$0	0%	0%
Total	56	100%	\$5,171,000	100%	100%

* NA - Income information was not available.

Business and Farm Loans:

A small business loan is a loan to a business in an original amount of \$1 million or less, reported in the Consolidated Report of Condition and Income under “loans secured by nonfarm, nonresidential properties” or reported as a “commercial and industrial” loan. A small farm loan is a loan in the original amount of \$500,000 or less, reported in the Report of Condition and Income under “loans secured by farmland” or “loans to finance agricultural production and other loans to farmers.” Table 9 shows the results of the review using loan size as a proxy for business and farm size:

Table 9 Small Business and Small Farm Loans Originated in the Entire Assessment Area January 1, 1996 through December 31, 1996				
Loan Amounts:	Business Loans		Farm Loans	
	#	\$	#	\$
\$1 - \$100,000	234	\$7,256,455	103	\$3,219,959
\$100,001 - \$250,000	19	\$2,763,117	13	\$2,116,936
\$250,001 - \$500,000	3	\$1,009,559	3	\$986,000
\$500,001 - \$1,000,000	1	\$570,000	NA*	NA*
Total Loans - \$1,000,000 or Less	257	\$11,599,131	119	\$6,322,895
Total Loans Reviewed	257	\$11,599,131	120	\$7,057,895
% of Total Loans Reviewed	100%	100%	99%	90%

* NA - Loans in this range are to large farms.

Table 9 reveals FNB&T makes a substantial volume of loans to businesses and farms of different sizes, particularly to small businesses and small farms.

Green County & a portion of LaFayette County Assessment Area: Table 10 shows the extent of lending to businesses and farms of different sizes in this AA using loan size as a proxy for business and farm size:

Table 10 Small Business and Small Farm Loans Originated in Green and LaFayette Counties January 1, 1996 through December 31, 1996				
	Business Loans		Farms Loans	
Loan Amounts:	#	\$	#	\$
\$1 - \$100,000	153	\$4,923,623	76	\$2,227,307
\$100,001 - \$250,000	10	\$1,543,413	9	\$1,436,936
\$250,001 - \$500,000	2	\$659,559	3	\$986,000
\$500,001 - \$1,000,000	0	\$0	NA*	NA*
Total Loans - \$1,000,000 or Less	165	\$7,126,595	88	\$4,650,243
Total Loans Reviewed	165	\$7,126,595	88	\$4,650,243
% of Total Loans Reviewed	100%	100%	100%	100%

* NA - Loans in this range are to large farms.

Table 10 reflects FNB&T's loan volume to small businesses and small farms is exceptional. All of the loans sampled were to small businesses and small farms in this AA.

Dane County Assessment Area: Table 11 shows the extent of lending to businesses and farms of different sizes in this AA using loan size as a proxy for business and farm size:

Table 11 Small Business and Small Farm Loans Originated in Dane County January 1, 1996 through December 31, 1996				
	Business Loans		Farm Loans	
Loan Amounts:	#	\$	#	\$
\$1 - \$100,000	81	\$2,332,832	27	\$992,652
\$100,001 - \$250,000	9	\$1,219,704	4	\$680,000
\$250,001 - \$500,000	1	\$350,000	0	\$0
\$500,001 - \$1,000,000	1	\$570,000	NA*	NA*
Total Loans - \$1,000,000 or Less	92	\$4,472,536	31	\$1,672,652
Total Loans Reviewed	92	\$4,472,536	32	\$2,407,652
% of Total Loans Reviewed	100%	100%	97%	69%

* NA - Loans in this range are to large farms.

Table 11 shows a substantial volume of lending to small businesses and small farms as 94% of business establishments are small.

Geographic Distribution of Loans

FNB&T has a good distribution of mortgage loans in the entire AA. Mortgage loan information maintained under the HMDA was reviewed to determine the volume and distribution of such lending. Table 12 reflects the results of the review:

Table 12 Mortgage Loans Originated in the Entire Assessment Area January 1, 1996 to December 31, 1996						
Income Level of Geography:	1996				Assessment Area Characteristics	
	#	% of Total	\$	% of Total	% of Owner-Occupied Units	% of Geographies
Low-Income	There are no low-income geographies*.					
Moderate-Income	3	3%	\$226,000	2%	3%	5%
Middle-Income	101	88%	\$8,205,000	85%	66%	66%
Upper-Income	11	10%	\$1,275,000	13%	31%	29%
Total	115	100%	\$9,706,000	100%	100%	100%

* Geography is a census tract or a block numbering area (BNA).

Green County & a portion of LaFayette County Assessment Area: FNB&T has a good distribution of mortgage loans in this AA as shown in Table 13:

Table 13 Mortgage Loans Originated in Green and LaFayette Counties January 1, 1996 to December 31, 1996						
Income Level of Geography:	1996				Assessment Area Characteristics	
	#	% of Total	\$	% of Total	% of Owner-Occupied Units	% of Geographies
Low-Income	There are no low-income geographies*.					
Moderate-Income	There are no moderate-income geographies*.					
Middle-Income	44	90%	2,103,000	88%	89%	90%
Upper-Income	5	10%	288,000	12%	11%	10%
Total	49	100%	2,391,000	100%	100%	100%

* Geography is a census tract or a block numbering area (BNA).

Dane County Assessment Area: FNB&T has a good distribution of mortgage loans in this AA as shown in Table 14:

Table 14 Mortgage Loans Originated in Dane County January 1, 1996 to December 31, 1996						
Income Level of Geography:	1996				Assessment Area Characteristics	
	#	% of Total	\$	% of Total	% of Owner-Occupied Units	% of Geographies
Low-Income	There are no low-income geographies*.					
Moderate-Income	3	5%	\$226,000	3%	4%	7%
Middle-Income	52	85%	\$5,856,000	83%	59%	58%
Upper-Income	6	10%	\$987,000	14%	37%	35%
Total	61	100%	\$7,069,000	100%	100%	100%

* Geography is a census tract or a block numbering area (BNA).

Compliance with Fair Lending Laws and Regulations

A fair lending examination was conducted in conjunction with this CRA examination. A sample, of 36 home improvement loans totaling \$708,000, originated in 1996, was reviewed to determine if FNB&T engaged in illegal lending practices. Based on this sample, no illegal discriminatory lending practices were revealed.