



## **PUBLIC DISCLOSURE**

July 05, 2016

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

First National Bank  
Charter Number: 21610

111 Jefferson Street  
Waupaca, WI 54981

Office of the Comptroller of the Currency

1200 North Mayfair Road, Suite 200  
Wauwatosa, 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 Outstanding**

**The Lending Test is rated: Outstanding**

**The Community Development Test is rated: Satisfactory**

Major factors supporting this rating include:

- The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and credit needs of the Assessment Areas (AAs).
- The bank originates a majority of its loans within its AAs.
- The distribution of borrowers reflects excellent penetration among individuals of different income and businesses of different sizes.
- The geographic distribution of loans reflects excellent dispersion throughout the Texas AA.
- The bank's community development (CD) performance demonstrates adequate responsiveness to the needs of the bank's AAs.

**Scope of Evaluation**

This Performance Evaluation (PE) assesses First National Bank's (FNB) performance under the Community Reinvestment Act (CRA). The Office of the Comptroller of the Currency (OCC) evaluated FNB's CRA performance using the Intermediate Small Bank Lending and CD Tests. The Lending Test assesses the bank's record of meeting the credit needs of its AA through lending activities. The CD Test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services. The OCC did not consider affiliate or subsidiary activity in this review.

The evaluation covers the period from January 3, 2012 to July 5, 2016. The Lending Test analyzed the bank's primary loan products, home mortgage and small businesses (including purchases and refinances) originated or purchased from January 1, 2014 through December 31, 2015. The CD Test covered the CD loans, investments, and services from January 3, 2012 through May 31, 2016. Additionally, the OCC obtained the most recent demographic data available for the Lending Test. As part of this evaluation, the OCC conducted a data integrity review of the bank's home mortgage loans to verify the accuracy of the reportable data required by the Home Mortgage Disclosure Act (HMDA) and the bank's reported small business loans. The OCC noted that the bank made reporting errors in key fields of the 2014 CRA data (reported Small Business and Small Farm loans). Bank management corrected all errors. The OCC validated the corrected data, and all data used in this evaluation is accurate and reliable.

The OCC reviewed the bank's CD loans, investments, and services based on information provided by the bank. The OCC considered only those items that met the regulatory definition of CD in the CD Test.

For the Lending Test, the bank's primary loan products are small business loans and home mortgage loans (including purchases and refinances).

The OCC used Federal Deposit Insurance Corporation (FDIC) annual deposit information 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, 2015.

## **Description of Institution**

FNB is a \$525 million financial institution with its main office located in downtown Waupaca, Wisconsin. The institution is owned by Waupaca Bancorporation, Inc., a one-bank holding company located in Waupaca, Wisconsin. The bank operates nine branches in addition to the main office in Waupaca, Wisconsin and one branch in Childress, Texas. The Wisconsin branches are located in Lola, Chetek, Weyauwega, Clintonville, Marion, Shiocton, and Seymour. The Texas branch is located in Childress. The bank opened no new branches but closed two Texas branches in Pampa and Shamrock in January 2015. The hours of operation as well as products and services offered at the branches are all similar. All locations have 24-hour Automated Teller Machines (ATMs).

The bank offers traditional community banking products and services. As of March 31, 2016, the loan portfolio represented 77.43 percent of total assets. The primary loan products are business (commercial real estate and commercial & industrial) loans and residential real estate loans. The loan portfolio consists of commercial loans (56.69 percent), residential real estate loans (25.32 percent), agriculture loans (15.34 percent), and consumer loans (1.96 percent) as of March 31, 2016. Tier 1 capital totaled \$79.3 million at March 31, 2016.

There are no legal or financial impediments limiting the bank's ability to meet community credit needs. The bank is under a Consent Order issued December 17, 2014 by the OCC. The Consent Order and the bank's financial condition during this time have contributed to lower lending levels. FNB's last CRA evaluation was on January 3, 2012, using the "Intermediate-Small Bank Lending and Community Development Test" procedures. The bank received a "Satisfactory" rating.

## **Selection of Areas for Full-Scope Review**

The Wisconsin non-metropolitan statistical area (MSA) AA and the Texas non-MSA AA received full scope reviews, while the Appleton MSA AA received a limited scope review. The Wisconsin non-MSA received the most weight, as the majority of the bank's branches and deposits are located within this AA. Refer to the "Scope" section under each State Rating section for details regarding how the OCC selected and

reviewed AAs.

## **Description of Assessment Areas**

The bank has three AAs. The Wisconsin non-MSA and Appleton MSA AAs are located in the state of Wisconsin. The Texas non-MSA is located in the state of Texas. All three AAs comply with regulatory requirements and do not arbitrarily exclude any low- or moderate-income geographies.

According to the most recent FDIC Deposit Market Share Report as of June 30, 2015, FNB ranks third out of forty-nine institutions in the combined AA market and holds 7.59 percent of the market share.

### **Wisconsin non-MSA AA**

According to the most recent FDIC Deposit Market Share Report as of June 30, 2015, FNB ranks first out of twenty-four institutions in the Wisconsin non-MSA AA market and holds 17.78 percent of the market share.

The Wisconsin non-MSA AA includes the whole counties of Waupaca, Shawano, and Barron. The Wisconsin non-MSA AA has a total of thirty-three census tracts (CTs); three moderate-income tracts, twenty eight middle-income tracts, and two upper-income tracts. The majority of the bank's loan and deposit base is located in the Wisconsin Non-MSA AA. The main branch is located in Waupaca within a moderate-income CT.

The Wisconsin non-MSA AA has a population of 140,229 (all three counties) based on 2010 U.S. Census data. The 2010 updated Department of Housing and Urban Development (HUD) estimated median family income (MFI) is \$61,500. A breakdown of family income levels in the Wisconsin non-MSA AA shows 19.83 percent as low-income, 19.36 percent as moderate-income, 24.55 percent as middle-income, and 36.25 percent as upper-income. Families with income levels falling below the poverty level are at 7.86 percent.

### **Appleton MSA AA**

According to the most recent FDIC Deposit Market Share Report as of June 30, 2015, FNB ranks fourteenth out of twenty-seven institutions in the Appleton MSA market and holds 1.44 percent of the market share.

The Appleton MSA AA includes the whole county of Outagamie. The Appleton MSA AA contains six CTs, which are all middle-income. The Appleton MSA AA has a population of 31,240 based on 2010 U.S. Census data. The 2010 updated HUD estimated MFI is \$77,100. A breakdown of family income levels in the Appleton MSA shows 16.19 percent as low-income, 20.53 percent as moderate-income, 28.09 percent as middle-income, and 35.18 percent as upper-income. Families with income levels below the poverty level are at 3.59 percent.

## **Texas non-MSA AA**

According to the most recent FDIC Deposit Market Share Report as of June 30, 2015, FNB ranks eighth out of eleven institutions in the Texas non-MSA market and holds 3.28 percent of the market share.

In the Texas non-MSA AA, there is one CT in Childress County, which has been federally designated as a “Distressed and Underserved Middle-Income Nonmetropolitan Tracts” due to poverty as well as being in a “Remote Rural” location. One CT in Wheeler County has also been federally designated as “Distressed and Underserved Middle-Income Nonmetropolitan Tracts” due to population loss and being in a “Remote Rural” location.

### **2015**

The Texas non-MSA AA includes the whole county of Childress. The Texas non-MSA AA contains two CTs; one is a middle-income tract, and one is upper-income. The Childress branch is located in a federally designated “Distressed and Underserved Middle-Income Nonmetropolitan Tracts.”

The Texas non-MSA AA (Childress) has a population of 7,041 based on 2010 U.S. Census data. The 2010 updated HUD estimated MFI is \$52,800. A breakdown of family income levels in the Texas non-MSA AA shows 23.69 percent as low-income, 8.79 percent as moderate-income, 26.18 percent as middle-income, and 41.34 percent as upper-income. Families with income levels below the poverty level are at 15.35 percent.

### **2014**

The Texas non-MSA AA included the entire counties of Childress, Gray, and Wheeler. The Texas AA contained eleven CTs, three moderate-income, five middle-income, and three upper-income. The bank sold the Gray county (Pampa) and Wheeler (Shamrock) county branches in January 2015, and took those counties out of its AA at that time.

The Texas non-MSA AA (Childress, Gray, and Wheeler) has a population of 34,986 based on 2010 U.S. Census data. The 2010 updated HUD estimated MFI is \$53,108. A breakdown of family income levels in the Texas non-MSA AA shows 20.27 percent as low-income, 16.39 percent as moderate-income, 19.30 percent as middle-income, and 44.05 percent as upper-income. Families with income levels below the poverty level are at 11.81 percent.

We interviewed community contacts in the Wisconsin non-MSA AA, which received the most weight in this evaluation, to determine the state of the local economy and opportunities for financial institution participation in CD.

One community contact in Waupaca is a City Representative from the City of Waupaca.

The interviewee indicated that local economic conditions are stable; however, he stated that the low-to-moderate income population has increased over the last ten years. In addition, he also stated there has been a slight increase in the minority population, specifically within the African-American population. The City of Waupaca participates in a housing rehabilitation program, which is funded through CD block grants, serving the low to moderate income population. The City of Waupaca received a \$500 million grant ten years ago and has not received another since. Loans are given to qualified individuals to fix and repair their homes at no interest. If the home sells, then the loan needs to be paid back, which is how the fund is replenished. The City Representative indicated that financial institutions are gracious with public facilities and needs, with FNB being one of the top two banks. However, he also indicated that he would like to see financial institutions be more involved with assisting first time homebuyers and with the development of new sub-divisions, as there has been no new housing in the last five years.

Another community contact in Waupaca is a District Administrator at the School District of Waupaca. The school district runs pre-k through the twelfth grade and is funded through state and federal grants. Approximately 45 percent of aid is provided by the state and 50 percent to 55 percent is funded through property taxes. The District Administrator stated that 40 percent to 42 percent of the students in the school district receive free and reduced lunch (low-to-moderate income families). According to the District Administrator, this number has been on an increasing trend. When asked about financial institutions involvement, he indicated that local institutions have been meeting the needs of the local community.

## **Conclusions with Respect to Performance Criteria**

### **The Lending Test is rated: Outstanding**

FNB does an excellent job of meeting the lending needs of its AAs. The OCC placed more weight on small business lending when evaluating lending performance, as this is the bank's primary loan type.

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, overall financial condition, and AA credit needs. FNB's quarterly LTD ratio averaged 96.47 percent over seventeen quarters from December 31, 2011 to March 31, 2016. The OCC identified 12 similarly-situated commercial or state banks for comparison within the AA in the state of Wisconsin and Texas. FNB ranks first out of all of the competition in both AAs based on its average LTD ratio.

The LTD ratios for all ten banks (including FNB) in Wisconsin ranged from 47.53 percent to 96.76 percent, with FNB ranking first. The LTD ratio for the three banks in Texas ranged from 18.25 percent to 69.70 percent.

Asset size for the peer bank group in Wisconsin ranged from \$22,553 million to

\$334,240 million. Asset size for the peer bank group in Texas ranged from \$225,328 million to \$317,909 million.

### Lending in Assessment Area

The bank originates a majority of loans inside of its AAs. The bank originated 75 percent by number and 67 percent by dollar amount within its AAs. See Table 1 below for additional details.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Home Purchase	52	75.36%	17	24.64%	69	5,987	69.25%	2,658	30.75%	8,645
Home Improvements	23	85.19%	4	14.81%	27	1,176	75.29%	386	24.71%	1,562
Home Refinance	53	85.48%	9	14.52%	62	7,717	87.85%	1,067	12.15%	8,784
Small Business	235	72.30%	90	27.69%	325	23,491	60.98%	15,029	39.02%	38,520
Total	363	75.15%	120	24.84%	483	38,371	66.72%	19,140	33.28%	57,511

Source: 2014 & 2015 HMDA Data and reported CRA Small Business Data

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

The distribution of loans reflects excellent penetration among borrowers of different income and businesses of different sizes.

### Geographic Distribution of Loans

The OCC performed a geographic distribution analysis only on the Waupaca non-MSA AA and the Texas non-MSA AA. The Appleton MSA AA does not have any low- or moderate-income CTs; therefore, an analysis would not be meaningful.

Overall, the geographic distribution of loans reflects excellent dispersion throughout the Wisconsin non-MSA AA and the Texas non-MSA AA.

### Community Development Test

#### Number and Amount of Community Development Loans

The volume and amount of qualified CD lending is adequate. FNB originated two loans that meet the definition of CD in the CRA. These loans totaled approximately \$305,000. One of the loans allowed an organization located in a moderate-income CT to provide a needed community service. The other loan was to an organization that provides affordable housing.

#### The Number and Amount of Qualified Investments

The level and amount of qualified investments reflects an adequate responsiveness to CD needs. FNB made eleven donations to nine organizations that meet the definition of CD during the evaluation period. The donations totaled \$9,200 and supported community services targeted to low- and moderate-income borrowers and affordable housing.

### **Extent to Which the Bank Provides CD Services**

FNB's level of CD services demonstrates an adequate responsiveness to CD needs. Throughout the evaluation period, six employees participated with five CD organizations in the bank's AAs. The organizations provided community services targeted to low- and moderate-income borrowers and economic development. Several of the employees took on leadership roles at the organizations including sitting on the board of directors and serving as treasurer.

FNB's offices and services are reasonably accessible to individuals of different income levels throughout its AAs. All branch locations offer drive up service and have 24-hour ATM access, and the Childress branch is located in a federally designated "Distressed and Underserved Middle-Income Nonmetropolitan Tract." The bank offers low cost banking products such as a variety of loan and deposit accounts including free checking and savings accounts. In addition, the bank offers free cash checking to its customers. The bank also offers free mobile banking, Internet banking, and tele-banking to all customers, providing electronic transfer and bill pay capabilities.

### **Responsiveness to CD Needs**

FNB demonstrates an adequate responsiveness to the available development needs of its community through qualified CD loans, investments, and services.

### **Responses to Complaints**

The bank has not received any CRA-related complaints since the last CRA evaluation. The OCC has not received any CRA-related complaints regarding FNB during the evaluation period.

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

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

The OCC found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.



## **State Rating**

### **State of Wisconsin**

#### **CRA Rating for Wisconsin: Outstanding**

**The Lending Test is rated: Outstanding**

**The Community Development Test is rated: Satisfactory**

The major factors that support this rating include:

- The distribution of loans to borrowers of different income levels and businesses of different sizes is excellent. The distribution of loans to small businesses exceeds the demographics. The bank does an excellent job of extending home mortgages to low- and moderate-income individuals.
- The geographic distribution reflects excellent dispersion.
- CD lending and investment activities demonstrate adequate responsiveness.

#### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN WISCONSIN**

The bank operates nine branches in addition to the main office in Waupaca, Wisconsin. The Wisconsin branches are located in Iola, Chetek, Weyauwega, Clintonville, Marion, Shiocton, and Seymour. The bank did not open or close any branches in Wisconsin during the evaluation period. The hours of operation as well as products and services offered at the branches are all similar. All locations have 24-hour ATMs. There are a total of thirty-three CTs, and three of them are moderate-income.

#### **SCOPE OF EVALUATION IN WISCONSIN**

The OCC performed a full scope review of the bank's Wisconsin non-MSA AA and a limited scope review of the Appleton MSA. The OCC based the ratings for this evaluation primarily on the bank's performance in the Wisconsin non-MSA AA as the majority of the bank's branches, deposit, and lending activities occur there.

# CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN WISCONSIN

## Conclusions about Performance Criteria

### Wisconsin non-MSA AA – Full Scope Review

#### Lending Test

The bank’s performance under the Lending Test in Wisconsin is rated **Outstanding**.

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

The distribution of loans reflects excellent penetration among borrowers of different incomes and businesses of different sizes.

#### *Residential Lending*

Residential lending to low- and moderate-income borrowers is excellent. Originations made to moderate-income borrowers for home purchase, home improvement, and refinancing exceeded the percentage of moderate-income families in the AA. Originations made to low-income families for home improvement lending are also excellent and exceeded the percentage of low-income families in the AA. Home purchase lending to low-income families is reasonable as the percentage of bank loans is lower than the percentage of low-income families. Refinance lending to low-income borrowers is poor as the percentage of bank loans to low-income borrowers is below the percentage of low-income borrowers in the AA. However, homeownership is not a viable option for families living below the poverty line. When taking into account the percentage of families below the poverty level, the percentage of refinance loans made to low-income borrowers is near to the percentage of low income families and is considered reasonable. The percentage of families in the Appleton AA is 3.59%. See Table 2 below for details.

Table 2 -- Borrower Distribution of Home Mortgage Loans in WI Non-MSA 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
Home Purchase	19.83%	12.33%	19.36%	21.35%	24.55%	16.85%	36.25%	49.44%
Home Improvement	19.83%	23.25%	19.36%	20.93%	24.55%	25.58%	36.25%	30.23%
Refinancing	19.83%	10.75%	19.36%	22.58%	24.55%	27.96%	36.25%	38.71%

Source: HMDA Data (2014 & 205) and U.S. Census Data (2010)

*Small Business Lending*

Small business lending to businesses with revenues of \$1 million or less is excellent. The percentage of loans to businesses with revenues of \$1 million or less exceeded the percentage of non-farm businesses with revenues less than \$1 million in this AA. See Table 3 below for details.

<b>Table 3 -- Borrower Distribution of Loans to Businesses-WI non-MSA AA</b>				
Non-Farm Business Revenues	≤ \$1,000,000	> \$1,000,000	Unavailable / Unknown	Total
% of AA Non-Farm Businesses	77.87	4.91	17.23	100
% of Bank Loans in AA by #	78.50	16.50	5.00	100

Source: CRA Small Business Data (2014 & 205) and U.S. Census Data (2010)

**Lending to Census Tracts of Different Income Levels Geographic Distribution of Loans**

The overall geographic distribution of loans in the Wisconsin non-MSA AA reflects excellent dispersion throughout CTs of different income levels. The Wisconsin non-MSA AA does not contain any low-income census tracts.

We did not identify any unexplained lending gaps in the delineated AA.

*Residential Lending*

The geographic distribution of home mortgage loans among moderate-income geographies in the bank’s Wisconsin non-MSA AA is excellent. The percentage of bank loans in moderate-income CTs exceeded the percentage of owner occupied housing units (OOHUs) located within those moderate-income CTs. See Table 4 below for more information.

<b>Table 4 -- Geographic Distribution of Home Mortgage Loans in the Waupaca Non-MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	0.0%	0.0%	8.61%	10.53%	84.47%	17.78%	6.91%	13.89%

Source: HMDA Data (2014 & 205) and U.S. Census Data (2010)

*Small Business Lending*

The geographic distribution of small business loans is excellent among different income

geographies in the bank’s Wisconsin non-MSA AA. The bank’s small business loans originated in moderate-income CTs exceeds the percentage of AA businesses. See Table 5 below for details.

Table 5 - Geographic Distribution of Loans to Businesses in WI Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Small Business	0.00	0.00	8.85	14.50	87.25	78.00	3.90	7.50

Source: CRA Small Business Data (2014 & 2015) and U.S. Census Data (2010)

### COMMUNITY DEVELOPMENT TEST

The bank’s performance under the CD Test in Wisconsin is rated **Satisfactory**.

#### Number and Amount of Community Development Loans

The volume and amount of qualified CD lending is adequate. FNB originated two loans that meet the definition of CD in the CRA in the Wisconsin non-MSA AA. These loans totaled approximately \$305,000. One of the loans allowed an organization located in a moderate-income CT to provide a needed community service. The other loan was to an organization that provides affordable housing.

#### The Number and Amount of Qualified Investments

The level and amount of qualified investments reflects an adequate responsiveness to CD needs. FNB made ten donations to eight organizations located in the Wisconsin non-MSA AA that meet the definition of CD during the evaluation period. The donations totaled \$8,700 and supported community services targeted to low- and moderate-income borrowers and affordable housing.

#### Extent to Which the Bank Provides CD Services

FNB’s level of CD services demonstrates an adequate responsiveness to CD needs. Throughout the evaluation period, six employees participated with five CD organizations in the bank’s Wisconsin non-MSA AA. The organizations provided community services targeted to low- and moderate-income borrowers and economic development. Several of the employees took on leadership roles at the organizations including sitting on the board of directors and serving as treasurer.

FNB’s offices and services are reasonably accessible to individuals of different income levels in the Wisconsin Non MSA AA. All branch locations offer drive up service and have 24-hour ATM access, and the main office is located in a moderate- income CT. The bank offers low cost banking products such as a variety of loan and deposit accounts including free checking and savings accounts, and offers free cashing of

checks for customers. The bank also offers free mobile banking, Internet banking, and tele-banking to all customers, providing electronic transfer and bill pay capabilities.

### **Responsiveness to CD Needs**

FNB demonstrates an adequate responsiveness to the available development needs of its community through qualified CD loans, investments, and services.

### **Limited-Scope Areas**

#### **Appleton MSA AA**

The bank's performance in the Appleton MSA AA is not consistent with, and weaker than, the bank's overall rating of Outstanding in the state of Wisconsin and is Satisfactory. The weaker performance is due to reasonable borrower distribution. The Appleton MSA AA does not contain any low- or moderate-income CT and therefore a geographic analysis is not meaningful. This did not have an impact on the overall bank rating.

## **State Rating**

### **State of Texas**

#### **CRA Rating for Texas: Satisfactory**

**The Lending Test is rated: Satisfactory**

**The CD Test is rated: Needs to Improve**

The major factors that support this rating include:

- The distribution of loans to borrowers of different income levels and businesses of different sizes reflects reasonable penetration in the Texas AA.
- The geographic distribution is reasonable.
- The bank demonstrated poor responsiveness through CD in the Texas non-MSA AA.

#### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN TEXAS**

In Texas, the bank operates one full-service branch located in Childress. FNB closed two branches in Gray (Pampa) and Wheeler (Shamrock) Counties in January 2015. The Texas non-MSA AA includes the whole county of Childress. The Texas non-MSA AA contains two CTs; one middle-income and one upper-income. In the 2014 analysis, the Texas non-MSA AA consisted of Childress, Gray, and Wheeler Counties. There were a total of eleven CTs, with three moderate-income tracts, five middle-income tracts, and three upper-income tracts. There are a total of two federally designated "Distressed and Underserved Middle-Income Nonmetropolitan Tracts" in both Childress and Wheeler Counties.

#### **SCOPE OF EVALUATION IN TEXAS**

The OCC's assessment includes a full-scope review of the Texas non-MSA AA as the bank generates a significant amount of lending and deposit activity in this area.

# CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TEXAS

## Conclusions about Performance Criteria

### Texas non-MSA AA – Full Scope Review

#### Lending Test

The bank’s performance under the Lending Test in Texas is rated **Satisfactory**.

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

The distribution of loans reflects reasonable penetration among borrowers of different incomes and businesses of different sizes.

#### *Residential Lending*

Overall, residential lending to low- and moderate-income borrowers is poor. The percentage of bank loans to low-income borrowers is significantly below the percentage of low-income families in the AA. When considering the 11.81 percent poverty rate, this performance is still poor. The percentage of bank loans to moderate-income borrowers is below the percentage of moderate-income borrowers in the AA. See Table 6 below for more details.

Table 6 -- Borrower Distribution of Home Mortgage Loans in TX Non-MSA 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
Home Mortgage	20.27	4.00	16.39	8.00	19.30	20.00	44.05	68.00

Source: HMDA Data (2014 & 205) and U.S. Census Data (2010)

#### *Small Business Lending*

The borrower distribution of small business loans is excellent in the Texas non-MSA AA. Loans to businesses with revenues of \$1 million or less exceeded the percentage of non-farm businesses with revenues less than \$1 million in this AA. See Table 7 below for details.

Table 7 -- Borrower Distribution of Loans to Businesses -- TX non-MSA AA				
Non-Farm Business Revenues	≤ \$1,000,000	> \$1,000,000	Unavailable / Unknown	Total
% of AA Non-Farm Businesses	68.87	3.66	27.47	100
% of Bank Loans in AA by #	88.46	3.85	7.69	100

Source: CRA Small Business Data (2014 & 205) and U.S. Census Data (2010)

### Lending to Census Tracts of Different Income Levels Geographic Distribution of Loans

The overall geographic distribution of loans in the Texas non-MSA AA reflects reasonable dispersion throughout CTs of different income levels. The Texas non-MSA AA does not contain any low-income CT.

We did not identify any unexplained lending gaps in the delineated AA.

#### Residential Lending

The geographic distribution of home mortgage loans among different income geographies is poor. The Texas non-MSA AA does not contain any low-income CTs. Residential loans originated in moderate-income CTs for home mortgage loans are significantly below the percentage of OOHU in those tracts. See Table 8 for more details.

Table 8 - Geographic Distribution of Residential Real Estate Loans in Texas Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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 Mortgage	0.00	0.00	15.95	3.57	41.54	39.29	42.51	57.14

Source: HMDA Data (2014 & 205) and U.S. Census Data (2010)

#### Small Business Lending

The geographic distribution of small business loans demonstrates among different income geographies in the bank's Texas non-MSA AA is reasonable. The bank's small business loans originated in moderate-income CT is lower than the demographic comparator. See Table 9 below for details.

Table 9 - Geographic Distribution of Loans to Businesses in Texas Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Small Business	0.00	0.00	17.61	11.54	46.02	53.85	36.37	34.62

Source: CRA Small Business Data (2014 & 205) and U.S. Census Data (2010)

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD test in Texas is rated: Needs to Improve.

### **Number and Amount of CD Loans**

FNB did not originate any CD loans in the Texas non-MSA AA during the evaluation period.

### **The Number and Amount of Qualified Investments**

The level and amount of qualified investments reflects a poor responsiveness to CD needs. FNB made one donation to an organization located in the Texas non-MSA during the evaluation period. The donation totaled \$500 and supported community services targeted to low- and moderate-income borrowers.

### **Extent to Which the Bank Provides CD Services**

FNB did not provide any CD services in the Texas non-MSA AA during the evaluation period.

FNB's offices and services are reasonably accessible to individuals of different income levels in the Texas non-MSA AA. All branch locations offer drive up service and have 24-hour ATM access, and the Childress branch is located in a federally designated "Distressed and Underserved Middle-Income Nonmetropolitan Tract". The bank offers low cost banking products such as a variety of loan and deposit accounts including free checking and savings accounts, and free cashing of checks for customers. The bank also offers free mobile banking, Internet banking, and tele-banking to all customers, providing electronic transfer and bill pay capabilities.

### **Responsiveness to CD Needs**

FNB demonstrates poor responsiveness to the available development needs of its community through qualified CD loans, investments, and services.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: (1/01/2014 to 12/31/2015) CD Test: (01/03/2012 to 5/31/2016)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First National Bank, Waupaca, Wisconsin	Residential Mortgage Small Business Loans	
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
(WI) <b>Waupaca, Shawano, Barron Counties Non MSA</b> MSA N/A, Counties 135, 115, 005	Full Scope	
<b>Outagamie County Appleton MSA MSA 11540, County 87</b>	Limited Scope	
(TX) <b>Childress, Gray and Wheeler Counties, Non MSA</b> MSA N/A, Counties 75,179, 483	Full Scope	

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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Overall Bank:	Lending Test Rating	CD Test Rating	Overall Bank / State / Multistate Rating
FNB	Outstanding	Satisfactory	Outstanding
Wisconsin	Outstanding	Satisfactory	Outstanding
Texas	Satisfactory	Needs to Improve	Satisfactory