



Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

August 23, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Baraboo National Bank
Charter Number 14397
101 Third Avenue
Baraboo, Wisconsin 53913**

**Comptroller of the Currency
Milwaukee Field Office
744 North 4th Street, Suite 626
Milwaukee, Wisconsin 53203**

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 Baraboo National Bank, Baraboo, Wisconsin**, as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of **August 23, 1999**. 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: **Outstanding Record of Meeting Community Credit Needs.**

- Baraboo National Bank's (BNB's) penetration of loans to borrowers of different income levels is excellent and exceeds the standards for a "satisfactory" rating.
- The bank has a good distribution of loans to businesses of different sizes, particularly to the smallest of businesses in the bank's assessment area.
- BNB's average loan-to-deposit ratio is more than reasonable and well above local competitors.
- A substantial majority of BNB's loans are originated within its assessment area.

DESCRIPTION OF INSTITUTION

BNB is a \$218 million dollar institution with its main office located in downtown Baraboo, Wisconsin. Baraboo is approximately 35 miles northwest of Madison. BNB is wholly owned by Baraboo Bancorporation, Incorporated (BBI), a \$321 million dollar four-bank holding company also located in Baraboo. BBI also owns the State Bank of Viroqua, located in Vernon County, Green Lake State Bank, in Green Lake County, and the State Bank of Wonewoc in Sauk County. In addition to the main office, BNB operates 4 full-service branches. There are branches in the east and west sides of Baraboo, as well as one each in the towns of Rock Springs and Lake Delton. All of the bank's offices are located in the northern portion of Sauk County. The bank also operates a drive-through facility near the main office. BNB has not opened or closed any branches subsequent to the last CRA evaluation. In addition to the branch locations, BNB operates 20 proprietary Automated Teller Machines (ATMs). All ATMs are located in Sauk County and are within the bank's AA. Thirteen of the bank's 20 ATMs were added since the bank's last evaluation. Hours at the main office and the bank's four branches are similar. All bank offices are open 5 days a week with the earliest opening at 7:30 a.m. and the latest closing at 6:00 p.m. The branches are also open on Saturdays until around noon.

As of June 30, 1999, net loans represent 78% of BNB's total assets. Management primarily focuses on commercial and residential real estate lending. BNB also originates a high volume of consumer loans, primarily due to the operation of a relatively high-volume indirect automobile loan department. BNB's loan portfolio is broken down as follows: \$84.9 million in commercial loans (49.6% of total loans); 53.2 million in residential related real estate loans (31.0%); \$23.9 million in consumer loans (14.0%); \$6.7 million in agricultural loans (3.9%); and \$2.6 million (1.5%) in other loans. Annualized loan growth as of June 30, 1999 is 15%.

There are no legal or financial impediments impacting the bank's ability to meet the AA's credit needs. The last Public Evaluation was issued by the Office of the Comptroller of the Currency in October of 1996. At that time BNB was rated Outstanding record of meeting community credit needs.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

BNB's assessment area (AA) consists of 12 contiguous Block Numbering Areas¹ (BNAs); nine in Sauk County and one BNA in each of the three adjacent counties of Adams, Columbia and Juneau.² All 12 geographies in BNB's AA are middle-income. Middle-income geographies have income levels between 80% and 119% of the median family income (MFI) level for the area. Based on 1990 census data, the MFI level for a non-metropolitan statistical area in Wisconsin is \$30,290. Housing and Urban Development (HUD) estimates the MFI on an annual basis. The HUD updated non-metropolitan statistical area MFI

1 A BNA, also called geography, is a small, locally defined statistical area. BNA's are created in an attempt to group homogenous populations.

2 The following geographies are in BNB's AA: BNAs 9501-06 and 9509-11 in Sauk County; BNA 9507 in Adams County; BNA 9703 in Columbia County; and BNA 9907 in Juneau County.

for the assessment area in 1999 is \$44,400.

The bank's AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

Based on 1990 census data, the population of the AA is 50,545. The population consists of 13,976 families of which 2,188 (15.7% of all families in the AA) are low-income families; 2,727 (19.5%) are moderate-income families; 3,718 (26.6%) are middle-income families; and 5,343 (38.2%) are upper-income families. Low-income families have incomes between 0% and 49% of the HUD updated MFI level of the area; moderate-income families have income levels between 50% and 79% of the HUD updated MFI; middle-income families have income levels between 80% and 119% of the HUD updated MFI; and upper-income families have income levels over 120% of the HUD updated MFI of the area. Of the 2,188 low-income families, 950 or 43.4% of them have incomes below the poverty level. These families may have difficulty qualifying for housing-related products.

The economy is good and population growth is strong in Sauk and Adams Counties. Unemployment throughout the assessment area is low at approximately 3.4%. This is similar to the state's unemployment rate. Top employment sectors in the area are manufacturing and services industries with the motel and restaurant industry showing high seasonal employment. Major employers in the area include Land's End, Incorporated, Grede Foundries, Sysco Corporation, and Flambeau Corporation.

There is strong competition among financial institutions in the area. In Sauk County, where all of BNB's offices are located, there are 12 financial institutions with offices, not including credit unions or non-bank institutions. In Baraboo itself, there are two banks besides BNB and one credit union. Competitors throughout BNB's AA include independent community banks, separately-chartered banks of larger holding companies, branches of larger, regional institutions, credit unions, and non-bank financial institutions such as mortgage companies and loan brokers. In Sauk County, BNB ranks first in deposit market share at 18.65%.

In an effort to assess community credit needs, we conducted a community contact in conjunction with this examination. Our contact was with a local housing agency. Our contact concurred that the economy in Sauk County was very good and the number of clients served by the agency has declined. There still is opportunity for banks to participate in helping to meet the housing needs of low-income families through the purchase of low-income housing tax credits. Generally, our contact believed that the local banks have been very helpful and involved with the community. The contact specifically mentioned how BNB helped the agency in its infancy when funding dollars were not always there when needed. Other contacts conducted by other agencies were also reviewed in conjunction with this examination. Small business loans were frequently mentioned as a community credit need.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This evaluation period covers activity from October 1996 through August 1999. Baraboo National Bank is a leader in meeting the community's credit needs in a manner commensurate with its size, resources and capabilities.

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

- BNB has an excellent distribution of retail loans to borrowers of different income levels. The bank also has a good distribution of loans to businesses of different sizes.

We assessed the bank's performance in lending to borrowers of different income levels by comparing residential real estate and consumer loan originations by borrower income level to the demographics of the area. We selected these products as they comprise the bulk of BNB's retail lending activity. Furthermore, consumer lending was weighed as equally as residential real estate lending as housing needs were not mentioned as a pressing community need by local contacts. Also, based on the number of originations, BNB has originated many more consumer loans over the past 30 months than residential real estate loans. After testing the accuracy of internally prepared bank reports, we compared BNB's new residential and consumer loan originations by borrower income level to 1990 United States Census Bureau information and HUD updated MFI data. All new loan originations over the 30 months preceding this evaluation were used in this analysis. Given the demographics of the AA, BNB has an excellent distribution of loans to borrowers of different income levels. The bank's percentage of loans to low-income borrowers is nearly equal to the percentage of low-income families. This is considered excellent given the percentage of low-income families below the poverty level. BNB's percentage of the number of loans to moderate-income borrowers materially exceeds the demographics of the area. Table 1 below illustrates the bank's performance in lending to borrowers of different income levels:

Table 1 - Percentage of New Residential and Consumer Loans* to Borrowers of Different Income Levels						
Income Category	# of Loans Extended	% of Loans Extended	\$ of Loans Extended	% of \$ Loans Extended	% of Families by Income Level**	Ranges of Income in Category***
Low-income	1,161	15.5%	\$6,774	4.9%	16%	Less than \$22,200
Moderate-income	2,034	27.2%	\$20,020	14.5%	19%	\$22,200 to \$35,519
Middle-income	1,870	25.0%	\$32,698	23.7%	27%	\$35,520 to \$53,279
Upper-income	2,408	32.2%	\$78,448	56.8%	38%	\$53,280.00 and above

* Includes consumer and residential real estate loans made during the last 30 months.

** Data is from 1990 US Census data.

*** Based on HUD's estimated 1999 Median Family Income in non-MSA areas of the State of Wisconsin

The bank's percentage of dollars loaned to low- and moderate-income borrowers is below the percentage of families with low- and moderate-incomes. However, this is a function of the families incomes and smaller dollar loan sizes are expected.

We also assessed the bank's performance in lending to businesses and farms of different sizes. This was done using internally prepared bank reports that were also verified for accuracy. The results of our analysis are detailed in Tables 2 and 3 below. Over the 30 months preceding this evaluation, approximately 77% of BNB's commercial loan originations have been to businesses with revenues less than \$1 million. Over

that same time period, 99% of the bank's agricultural loans have been to farms with revenues less than \$1 million. This information is detailed in Table 2. According to 1990 Census Bureau information, approximately 90% of all non-farm businesses with known revenues in the AA have revenues less than \$1 million. Approximately 97% of farms with known revenues have revenues less than \$1 million. This information is illustrated in Table 3. BNB has a lower percentage of loans to businesses with revenues under \$1 million than the demographics of the area due to its holding company structure. Because BNB has three separately chartered bank affiliates, loans to larger companies can be sold in part to these affiliates. This provides BNB with more flexibility to originate loans to the larger companies in the AA, who may be seeking larger dollar loan amounts. Still, Table 2 indicates that BNB has originated a large percentage of loans (65.6%) to businesses with revenues less than \$500,000. This indicates a strong willingness to finance the smallest of businesses that may have a more difficult time accessing credit.

Tables 2 and 3 also indicate that BNB's percentage of loans to farms is commensurate with the percentage of farms with revenues less than \$1 million in the AA.

Annual Revenues	<100,000	100,000 to 500,000	500,001 to 1,000,000	>1,000,000
# of Commercial Loans	452	337	140	273
% of Commercial Loans Made	37.6%	28.0%	11.7%	22.7%
# of Agricultural Loans	185	175	4	3
% of Agricultural Loans Made	50.4%	47.7%	1.1%	0.8%

*Based on verified bank reports (new loan listing) for 30 months preceding this evaluation.

Businesses with known Revenues < \$1 million	Businesses with known Revenues > \$1 million
90%	10%
Farms with known Revenues < \$1 million	Farms with known Revenues > \$1 million
97%	3%

*Data is from 1990 US Census data.

Loan-to-Deposit Ratio

- **BNB's loan-to-deposit ratio exceeds the standards for satisfactory performance.**

The bank's average loan-to-deposit (LTD) ratio is 91.5%, based on its quarterly performance since December 31, 1996 through March 31, 1999. BNB's average LTD ratio during the rating period ranks first among six in a local peer group. The competitors' loan-to-deposit ratios ranged from 69% to 79% with an overall average of 76%. BNB's local peer group in this analysis consists of all banks in Sauk, Columbia, Juneau, and Adams Counties with total assets between \$130 million and \$250 million. Furthermore, BNB has sold approximately \$60 million residential mortgage loans in the secondary market over this assessment period. These loans are not included in the bank's loan-to-deposit calculation.

Lending in Assessment Area

- **BNB originates a substantial majority of loans within its assessment area.**

Using the same verified bank reports for the borrower distribution analysis, we assessed the bank's level of lending within its AA. Our analysis of the total number of new commercial loans extended by BNB during the 30 months preceding the start of this evaluation shows that 91.7% of the number of loans were originated within the bank's AA. The same analysis shows that 79.8% of the total dollar amount of commercial loans are inside the bank's AA. The percentage of agricultural and retail loans made in the AA during this time period is 85.7% and 86.2%, respectively. The dollar volume of agricultural and retail loans made in the AA show similar percentages. Table 4 below illustrates BNB's performance in lending within its AA:

Loan Type	# in AA	# Out AA	% In AA	\$ In AA**	\$ Out AA**	% In AA
Commercial	1,217	110	91.7%	\$122,212	\$30,858	79.8%
Agricultural	355	59	85.7%	\$17,414	\$2,117	89.2%
Retail	6,061	967	86.2%	\$72,337	\$15,426	82.4%

* Total number and dollar amount of loans extended by the bank for 30 months prior to this evaluation

** Dollars are in thousands

These percentages indicate that a substantial majority of the number and dollar volume of loans are made within BNB's AA.

Geographic Distribution of Loans

- **An analysis of BNB's geographic distribution of loans would not provide meaningful results.**

An analysis of the geographic distribution of loans extended is usually performed to measure the bank's distribution of loans within its assessment area by low-, moderate-, middle- and upper- income geographies. As BNB's AA only has middle-income geographies, an analysis would not be meaningful.

Response to Consumer Complaints and Compliance with Fair Lending Laws and Regulations

The OCC conducted a fair lending examination of BNB concurrently with its Community Reinvestment Act examination. Specifically, we reviewed 20 denied single female indirect auto loans to 40 approved single male loans. All denied and approved applications reviewed were received by BNB between January 1, 1999 and August 20, 1999. The review focused on the credit approval process to determine if any differences in treatment were based on the gender of the applicant. The result of the analysis indicated no

difference in treatment based on the gender of the applicant, with respect to indirect auto loans during the time period reviewed.

The bank did not receive any consumer complaints or comments on its CRA performance since our last evaluation.