



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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## PUBLIC DISCLOSURE

7/6/2010

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank and Trust Company**

**Charter Number: 2725**

**345 East Grand Avenue  
Beloit, WI 53511**

Office of the Comptroller of the Currency

**Chicago North Field Office,  
1700 E. Golf Road, Suite 800  
Schaumburg, Illinois 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.**

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## **INSTITUTION'S CRA RATING: This institution is rated Outstanding.**

**The Lending Test is rated: Outstanding**

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

The major factors supporting the bank's rating include:

- The bank's loan-to-deposit ratio is reasonable given its size, financial condition, and credit needs of its assessment areas (AAs).
- A majority of the bank's lending originated within its AAs. Approximately 86% by total number and 80% by total dollar volume of loans were made to borrowers located within the bank's AAs.
- The distribution of loans to borrowers of different income levels and businesses of different sizes is excellent in the Wisconsin Metropolitan Statistical Area (MSA) and non MSA AAs; where a majority of bank branches and geographies are located. The distribution of loans to borrowers of different income levels and business of different sizes in Illinois is reasonable in the Illinois AA.
- Geographic distribution is excellent in Wisconsin and reasonable in Illinois.
- There have been no CRA Consumer Complaints against the bank.
- Community development loans and investments respond to the needs of its AAs. Community development loan and qualified investment volumes combined for the Wisconsin and Illinois AAs is \$1.9 million at approximately 3% of Tier 1 Capital.
- Retail services are accessible to individuals of various income levels within the bank's AA. One branch is located in a moderate-income tract and another is adjacent to one.
- The bank provides an adequate level of community development services, primarily in Wisconsin.

## **Scope of Examination**

This Community Reinvestment Act (CRA) examination covers the bank's lending performance from January 1, 2007 through December 31, 2009. We also considered community development loans, investments, and services from December 2006 through July 2010. There was no affiliate or subsidiary activity considered in this review.

The scope of the CRA examination included an assessment of the bank's primary loan types which we determined to be commercial and residential mortgage loans. We reviewed a sample of loans reported on the bank's Home Mortgage Disclosure Act (HMDA) for 2007-2009 and

determined that the data was accurate and appropriate for use in this CRA evaluation. We also reviewed a sample of 60 commercial loans extended during that same time frame. We used the data from the original 60 commercial loans to determine the extent of the bank's lending within its AAs and then replaced 9 loans that were originated outside the bank's AAs. This revised sample was used to perform the small business borrower and geographic distribution tests. To perform the lending tests we also used demographic data pertaining to the bank's AAs issued by the US Census Bureau from the 2000 census. We also reviewed all community development loans, investments, and services submitted by the bank to determine which met the qualifications set forth under the Act.

We used deposit information reported to the Federal Deposit Insurance Corporation as of June 30, 2009 to determine the bank's deposit market share and market presence within its AAs.

## Description of Institution

First National Bank and Trust Company (FNBT) is an \$803 million multi-state nationally chartered institution and a wholly owned subsidiary of Centre I Bancorp, Incorporation. Centre I Bancorp is a one-bank holding company headquartered in Beloit, Wisconsin with total assets of \$827 million as of December 31, 2009. FNBT has a subsidiary, Centre I Investment Corporation, located in Las Vegas, Nevada, which was not considered in this CRA evaluation.

FNBT operates thirteen full service branches, with ten locations in the State of Wisconsin and three in the State of Illinois. The main office is located in Beloit, Wisconsin, approximately 3 blocks from the Illinois border and serves both the Illinois and Wisconsin markets. Other Wisconsin bank locations include three additional offices in Beloit, two in Clinton, and one each in Janesville, Monroe, Argyle, and Darien, Wisconsin. Bank locations in Illinois include one in each of the villages of Rockton, Roscoe, and Winnebago. Two of the thirteen bank locations, in Monroe, which is in Green County, WI, and in Argyle, which is in LaFayette County, WI were just acquired by the bank in November 2009. The bank has 13 Automated Teller Machines (ATMs); one at each of the thirteen office locations.

The bank's primary loan types are commercial loans and home mortgage loans. FNBT's primary objective is community banking, offering a variety of product and services to commercial and individual consumers. As of March 31, 2010, FNBT reported total outstanding loans of approximately \$473 million. Fifty-three percent of the loan portfolio is commercial loans, and 36% residential mortgage loans. The bank's total deposits equal approximately \$621 million and represent 77% of total assets. Approximately 60% of FNBT's deposit base is derived from the Wisconsin MSA AA, 6% from the Wisconsin NonMSA AA, and 34% from Illinois. Tier 1 capital is reported at \$64 million and for analysis purposes a portion was allocated to each state, based on their percentage of deposits, with \$42 million allocated to Wisconsin and \$22 million allocated to Illinois. The majority of FNBT's loans originate from the Wisconsin MSA AA (56%), with 8% from the Wisconsin NonMSA AA, and the balance (36%) from the Illinois AA.

There are no legal, financial, or other factors that would hinder the bank's ability to help meet the credit needs in its AAs. FNBT received a "Satisfactory" rating at its prior CRA examination performed as of December 18, 2006.

## Selection of Areas for Full-Scope Review

The Wisconsin MSA AA and Illinois AA were selected for full scope review. The Wisconsin MSA AA was selected as the primary area of consideration as the majority of deposit and lending activity occurs in that AA. The Wisconsin NonMSA AA was selected for a limited scope review.

## Description of Assessment Areas

Three AAs have been identified for analysis of the bank's CRA performance, two in Wisconsin and one in Illinois. We assessed the Illinois and Wisconsin AAs separately. Within Wisconsin, we broke out the MSA and non-MSA portions and then determined an overall rating for the bank.

The bank's three AAs consist of 75 census tracts located in Wisconsin and Illinois. The bank's two AAs in Wisconsin are the Wisconsin MSA AA, consisting of Rock County in the Janesville-Beloit Wisconsin MSA (27500) and the Wisconsin Non-MSA AA which consists of the counties of Walworth, Green, and LaFayette. All four counties are located on the Wisconsin/Illinois border. The bank's AA in Illinois has been determined based on its three branch locations and is comprised of 12 geographies in Winnebago County, which is in the Rockford, Illinois MSA (40420). The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies.

The local economy is slowly recovering from the recession. In Wisconsin the unemployment rate is dropping, but continues to be slightly higher than state and national averages as noted in the table below. In Illinois the unemployment rate continues to be higher than in Wisconsin and state and national levels. Competition in the bank's AAs is strong. According to the June 30, 2009 FDIC Deposit Market Share report, including FNBT, there are 54 banks in the five-county area where the bank's AAs are located. FNBT ranks 7<sup>th</sup> out of the 54 banks with a 5% deposit market share. In Wisconsin, FNBT ranks 3<sup>rd</sup> out of 39 banks holding 7% of the market share of deposits. In Illinois, FNBT ranks 9<sup>th</sup> out of 23 banks with a 3% deposit market share.

The main bank office in Beloit, Wisconsin is located in Rock County in a moderate-income census tract. The bank has 11 branches located in middle-income tract areas and 1 branch in an upper-income tract area. Seven, or 54% of the bank's branches are located in the Wisconsin MSA AA, with 3, or 23% of the branches each in the Wisconsin NonMSA and the Illinois AA.

Per the 2009 Business Geo-demographic data, the leading industries in the AAs are services (43%) followed by retail trade (13%), and agriculture (8%). The AA counties' unemployment rates as of December 2006 (last examination) as compared to the first quarter 2010 are presented below along with their corresponding state's rate and the national rate. As the table illustrates the most significant increase in the unemployment rate has occurred in the Illinois AA, followed by the Wisconsin MSA AA.

County & State	Unemployment Rate		State Unemployment Rate		National Unemployment Rate	
	4Q06	1Q10	4Q06	1Q10	4Q06	1Q10
Winnebago, IL	5.0%	17.6%	4.2%	11.7%	4.4%	9.7%
Rock, WI	3.5%	12.8%	4.5%	9.8%	4.4%	9.7%
Walworth, WI	4.3%	10.8%	4.5%	9.8%	4.4%	9.7%
Green, WI	3.8%	10.0%	4.5%	9.8%	4.4%	9.7%
LaFayette, WI	3.7%	8.2%	4.5%	9.8%	4.4%	9.7%

We conducted three community contacts from the AA to assess credit needs and economic conditions within the area. All of the contacts represent entities that serve both northern Illinois and southern Wisconsin. All individuals interviewed expressed that the biggest economic need in the bank's AAs is for the area businesses to start rehiring and for new businesses to come into the area to provide new job opportunities. The downtown Beloit area is especially in need of ways to attract businesses to that area. While affordable housing is available, there is a need for affordable financing and homeowner assistance to prevent foreclosure. All contacts stated that despite the recession, the area financial institutions are continuing to provide financial assistance as well as providing financial expertise to local organizations.

## Conclusions with Respect to Performance Criteria

### The lending test is rated: Outstanding

FNBT does an excellent job of meeting the lending needs of its AAs. We gave more weight to performance in the Wisconsin MSA AA as 54% of the bank's branches are located there as well as the majority of the bank's loans and deposits. In the years 2007 through 2009, FNBT originated 56% by number of its loans from the Wisconsin MSA AA and 8% from the Wisconsin NonMSA AA as compared to 36% by number from the Illinois AA. Approximately 66% of the bank's deposits come from Wisconsin and 34% from Illinois. More weight was given to commercial lending as it is the bank's primary loan type, and within mortgage loan products, more weight was given to home refinance lending as 65% of the mortgage loans reported on the 2007-2009 HMDA LAR were refinances.

### Loan-to-Deposit Ratio

FNBT has a reasonable loan-to-deposit (LTD) ratio given the bank's size, financial condition and AA credit needs. The bank's quarterly LTD ratio averaged 81% over 14 quarters from December 30, 2006 to March 30, 2010. The bank is ranked 7<sup>th</sup> out of 54 institutions in its AAs holding 4.65% of the deposit market share. When compared to 9 peer banks in the Illinois and Wisconsin AAs respectively, FNBT's loan-to-deposit ratio is slightly under their average LTD ratio of 88%

### Lending in Assessment Area

Our analysis was performed by evaluating a total of 1,870 loans including 60 small business loans that originated during the review period and 1,810 reported HMDA loans.

HMDA loans consist of home purchase, home improvement, and home refinance loans. The review period for the analysis included the years 2007 through 2009.

During the review period the bank extended a majority of its loans in its AAs. Approximately 86% by total number and 80% by total dollar volume of loans were made to borrowers located within the bank's AAs.

TOTAL LOANS REVIEWED (\$000s)										
Loan Type	In Assessment Areas				Out of Assessment Areas				Totals	
	# of loans	% of Loans	\$(000's) of Loans	% of \$\$	# of loans	% of Loans	\$(000's) of loans	% of \$\$	# of loans	\$(000's)
Small Business Loans in Wisconsin	20	71%	3,751	68%	8	29%	1,777	32%	28	5,528
Small Business Loans in Illinois	31	97%	5,506	98%	1	3%	130	2%	32	5,636
<b>Small Business Total</b>	<b>51</b>	<b>85%</b>	<b>9,257</b>	<b>83%</b>	<b>9</b>	<b>15%</b>	<b>1,907</b>	<b>17%</b>	<b>60</b>	<b>11,164</b>
Home Purchases	333	83%	34,697	75%	69	17%	11,345	25%	402	46,042
Home Improvement	214	92%	6,309	85%	19	8%	1,156	15%	233	7,465
Home Refinancing	1,011	86%	104,998	81%	164	14%	24,501	19%	1,175	129,499
<b>Home Mortgage Total</b>	<b>1,558</b>	<b>86%</b>	<b>146,004</b>	<b>80%</b>	<b>252</b>	<b>14%</b>	<b>37,002</b>	<b>20%</b>	<b>1,810</b>	<b>183,006</b>
<b>GRAND TOTAL</b>	<b>1,609</b>	<b>86%</b>	<b>155,261</b>	<b>80%</b>	<b>261</b>	<b>14%</b>	<b>38,909</b>	<b>20%</b>	<b>1,870</b>	<b>194,171</b>

Source: Bank records (verified by examiners) and 2007-2009 reported Home Mortgage Disclosure Act loans.

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

Lending to borrowers with different incomes and businesses of different sizes is excellent. This is based on the following:

- The bank does an excellent job extending loans to small businesses in both Illinois and Wisconsin, exceeding demographics in all three AA's.
- Distribution of home mortgages to borrowers of various income levels is excellent as the bank does an excellent job of extending home mortgage loans in the Wisconsin AAs and its home mortgage lending in Illinois is reasonable.

### Geographic Distribution of Loans

Geographic distribution is excellent. Of the 75 census tracts in the bank's AA, there are no low-income, 9 moderate-income, 49 middle-income and 17 upper-income level tracts. Conclusions are based on:

- Geographic distribution of commercial loans, the bank's highest volume loan product, is excellent. In Wisconsin, FNBT does an excellent job extending small business loans in moderate-income level geographies, and in Illinois the bank's performance was reasonable considering the small amount of opportunities.

- Distribution of home mortgages in various income level tracts is excellent. In Wisconsin, the number of loans granted exceeds community demographics of owner occupied units in the moderate-income census tracts. In Illinois, the bank's level of lending in moderate-income geographies is a little less than the percentage of owner occupied units, but is reasonable.

## **Community Development Test**

Community development lending in both Wisconsin and Illinois had a positive effect on the overall CRA performance. Together, qualified investments and loans total \$1.9 million or 3% of Tier 1 capital for both states.

### **Number and amount of community development loans**

During the evaluation period, FNBT extended five community development loans in both Wisconsin and Illinois totaling \$1.9 million or 3% of Tier 1 Capital.

### **Number and amount of qualified investments**

Qualified investments were comprised of donations to three organizations which totaled \$65 thousand or .10% of Tier 1 Capital. The focus of one of these organizations is to serve community development needs in Wisconsin, while two of the organizations provide community services to low- and moderate-income individuals in both Wisconsin and Illinois. All of these investments are detailed in the Wisconsin portion of the PE.

### **Extent to which the bank provides community development services**

Retail services are reasonably accessible to individuals of different income levels. There are branches in both Illinois and Wisconsin and distributed throughout the bi-state area. One branch is in a moderate-income geography and one is adjacent to a moderate-income census tract. The branches offer low cost banking such as Totally Free Checking with Interest and First Savers Accounts for children. The bank offers internet banking and tele-banking to all customers.

FNBT provides a reasonable level of services to its communities, including hosting first time home buyers workshops and participating in affordable housing programs offered by the Wisconsin Housing and Economic Development Authority (WHEDA) and the USDA Guaranteed Rural Housing Loan Program.

### **Responses to Complaints**

The FNBT has not received any written complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

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

We 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 is excellent exceeding demographics. FNBT also does an excellent job extending home mortgages to low- and moderate-income individuals.
- Geographic distribution is excellent. The number of loans extended to small businesses far exceeds the percentage of small businesses in moderate-income geographies. Geographic distribution of home mortgages is excellent.
- Community development lending and investments shows adequate responsiveness to the community development needs of the Bank's AAs. The bank made four community development loans totaling \$952 thousand or 2% of tier one capital.

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN WISCONSIN

In Wisconsin, the bank operates ten full service branches. Four are located in Beloit, two in Clinton, and one in Darien, Janesville, Monroe, and Argyle, Wisconsin. There are a total of 63 census tracts in the Wisconsin AA's with no low-income tracts, 8 (13%) moderate-income tracts, 43 (68%) middle-income tracts, and 12 (19%) upper-income tracts. The main office in Beloit is located in a moderate-income tract while the other branches are in middle-income tracts. Ten 24 hour ATMs are available, one at each of the branch locations. Our assessment included a full scope review of the Wisconsin MSA AA as the bulk of the bank's deposit and lending operations are in this area, and a limited scope review of the Wisconsin Non-MSA AA.

## SCOPE OF EVALUATION IN WISCONSIN

The Wisconsin MSA AA was selected for a full-scope review and the Wisconsin NonMSA AA received a limited scope review. The ratings for this examination were primarily based on the bank's performance in the Wisconsin MSA AA, as the bulk of the bank's branches, deposit, and lending activity occur there.

Three community contacts were made during this examination. Two represent organizations that provide athletic and other activities that promote moral, educational, and civic growth primarily for low-income youth. The other organization provides affordable home buying opportunities and related homeownership services. All three organizations serve families in the Southern Wisconsin and Northern Illinois areas surrounding Beloit.

All community contacts indicated that the greatest economic need in the Beloit area is for area businesses to begin rehiring and for new businesses to come into the Beloit area as the unemployment rate in both the Illinois and Wisconsin AAs of the bank are extremely high.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN WISCONSIN

### Conclusions About Performance Criteria

#### Wisconsin MSA AA – Full Scope Review

### Lending Test

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

FNBT’s distribution of loans to businesses and individuals at various income levels is excellent.

#### Small Business Loans

The bank’s lending to businesses of different sizes within the Wisconsin MSA AA shows excellent penetration, with the number of loans extended to small businesses (those with annual gross revenues equal to or less than \$1 million) exceeding the percentage of small businesses in this AA.

Borrower Distribution of Loans to Businesses in Wisconsin MSA AA				
Business Revenues (or sales)	≤ \$ 1,000,000	> \$ 1,000,000	Unavailable/Unknown	Total
% of AA Businesses	78.16%	4.18	17.65	100.00%
% of Bank Loans in AA by #	85.00%	15.00%		100.00%
% of Bank Loans in AA by \$	70.36%	29.64%		100.00%

Source: Bank records (verified by examiners) and 2009 geodemographics

#### Home Mortgages (Home Purchases, Home Improvement and Home Refinance

Distribution of home mortgages to borrowers of various income levels is excellent. For this analysis more weight was given to home refinance lending as 65% of the lending reported on the HMDA for the three year review period from 1/1/07-12/31/09 was this loan product.

In the Wisconsin MSA AA, although the total mortgage lending percentages for the review period are just under the percentage of low- and moderate-income families in the AA, the

percentage of home refinance loans originated during the review period exceeds the family demographics. The bank’s market share for home refinance lending to low- income borrowers is 6% compared to overall market share of 4.06%. Market share for moderate-income home refinance borrowers is 3.89%

The bank’s performance for home purchase and home improvement lending exceeded low- and moderate-family demographics as well.

<b>Borrower Distribution of Home Mortgage Loans</b>					
<b>Wisconsin MSA AA</b>					
	<b>Total Mortgage Loans</b>	<b>Home Purchase</b>	<b>Home Improvement</b>	<b>Home Refinance</b>	<b>% of Families in AA</b>
	<b>% of # of Loans</b>	<b>% of # of loans</b>	<b>% of # of loans</b>	<b>% of # of loans</b>	
<b>Low</b>	14.90%	17.28%	20.65%	16.31%	15.96%
<b>Moderate</b>	19.98%	23.56%	23.91%	22.46%	20.02%
<b>Middle</b>	25.98%	27.23%	26.09%	31.57%	26.44%
<b>Upper</b>	26.33%	31.93%	29.35%	29.66%	37.58%
<b>Income not Avail</b>	12.82%				
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source 2007-2009 HMDA LARs and 2000 US Census

### Geographic Distribution of Loans

Geographic distribution is excellent. Of the 36 geographies in the Wisconsin MSA AA, there are no low- and 8 moderate-income geographies. The bank’s lending in moderate-income geographies is excellent for both small business and home mortgage lending.

### Small Business Loans

Distribution of small business lending in moderate-income geographies is excellent, more than triple the percentage of percentage of small businesses.

<b>Geographic Distribution of Loans to Businesses</b>								
<b>Wisconsin MSA AA</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan Type</b>	<b>% of AA Businesses</b>	<b>% of # of Loans</b>	<b>% of AA Businesses</b>	<b>% of # of Loans</b>	<b>% of AA Businesses</b>	<b>% of # of Loans</b>	<b>% of AA Businesses</b>	<b>% of # of Loans</b>
	<b>0.00%</b>	<b>0.00%</b>	<b>8.42%</b>	<b>30.00%</b>	<b>64.92%</b>	<b>70.00%</b>	<b>26.66%</b>	<b>0.00%</b>

Source: Bank records (verified by examiners) and 2009 Business Geodemographics.

### Home Mortgages

For the Wisconsin MSA AA, geographic distribution of home mortgages in moderate-income geographies is excellent. There are 8 moderate-income census tracts in the Wisconsin MSA AA, and approximately fourteen percent of the homes in the moderate income areas of the AA are owner occupied. The bank exceeded the percentage of owner occupied housing units for all mortgage lending products and for mortgage lending overall. For home refinance lending, the bank’s market share in moderate-income geographies was 7.50% compared to an overall mortgage lending market share of 3.87%

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	Wisconsin MSA AA				% of owner occupied units in AA
	Total Home Mortgages	Home Purchases	Home Improvement	Home Refinance	
	% of # of Lns	% of # of Lns	% of # of Lns	% of # of Lns	
Low	0.00%	0.00%	0.00%	0.00%	0.00%
Moderate	21.25%	25.12%	23.39%	19.25%	13.85%
Middle	67.09%	66.35%	66.94%	67.36%	64.93%
Upper	11.66%	8.53%	9.68%	13.40%	21.22%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: 2007 – 2009 reported Home Mortgage Disclosure Act loans and 2000 US Census

## Community Development Test

### Number and amount of community development loans

The bank made four community development loans which positively contributed to community development needs in the Wisconsin MSA AA. The loans totaled \$952 thousand or 2% of allocated Tier 1 Capital. They include:

- Two loans totaling \$785 thousand were extended to an area health center. One of the loans helped the center expand the dental practice, while the other funds were used for working capital. Ninety percent of the patients of the health center are low-income and many are uninsured.
- A loan to a local pregnancy center and helpline in the amount of \$32 thousand was renewed during the review period. The clinic is a non-profit clinic staffed by volunteer and professional personnel and provides free support, counseling, and information to pregnant women in and around the Beloit area. The primary population served is low- to moderate-income.
- A twenty five percent participation totaling \$135 thousand extended to the Greater Beloit Economic Development Corporation was renewed in 2009. The funds were originally used to purchase and renovate a building in downtown Beloit, which is in a moderate-income geography, and to attract businesses to the downtown Beloit area.

### Number and amount of qualified investments

FNBT donated a reasonable amount of community development donations during the evaluation period. Donations totaled \$65 thousand and represented .10 % of allocated Tier 1 Capital.

- The bank donated \$60 thousand for a project with the Beloit community for economic development. The funds from this project are being used to renovate the riverfront, which is in a low-income geography, and help attract new businesses to the downtown area.
- A \$2 thousand donation was made to NHS, a not-for-profit organization that provides

affordable home buying opportunities and related homeownership services, including homebuyer education seminars, downpayment assistance, and foreclosure prevention counseling. The Beloit NHS office serves communities in southern Wisconsin and Northern Illinois.

- A total of \$3 thousand was donated to the StateLine Boys and Girls Club, whose members are almost 100% low- or moderate-income and who serves youth from Beloit WI, and South Beloit, Rockton, and Roscoe IL.

### **Bank's responsiveness, through community development activities, to community development lending, investment, and services needs**

All of the thirteen branches throughout the bank's AAs are full services branches. The main office is located in Beloit, Wisconsin, which is in a moderate-income census tract. There are three additional branches in Beloit, one of which is adjacent to a moderate-income census tract. Two branches are located in Clinton and one each in Darien, Janesville, Monroe, and Argyle Wisconsin. Drive-up windows are available and provide for extended banking hours. ATMs are located at all branch locations. Although the ATMs do not accept deposits, the branches have extended hours and are also open on Saturdays. The bank also offers internet and bank by phone services to all bank customers.

The bank participates in the Wisconsin Housing and Economic Authority (Wheda) Advantage Loan Program, specifically targeting low- and moderate-income first time homebuyers. Wheda has also identified targeted areas where the borrower does not have to be a first time homebuyer to get a Wheda Advantage loan. One of these targeted areas is within the city of Beloit. The bank extended 26 loans totaling \$2.2 million during the review period.

Community Development Services that benefit the Wisconsin AA's include:

- The bank hosted a free Homebuyer's Workshops where bank mortgage specialists educate consumers on available products and services for first time homebuyers.
- An employee actively participates as a loan committee member for NHS, an organization that helps reduce housing deterioration and promotes improvement within Beloit. This same employee also participates in NHS home purchase and post purchase seminars.
- A bank employee participated in the Bankers Promoting Financial Literacy Program through the Wisconsin Banker's Association.
- An employee serves as a Board Member and Loan Committee member for the Greater Beloit Economic Development Committee.

### **Responses to Complaints**

The First National Bank and Trust Company has not received any written complaints about its performance in helping to meet the credit needs within this AA during this evaluation period.

**Wisconsin NonMSA AA – Limited Scope Review**

The bank’s performance in the three counties which make up the NonMSA AA is similar to that of the full scope AA.

The bank’s small business lending in the Wisconsin Non-MSA AA has been excellent as the percentage of loans made to small businesses there exceeds the demographics for small businesses within the AA.

<b>Borrower Distribution of Loans to Businesses in Wisconsin Non-MSA AA</b>				
<b>Business Revenues (or sales)</b>	<b>≤\$ 1,000,000</b>	<b>&gt;\$ 1,000,000</b>	<b>Unavailable/Unknown</b>	<b>Total</b>
<b>% of AA Businesses</b>	78.85%	4.28%	16.87	100.00%
<b>% of Bank Loans in AA by #</b>	90.00%	10.00%		100.00%
<b>% of Bank Loans in AA by \$</b>	62.91%	37.09%		100.00%

Source: Bank records (verified by examiners) and 2009 geodemographics

The bank’s total mortgage lending in the Wisconsin NonMSA AA also was excellent. The bank’s overall mortgage lending matched the low-income family demographics. Home purchase and home refinance lending also exceeded low-income family demographics, while home improvement lending was somewhat below the family demographics. Total mortgage lending to moderate-income borrowers was somewhat less than the percentage of moderate-income families, as was home purchase and home improvement lending; however for refinance lending the bank exceeded family demographics for moderate-income families.

The market share for home refinance lending to low income borrowers was 1.05% and the market share for lending to moderate-income borrowers was 1.28% as compared to an overall mortgage lending market share of .78%

<b>Borrower Distribution of Home Mortgage Loans</b>					
<b>Wisconsin NonMSA AA</b>					
	<b>Total Mortgage Loans</b>	<b>Home Purchase</b>	<b>Home Improvement</b>	<b>Home Refinance</b>	<b>% of Families in AA</b>
	<b>% of # of Loans</b>	<b>% of # of loans</b>	<b>% of # of loans</b>	<b>% of # of loans</b>	
<b>Low</b>	12.90%	16.67%	10.00%	13.79%	12.89%
<b>Moderate</b>	12.90%	5.56%	0.00%	17.24%	16.75%
<b>Middle</b>	25.81%	11.11%	50.00%	28.74%	24.76%
<b>Upper</b>	41.13	66.67%	40.00%	40.23%	45.60%
<b>Income not avail</b>	7.26				
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source 2007-2009 HMDA LARs and 2000 US Census

**Geographic Distribution of Lending**

No analysis was performed in the Wisconsin NonMSA AA as there are no low- or moderate-income geographies.

## **Community Development Performance**

There have been no community development activities within the Wisconsin Non-MSA AA. This is mitigated by the fact that prior to this examination, the Non-MSA portion of the bank's AA consisted of only one census tract in Walworth County, where the bank has a branch location. The bank added one branch location each in Green and LaFayette Counties in November 2009. The bank's Wisconsin Non-MSA AA was only recently expanded to include the whole counties of Walworth, Green, and LaFayette.

## State Rating

### State of Illinois

#### **CRA Rating for Illinois: Satisfactory**

**The lending test is rated: Satisfactory**

**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 reasonable. The distribution of loans to small businesses is excellent, far exceeding demographics. FNBT does a reasonable job of extending home mortgages to low- and moderate-income individuals.
- Geographic distribution is reasonable. The geographic distribution of commercial loans, the bank's highest volume loan product, is reasonable as is the geographic distribution of home mortgage loans.
- Community development activities in this AA show adequate responsiveness to community development needs, focusing on community development loan volume at 4.09% of Tier 1 Capital. In addition, two of the agencies (NHS and StateLine Boys and Girls Club) to which the bank made donations during the review period serve individuals in both Wisconsin and Illinois (see the Wisconsin portion of the PE for details).

### Description of Bank's Operations in Illinois

In Illinois, the bank operates three full service branches. One is located in Rockton, one in Roscoe and one in Winnebago, Illinois. There are a total of 12 census tracts in the Illinois AA with no low-income tracts, 1 (8%) moderate-income tract, 6 (50%) middle-income tracts, and 5 (42%) upper-income tracts. The Rockton and Roscoe branches are located in middle-income tracts and the Winnebago branch is in an upper-income tract. Three 24 hour ATMs are available, one at each of the branch locations.

### Conclusions About Performance Criteria

#### Lending Test

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

FNBT's distribution of loans to businesses and individuals at various income levels in the Illinois AA is reasonable.

### Small Business Loans

Bank lending to small businesses is excellent. The bank’s lending greatly exceeds community demographics of small businesses in this AA.

Borrower Distribution of Loans to Businesses in Illinois AA				
Business Revenues (or sales)	≤\$ 1,000,000	>\$ 1,000,000	Unavailable/Unknown	Total
% of AA Businesses	78.64%	5.33%	16.03%	100.00%
% of Bank Loans in AA by #	95.00%	5.00%		100.00%
% of Bank Loans in AA by \$	95.31%	4.69%		100.00%

Source: Bank records (verified by examiners) and 2009 geodemographics

### Home Mortgages (Home Purchases, Home Improvement and Home Refinance)

Distribution of total home mortgages to borrowers of various income levels is reasonable. Although the bank’s volume of total mortgage lending, and refinance lending to low-income borrowers in this AA falls below the percentage of low-income families, approximately 4% of the families in this AA are living below the poverty level, based on 2000 census data. This coupled with an unemployment rate of 17% which is above the state unemployment average and nearly double the national unemployment average, makes home ownership and maintenance more difficult.

Overall mortgage lending, as well as home purchase and home refinance lending to moderate-income borrowers in the Illinois AA exceeds the percentage of moderate-income families. The table below breaks out the distribution of home loans by category and percentage of loans made to borrowers of different income levels.

Borrower Distribution of Home Mortgage Loans					
Illinois AA					
Borrower Income	Total Home Mortgages	Home Purchases	Home Improvement	Home Refinance	Percent of Families In AA
	% of # of loans	% of # of loans	% of # of loans	% of # of loans	
Low	5.81%	10.64%	5.88%	6.04%	10.80%
Moderate	17.96%	28.72%	13.73%	20.54%	15.58%
Middle	22.01%	19.15%	19.61%	29.31%	25.12%
Upper	38.03%	41.49%	60.78%	44.11%	48.50%
Revenue Unavailable	16.20%				
<b>Totals</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: 2007 – 2009 reported Home Mortgage Disclosure Act loans and 2000 US Census.

Market share for low-income home refinance borrowers is 3.41% compared to overall market share of 5.19%. Market share for moderate-income home refinance borrowers is 5.94%

### Geographic Distribution of Loans

Geographic distribution is reasonable. Of the 12 geographies in the Illinois AA, there are no low, and one moderate-income geography. Both the bank’s small business and home mortgage lending in moderate-income geographies is less than the demographic measurements, however

there are mitigating circumstances to explain the bank’s level of lending.

### Small Businesses

Geographic distribution for small business loans is reasonable. Although the bank did not originate any small business loans in the one moderate income geography within the Illinois AA, this is mitigated by the fact that only 91, or 2.09% of the small businesses in the AA are located there, offering minimal lending opportunities.

Geographic Distribution of Loans to Businesses								
Illinois AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
	0.00%	0.00%	2.09	0.00%	67.18%	65.00 %	30.73%	35.00%

Source: Bank records (verified by examiners) and 2009 Business Geodemographics.

### Home Mortgages

Geographic distribution of home mortgages in moderate-income geographies is also reasonable. There is one moderate-income census tract within this AA, and only 4% of the homes in this moderate-income tract are owner occupied. This, coupled with the dramatic increase in unemployment levels in this AA during the review period supports that the bank’s level of lending is reasonable. The bank’s market share for home refinance lending in moderate-income geographies is 12.50% compared to overall market share of 4.71%

Geographic Distribution of Home Mortgage Loans					
Illinois AA					
Tract Income Level	Total Home Mortgages	Home Purchases	Home Improvement	Home Refinance	% of owner occupied units in AA
	% of # of Lns	% of # of Lns	% of # of Lns	% of # of Lns	
Low	0.00%	0.00%	0.00%	0.00%	0.00%
Moderate	3.87%	2.94%	9.33%	3.09%	4.38%
Middle	48.94%	63.73%	33.33%	47.68%	55.58%
Upper	47.18%	33.33%	57.33%	49.23%	40.04%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: 2007 – 2009 reported Home Mortgage Disclosure Act loans and 2000 US Census

## Community Development Test

### Number and amount of community development loans

The bank extended one community development loan totaling \$925 thousand, representing 4.09% of the Tier 1 Capital allocated to this AA. This was a line of credit extended to a non-for-profit organization which serves the developmentally disabled. Over 90% of the clients served come from low or moderate-income families. The organization provides counseling and related services to children and provides supervision, counseling, job training and support for adults living independently within the community.

### **Number and amount of qualified investments**

Two of the agencies to which the bank made donations totaling \$5 thousand serve communities in both Wisconsin and Illinois. See the evaluation for the Wisconsin MSA AA for details of these organizations.

### **Bank's responsiveness, through community development activities, to community development lending, investment, and services needs**

The bank provides three full service branches. One is located in Rockton, one in Roscoe and one in Winnebago, Illinois. The branches have drive-up windows which provide services to their respective communities. Twenty four hour ATMs are available at each of the branch locations. Although the ATM's do not accept deposits, all branches have extended hours available and are open on Saturday.

The bank hosted a free Homebuyer's Workshop where bank mortgage specialists educate consumers on available products and services for first time homebuyers.

### **Responses to Complaints**

The First National Bank and Trust Company has not received any written complaints about its performance in helping to meet the credit needs within this AA during this evaluation period.

## 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: 01/01/2007 to 12/31/2009 Community Development Test: 12/18/2006 to 07/06/2010	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
FNBT 345 E Grand Avenue, Beloit, WI	Commercial Loans Home Mortgage Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<i>[Instructions: Provide only if affiliate products are reviewed.]</i>		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Wisconsin Wisconsin MSA AA – Janesville-Beloit MSA #27500 Wisconsin NonMSA AA	Full Scope  Limited Scope	
Illinois Illinois AA Rockford MSA #40420	Full Scope	

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

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
FNBT	Outstanding	Satisfactory	Outstanding
Wisconsin	Outstanding	Satisfactory	Outstanding
Illinois	Satisfactory	Satisfactory	Satisfactory