



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**March 1, 2004**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Fidelity National Bank  
Charter Number 16516**

**215 S. 8<sup>th</sup> Street  
Medford, WI 54451**

**Comptroller of the Currency  
Iron Mountain Field Office  
P.O. Box 666  
Iron Mountain, MI 49801**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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

- The geographic distribution of loans reflects an adequate dispersion throughout the assessment area.
- The loan-to-deposit ratio is reasonable.
- A majority of loans are originated inside the bank's assessment area.
- The bank has an adequate distribution of loans to individuals of different income levels, including low- and moderate-income levels, and businesses of different sizes.

## **DESCRIPTION OF INSTITUTION**

Fidelity National Bank (FNB) is a \$108 million community bank with \$7 million in tier one capital. The main office is located in Medford, WI in a middle-income census tract (CT). The bank operates two full-service branches, located in Antigo, WI (middle-income CT) and Appleton, WI (upper-income CT). 24-hour deposit-taking ATMs are located at the main office and both branches. A cash dispensing ATM is located in the Memorial Health Center in Medford, WI (middle-income CT). Two branches in Appleton, WI were closed in July 2003 (both in upper-income CTs). FNB is wholly owned by Fidelity Bancorp, Inc., a one-bank holding company with \$108 million in assets. All financial information is as of December 31, 2003.

The bank offers traditional community bank products and services and is primarily a commercial and residential real estate lender. As of December 31, 2003, the net loan portfolio represented 65% of total assets. The loan portfolio is broken down as follows: 62% commercial, 32% residential real estate, and 6% consumer loans.

There are no financial, legal or other impediments which would hinder the bank's ability to help meet the credit needs of its assessment area. The previous CRA evaluation dated November 30, 1998, resulted in a satisfactory rating.

## **DESCRIPTION OF MEDFORD/ANTIGO ASSESSMENT AREA**

This assessment area (AA) includes 18 CTs located in North Central Wisconsin and includes all of Taylor, Price and Langlade counties. The AA is comprised of 2 moderate- (11%) and 16 middle-income (89%) CTs. This AA and the Appleton AA described later are considered legal and appropriate. They consist of only whole CTs and do not arbitrarily exclude any low- or moderate-income geographies.

According to 2000 census data, the total population of the Medford/Antigo AA is 56,242, which is comprised of 15,586 families. Income levels for these families are as follows: 3,261 low-income families (21%), 3,219 moderate-income families (21%), 4,225 middle-income families (27%), and 4,881 upper-income families (31%). Of the low-income families, 1,027 (32%) are

below the poverty level. The HUD updated median family income for nonmetropolitan areas in Wisconsin was \$52,000 in 2003 and \$50,800 in 2002. These figures were used in the borrower income distribution test. The 2000 census median family income for nonmetropolitan areas in Wisconsin is \$47,360. This figure was used in the geographic distribution test. The median housing value within the AA is \$75,652, with 61% of the total housing units being owner-occupied.

The local economy is characterized as stable. The primary economic activity in the area is manufacturing. Major employers in the Medford area include: Weather Shield, Kraft Pizza Co., Hurd Millwork Co., Marathon Cheese, and Phillips Plastics. Langlade Memorial Hospital, the Unified School District, Amron Corp., and Antigo Cheese Co. are large employers in the Antigo area. According to the Wisconsin Department of Workforce Development, the unemployment rate for Taylor, Price and Langlade counties was 6.4%, 5.3% and 7.8%, respectively, in December 2003. These are all more than the state unemployment rate of 4.8% for the same time period.

Competition among financial institutions in the area is considered healthy. Competitors include: branches of three large multi-state banks, branches of two large Wisconsin state banks, offices of one national community bank, offices of five Wisconsin state community banks, branches of one federal savings bank, and several credit unions. In total deposits, FNB, with a market share of 9.9%, ranks third out of all FDIC-insured institutions with at least one branch located in the Medford/Antigo AA. This is using FDIC market share data as of June 30, 2003. The balance of the market share is divided among 12 institutions with market shares ranging from 24.0% down to 1.4%.

In conducting this assessment of the bank's performance, we contacted a representative from a local real estate agency. The contact stated that local financial institutions are meeting the credit needs of the community and had only favorable comments concerning the bank's performance.

## **DESCRIPTION OF APPLETON ASSESSMENT AREA**

The bank's Appleton AA includes CTs within the Appleton-Oshkosh-Neenah Metropolitan Statistical Area (MSA). This AA is comprised of 6 moderate- (13%), 34 middle- (76%), and 5 upper-income (11%) CTs.

According to 2000 census data, the total population of the Appleton AA is 190,017, which is comprised of 49,987 families. Income levels for these families are as follows: 7,253 low-income families (15%), 9,672 moderate-income families (19%), 14,232 middle-income families (28%), and 18,830 upper-income families (38%). Of the low-income families, 1,598 (22%) are below the poverty level. The HUD updated median family income for the Appleton-Oshkosh-Neenah MSA was \$61,700 in 2003 and \$61,900 in 2002. These figures were used in the borrower income distribution test. The 2000 census median family income for the Appleton-Oshkosh-Neenah MSA is \$56,178. This figure was used in the geographic distribution test.

The median housing value within the AA is \$105,419, with 67% of the total housing units being owner-occupied.

The local economy is characterized as strong, despite the downturn in the national economy and

softening in the paper and paper products industry. According to the Wisconsin Department of Workforce Development, the unemployment rate for the Appleton-Oshkosh-Neenah MSA was 4.0% in December 2003. This is less than the state unemployment rate of 4.8% for the same time period. These figures are not seasonally adjusted. The local economic base is relatively diverse; however, paper and paper products manufacturing continues to be the primary economic activity. Companies in this industry employ approximately 60% of the area's workforce. Several companies in this sector have had layoffs and some have closed due to the downturn in the paper industry. Growth in retail and service-related businesses has been seen over the past several years, with Appleton considered a retail hub in Northeast Wisconsin. Growth has also been occurring in small business start-ups. Companies in the health care, insurance, plastics, and food processing industries along with public education have also contributed to the strong local economy. Major employers in the Appleton-Oshkosh-Neenah MSA include: Kimberly-Clark Corp., Appleton Papers, Inc., Thedacare Inc., Curwood Inc., Oshkosh Truck Corp., Aid Association for Lutherans, Sara Lee Corp., and the Appleton Area School District.

Financial institution competition in the area is strong. The bank's competitors include several community banks, large state banks, multi-state banks, credit unions, and mortgage brokerage firms. In total deposits, FNB, with a market share of .8%, ranks 18th out of 21 FDIC-insured institutions with at least one branch located in the AA. This is using FDIC market share data as of June 30, 2003. Based on 2002 Home Mortgage Disclosure Act (HMDA) market share data, 262 financial institutions originated at least one residential-related loan in FNB's Appleton AA.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

The bank's loan-to-deposit ratio is satisfactory given its size, financial condition, and credit needs of the community. The average quarterly loan-to-deposit ratio for the bank since the last examination is 80%, which ranks seventh in a peer group of nine similarly situated banks. The peer group consists of banks with average assets less than \$250 million that are chartered within the bank's AA. FNB has the fifth largest level of average assets of these banks at \$99 million. The other banks' average assets ranged from \$24 million to \$165 million. The average loan-to-deposit ratios for the similarly situated banks ranged from 68% to 109%, over the same time period.

Additionally, the bank originates residential real estate loans that are immediately sold on the secondary market. These loans are not used in the loan-to-deposit calculation. In 2003 and 2002, the bank originated and sold \$53 million and \$37 million, respectively.

### **Lending in Assessment Area**

The bank originates a majority of its loans inside the assessment area. This conclusion is based

on an analysis of the original dollar amount and number of all commercial loans originated or refinanced and Home Mortgage Disclosure Act (HMDA) residential real estate loans reported by the bank between January 1, 2002 and December 31, 2003. For commercial borrowers, a comparison of zip code and CT boundaries indicated they are similar; therefore, the location of these borrowers with loans in the selected time period was determined using their zip codes as a proxy for the CT address. A report sorted by zip code and loan type was generated to complete the analysis. For residential real estate loans, HMDA information was used to complete the analysis. The following table illustrates the level of lending inside the bank's assessment area:

<b>Penetration of Lending Inside the Bank's Assessment Area January 2002 – December 2003 Loan Originations</b>		
	<b>% of Total Number of Loans Inside the Assessment Area</b>	<b>% of Total Dollar Amount of Loans Inside the Assessment Area</b>
Commercial Loans	59%	55%
Residential Real Estate Mortgages	78%	75%
Total	72%	68%

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

The bank's lending practices represent a reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers, and businesses of different sizes. The bank's primary loan products were used in our sample and are depicted in the following tables. In completing our review, more weight was given to FNB's performance in the Medford/Antigo AA. This is because a vast majority of the bank's lending is originated in this area. A review of a sample of 30 commercial customers located in the Medford/Antigo AA and 21 commercial customers from the Appleton AA revealed the following breakdown of annual revenues:

<b>Lending Distribution Based on Revenue Size of Businesses Medford/Antigo Assessment Area January 2002 – December 2003</b>			
<b>Revenue Size of Businesses Sampled (000's)</b>	<b>Bank Lending Distribution by Number of Loans</b>	<b>Percent</b>	<b>Percentage of Businesses in Each Revenue Category (census information)</b>
< \$100	12	40%	86%
\$100 - \$500	13	44%	
\$500 - \$1,000	1	3%	6%
> \$1,000	0	0%	8%
Revenue not Reported	4	13%	
Totals:	30	100%	100%

<b>Lending Distribution Based on Revenue Size of Businesses Appleton Assessment Area January 2002 – December 2003</b>			
<b>Revenue Size of Businesses Sampled (000's)</b>	<b>Bank Lending Distribution by Number of Loans</b>	<b>Percent</b>	<b>Percentage of Businesses in Each Revenue Category (census information)</b>
< \$100	7	33%	81%
\$100 - \$500	5	24%	
\$500 - \$1,000	4	19%	8%
> \$1,000	5	24%	11%
Totals:	21	100%	100%

The tables above show 100% of the businesses sampled in the Medford/Antigo AA and 76% of the businesses in the Appleton AA have revenues of \$1 million or less. Loans for businesses with unreported revenues included in the bank's lending distribution are loans where no income information was evident in the loan file. These businesses are included in the \$1 million or less revenue category because it can be reasonably inferred from the type of business that gross revenues are \$1 million or less.

The following tables are based on an analysis of HMDA information for refinanced residential real estate mortgage loans originated to borrowers in the bank's AA between January 1, 2002 and December 31, 2003.

<b>Lending Distribution Based on Income Level of Refinanced Residential Real Estate Borrowers Medford/Antigo Assessment Area January 2002 – December 2003 Loan Originations</b>			
<b>Borrower Income Level</b>	<b>Bank Lending Distribution by Number of Loans</b>	<b>Bank Lending Distribution by Dollar Value of Loans</b>	<b>Percentage of Families in each Income Category (Census information)</b>
Low	6%	4%	21%
Moderate	25%	19%	21%
Middle	40%	40%	27%
Upper	29%	37%	31%
Totals	100%	100%	100%

<b>Lending Distribution Based on Income Level of            Refinanced Residential Real Estate Borrowers            Appleton Assessment Area            January 2002 – December 2003 Loan Originations</b>			
<b>Borrower Income Level</b>	<b>Bank Lending Distribution by Number of Loans</b>	<b>Bank Lending Distribution by Dollar Value of Loans</b>	<b>Percentage of Families in each Income Category (Census information)</b>
Low	4%	2%	15%
Moderate	12%	9%	19%
Middle	31%	26%	28%
Upper	53%	63%	38%
Totals	100%	100%	100%

As indicated by the above tables, 31% of the number and 23% of the dollar value of loans were made to low- and moderate-income borrowers in the Medford/Antigo AA, who make up 42% of the families in the AA. For the Appleton AA, 16% of the number and 11% of the dollar amount of loans were made to low- and moderate-income borrowers, who comprise 34% of the families in the AA. The lower percentage in dollars loaned to both low- and moderate-income borrowers for both AAs is indicative of the smaller loans that are typically made to customers in these income ranges. In addition, approximately one-third (32%) of the low-income families in the Medford/Antigo AA and one-quarter (22%) in the Appleton AA are below the poverty level. These families typically have difficulty qualifying for real estate mortgage loans.

### **Geographic Distribution of Loans**

Our review of 285 geocoded commercial loans in the Medford/Antigo AA, 33 geocoded commercial loans in the Appleton AA, and the refinanced residential real estate loans from the analysis above indicates FNB has a reasonable dispersion of loans throughout its AAs. Lending was evident in a majority of the CTs. As described earlier, more weight was given to the bank's lending performance in the Medford/Antigo AA. The following tables illustrate the bank's performance:

**Geographic Distribution Based on Number and Dollar Amount  
of Loans Made in the Medford/Antigo Assessment Area  
January 2002 – December 2003 Loan Originations**

	<b>% of Number Originated in the Moderate-Income CTs</b>	<b>% of Dollar Amount Originated in the Moderate-Income CTs</b>	<b>% of Number Originated in the Middle- Income CTs</b>	<b>% of Dollar Amount Originated in the Middle-Income CTs</b>
<b>Commercial Loans</b>	3%	3%	97%	97%
<b>Percentage of Businesses in the Assessment Area (census information)</b>	7%		93%	
<b>Refinanced Residential Real Estate Mortgages</b>	2%	2%	98%	98%
<b>Percentage of Owner-Occupied Housing in the Assessment Area (census information)</b>	10%		90%	
<b>Total Loans</b>	3%	3%	97%	97%

**Geographic Distribution Based on Number and Dollar Amount  
of Loans Made in the Appleton Assessment Area  
January 2002 – December 2003 Loan Originations**

	<b>% of Number Originated in the Moderate-income CTs</b>	<b>% of Dollar Amount Originated in the Moderate-income CTs</b>	<b>% of Number Originated in the Middle-Income CTs</b>	<b>% of Dollar Amount Originated in the Middle-Income CTs</b>	<b>% of Number Originated in the Upper-Income CTs</b>	<b>% of Dollar Amount Originated in the Upper-Income CTs</b>
<b>Commercial Loans</b>	9%	12%	52%	45%	39%	43%
<b>Percentage of Businesses in the Assessment Area (census information)</b>	14%		70%		16%	
<b>Refinanced Residential Real Estate Mortgages</b>	1%	1%	76%	73%	23%	26%
<b>Percentage of Owner-Occupied Housing in the Assessment Area (census information)</b>	6%		79%		15%	
<b>Total Loans</b>	3%	6%	76%	76%	21%	18%

FNB has a total of eight moderate-income CTs located in its two AAs. Two of these tracts are in the Medford/Antigo AA and six in the Appleton AA. Although lending was evident in the two moderate-income CTs in the Medford/Antigo AA, lending was somewhat below the demographic characteristics of these tracts. This is due to the tracts' location on the outer edge of the AA, with other financial institutions located nearby to serve the community's credit needs.

In the Appleton AA, lending was not evident in three of the moderate-income CTs. Two of these tracts are located in Winnebago County in the towns of Menasha and Neenah. The other tract is located near downtown Appleton. These CTs are not in close proximity to the bank's Appleton

branch and many other financial institutions are located close by to serve the community's credit needs.

### **Responses to Complaints**

The bank has received one CRA-related complaint since the last examination. The complaint, which was sent to the OCC's Customer Assistance Group (CAG), alleged the bank engaged in inappropriate lending practices. The resolution of this complaint is in process.

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

We found no evidence of illegal discrimination or other illegal credit practices.