



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**August 30, 2010**

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

Fidelity National Bank  
Charter Number: 16516  
215 S. 8th Street  
Medford, WI 54451

Office of the Comptroller of the Currency  
Iron Mountain Field Office  
1302 1/2 South Carpenter Ave.  
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 bank originates a substantial majority of its loans inside the assessment area.
- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the community.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

**SCOPE OF EXAMINATION**

We evaluated the Community Reinvestment Act (CRA) performance of The Fidelity National Bank (FNB) under the Small Bank Lending Test. Data from the bank's primary loan products, commercial loans and residential real estate loans, were used to evaluate the bank's lending performance in the Medford assessment area. In the Appleton assessment area, we evaluated the bank's residential real estate lending activity, which is the primary loan product for that branch.

The evaluation covered the period since the previous CRA examination, March 1, 2004 through August 31, 2010. The Lending Test evaluated commercial loans and residential real estate loans originated between January 1, 2008 and August 31, 2010. Prior to conducting this assessment, the accuracy of the bank's Home Mortgage Disclosure Act (HMDA) data for 2008, 2009 and 2010 was tested. The data was found to be accurate and therefore all reported HMDA data for that time period was used in evaluating residential real estate lending in the Appleton assessment area. To evaluate small business lending, we used data from the bank's loan trial balance as well as a random sample of business loans in the Medford assessment area. Since the majority of lending and deposit activity occurs in the Medford assessment area, it received more weight in our analysis. The most recent demographic data available was also obtained.

**DESCRIPTION OF INSTITUTION**

FNB is a \$96 million bank with its main office located in Medford, WI, which is in a middle-income census tract (CT). The bank operates one full-service branch, located in Appleton, WI, in an upper-income CT. There is one 24 hour deposit-taking ATM located at the Appleton branch. There are cash-dispensing ATMs located at the main office and Memorial Health Center in Medford, WI. The Antigo branch was closed in December 2005; it was located in a middle-income CT. FNB is wholly owned by Fidelity Bancorp, Inc., a one-bank holding company with \$96 million in assets.

The bank offers traditional community bank products and services and is primarily a commercial and residential real estate lender. By dollar volume, the loan portfolio consists of commercial loans (38%), residential real estate loans (33%), consumer loans (5%), agricultural loans (23%) and other loans (1%). All financial information is as of June 30, 2010.

There are no legal or financial impediments limiting the bank's ability to meet the credit needs of its assessment areas. FNB's previous CRA evaluation dated March 1, 2004 resulted in a Satisfactory rating.

## **DESCRIPTION OF THE MEDFORD ASSESSMENT AREA**

This assessment area includes 12 CTs located in North Central Wisconsin and includes all of Taylor and Price counties. The Medford assessment area is not located in a Metropolitan Statistical Area (MSA) and is composed of all middle-income CTs. This assessment area and the Appleton assessment area, 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 assessment area is 35,502, which is composed of 9,746 families. Income levels for these families are as follows: 1,897 low-income families (19.46%), 1,949 moderate-income families (20.00%), 2,592 middle-income families (26.60%), and 3,308 upper-income families (33.94%). The HUD updated median family income for the Medford assessment area was \$58,500. The 2000 census median family income for the assessment area is \$46,680. The number of households in the assessment area below the poverty level is 1,325 (9.41%).

The local economy is characterized as stressed. The primary economic activity in the area is manufacturing. Major employers in the Medford area include: Weather Shield, Nestle Pizza Co., Hurd Millwork Co., Wal-Mart, Marathon Cheese, Wadal Plastics and Phillips Plastics. According to the The Bureau of Labor Statistics, the July 2010 unemployment rate for Taylor and Price counties was 9% and 8.6%, respectively. The state unemployment rate for Wisconsin is 7.8% for the same time period. These figures are not seasonally adjusted.

Competition among financial institutions in the area is considered strong. Competitors include branches of large multi-state banks, branches of large Wisconsin state banks, offices of Wisconsin state community banks, branches of federal savings banks, and several credit unions. According to June 30, 2009 FDIC market share data, the Medford assessment area's market share of 8.86% ranks fourth out of all FDIC insured institutions with at least one branch located in the assessment area. The balance of the market share is divided among eight institutions with market shares ranging from 33.89% to 3.01%.

In conducting this assessment of the bank's performance, we contacted two representatives from local government organizations. The contacts 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 THE APPLETON ASSESSMENT AREA**

The bank's Appleton assessment area includes 33 CTs within the Appleton MSA. The assessment area consists of zero low-income, 4 moderate-income, 25 middle-income and 4 upper-income CTs.

According to 2000 census data, the total population of the Appleton assessment area is 159,259,

which is comprised of 42,209 families. Income levels for these families are as follows: 5,637 low-income families (13.35%), 8,114 moderate-income families (19.23%), 12,831 middle-income families (30.40%), and 15,627 upper-income families (37.02%). The HUD updated median family income for the Appleton MSA is \$72,000. The 2000 census median family income for the Appleton MSA is \$59,227. The number of households in the assessment area below the poverty level is 2,826 (4.71%).

The economy is characterized as slowly improving after the downturn in the national economy. Major employers in the Appleton MSA include Kimberly-Clark Corp., Appleton Papers, Inc., Pierce Manufacturing/Oshkosh Truck Corp, Outagamie County Airport/Gulfstream, Fox Valley Technical College, UW Fox Valley and the Appleton Area School District. According to The Bureau of Labor Statistics, the July 2010 unemployment rates for Calumet and Outagamie counties were 6.1% and 7.5%, respectively. These figures are not seasonally adjusted.

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. According to June 30, 2009 FDIC market share data, the bank's Appleton assessment area's market share of 0.30% ranks twenty-seventh out of all FDIC insured institutions with at least one branch located in the assessment area. The balance of the market share is divided among thirty-two institutions with market shares ranging from 18.31% to 0.12%.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

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

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the community. The quarterly average ratio for the bank since March 1, 2004 is 83.7%, which ranks eighth out of ten similarly situated banks. The peer group consists of banks with assets less than \$250 million located in the bank's assessment areas. FNB ranks seventh in average assets, at \$96 million. The average assets for the peer group ranged from \$31 million to \$240 million. The average loan-to-deposit ratios for the similarly situated banks ranged from 67.84% to 105.51% over the same time period.

### **Lending in Assessment Area**

The bank originates a substantial majority of its loans to borrowers within its assessment area. A review of the bank's primary loan products shows 81% by number and 82% by dollar volume of loans were made to businesses and individuals located within the bank's assessment areas.

<b>Lending in the Assessment Area</b>										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	105	82.03%	23	17.97%	128	\$13,245	81.84%	\$2,938	18.16%	\$16,183
Commercial	24	77.42%	7	22.58%	31	\$2,357	85.22%	\$409	14.78%	\$2,765
<b>Totals</b>	129	<b>81.13%</b>	30	<b>18.87%</b>	159	\$15,602	<b>82.34%</b>	\$3,347	<b>17.66%</b>	\$18,948

Source: Bank records (verified by examiners)

### Lending to Borrowers of Different Incomes

As shown in the following table, the distribution of loans to businesses of various revenue sizes is reasonable. The number of loans to businesses with revenues under \$1 million in the Medford assessment area exceeds the area demographics.

<b>Borrower Distribution of Businesses in The Medford Assessment Area</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	79.31%	3.17%	17.52%	100%
% of Bank Loans in AA by #	87.50%	12.50%	0.00%	100%
% of Bank Loans in AA by \$	85.55%	14.45%	0.00%	100%

Source: Sample of 24 bank records (verified by examiners) and U.S Census Demographic Data

Similarly, the distribution of residential real estate loans among borrowers of different income levels is reasonable. In the Medford assessment area, the bank originated 14.81% of its residential real estate loans to low-income borrowers and 25.93% to moderate-income borrowers. This compares reasonably with the demographic data.

<b>Borrower Distribution of Residential Real Estate Loans in the Medford Assessment Area</b>								
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
% of Total	19.46%	14.82%	20%	25.93%	26.60%	14.81%	33.94%	44.44%

Source: Sample of 27 bank records (verified by examiners) and U.S Census Demographic Data.

Based on HMDA information, the bank originated 11.54% of its residential real estate loans to low income borrowers and 19.23% to moderate-income borrowers in the Appleton assessment area. The number of loans made by the bank compares reasonably with the demographic data.

<b>Borrower Distribution of Residential Real Estate Loans in the Appleton Assessment Area</b>									
Borrower Income Level	Low		Moderate		Middle		Upper		Unavailable
	% 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	
% of Total	13.36%	11.54%	19.22%	19.23%	30.40%	24.36%	37.02%	41.03%	3.84%

Source: Bank HMDA records (verified by examiners) and U.S Census Demographic Data.

**Geographic Distribution of Loans**

There are no low or moderate-income census tracts in the Medford assessment area, therefore a geographic analysis of the Medford assessment area would not be meaningful. Since there are four moderate-income tracts located in Outagamie County (Appleton assessment area), an analysis of the geographic distribution was performed.

The bank has a reasonable geographic distribution of residential real estate loans in the Appleton assessment area. The bank originated 3.85% of its residential real estate loans to borrowers in moderate-income census tracts. According to the demographic data, 6.01% of the assessment area’s total owner-occupied housing is located in a moderate-income census tract. While lending is somewhat lower then the demographic comparator, consideration is given to the fact that there are a significant number of financial institutions in the assessment area that also serve the credit needs of the community.

<b>Geographic Distribution of Residential Real Estate Loans in the Appleton Assessment Area</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%	6.01%	3.85%	78.68%	67.95%	15.31%	28.20%

Source: Bank HMDA records (verified by examiners) and U.S. Census Demographic Data

**Responses to Complaints**

The bank has not received any CRA-related complaints since the last CRA examination.

**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.