

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 operations 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 CRA performance of **F & M Bank - Potosi, Potosi, Wisconsin**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **September 30, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S RATING: This institution is rated Outstanding.

F & M Bank - Potosi generally promotes economic revitalization and growth, consistent with its size, financial capacity, location, and current economic conditions. The bank's efforts are primarily accomplished through the origination of agricultural, small business, and real estate loans. These efforts have resulted in a high loan to deposit ratio. Additionally, the majority of the bank's loans are originated within the assessment area to low or moderate income borrowers. Management has developed adequate policies, procedures, and training programs supporting nondiscrimination in lending and credit activities.

The following table indicates the performance level of **F & M Bank - Potosi** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	F & M BANK - POTOSI PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans	No low- or moderate-income geographies contained within the assessment area.		
Response to Complaints	No CRA -related complaints received.		

DESCRIPTION OF INSTITUTION

F & M Bank - Potosi, with \$30.6 million in assets as of June 30, 1996 is located in Potosi, Wisconsin, approximately 20 miles northeast of Dubuque, Iowa and 15 miles west of Platteville, Wisconsin. The institution is a member of the F & M Bancorporation, a multibank holding company with approximately \$944 million in assets as of December 31, 1995. The bank operates a branch and automated teller machine (ATM) in Dickeyville, Wisconsin approximately eight miles southeast of Potosi. Both locations accept loan applications, and offer the AAnytime Line,® 24-hour bank by phone service providing access to both deposit and loan accounts.

The bank's primary competitors include Badger State Bank (Cassville), Cuba City State Bank (Cuba City), the Platteville and Lancaster branches of M & I Bank - Southwest (Spring Green), the Lancaster branch of Anchor Bank (Madison), and F & M Bank - Lancaster.

The bank's loan portfolio consists primarily of agricultural related loans and comprise 33.43% of the portfolio. The remainder of the bank's portfolio consists of commercial loans (30.03%), one-to-four family residential loans (23.68%), and consumer loans (7.78%).

DESCRIPTION OF ASSESSMENT AREA

The bank defines its assessment area as contiguous block numbering areas (BNAs) 9608 and 9611, in Grant County. According to 1990 U.S. Census data, the population of the assessment area is 7,488. Both BNA's are designated as middle income geographies. The median family income for the assessment area is \$31,161. Low and moderate income families represent 12.2% and 20.5% respectively, of all families in the assessment area. Minorities represent only 0.4% of the assessment area population.

The housing stock of the assessment area is 71.6% owner-occupied, while 87.8% of the housing stock consists of one-to-four family residences. The median housing age in the assessment area is 44 years, compared to the non metropolitan state median housing age of 28 years. Within the assessment area, 36.2% of owner-occupied housing units are valued at or below \$40,000 and 62.3% are valued between \$40,000 and \$100,000.

In addition to farming, major employers in the assessment area include Cuba City Machine, a tool and die manufacturer employing 28, RGF Corp. (Potosi), a manufacturer of animal feed systems employing 20, and Kowalski-Kieler, Inc. (Dickeyville), a firm specializing in ready-mix concrete sales, employing 18 people. Residents within the assessment area also work in nearby Platteville, Wisconsin and Dubuque, Iowa. According to the Department of Labor of the State of Wisconsin, the Grant County unemployment rate of 5.8% exceeds the State of Wisconsin's overall unemployment rate of 3.1% for August, 1996.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Management has developed adequate policies, procedures, and training programs to support fair lending activities. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts.

Loan to Deposit Ratio

The bank's average quarterly loan-to-deposit ratio from the previous six quarters is 81.44%. According to the June 30, 1996 Uniform Bank Performance Report (UBPR), the bank's loan-to-deposit ratio exceeded its peer average of 66.59%.

The bank's average loan-to-deposit ratio was compared to the loan-to-deposit ratios of five area banks: The following chart shows the loan-to-deposit ratio of the bank's primary competitors, according to the *McFadden American Financial Directory*:

Loan-to-Deposit Ratio (LTD) Analysis						
Bank Name	Main Office Location	Competitive Location(s)	Asset Size as of 12/31/95 (in thousands)	LTD Ratio Spring 1995	LTD Ratio Spring 1996	Average
Cuba City State Bank	Cuba City	Cuba City	\$41,997	44.71	45.33	45.02%
Badger State Bank	Cassville	Cassville	\$41,995	68.84	69.47	69.16%
F & M Bank	Kaukauna	Lancaster	\$38,617	75.34%	72.78%	74.06%
M & I Bank Southwest	Spring Green	Platteville, Lancaster	\$320,851	84.28%	84.49%	84.39%
Anchor Bank, SSB	Madison	Lancaster	\$1,697,537	109.31%	117.91%	113.61%
F & M Bank - Potosi			\$30,634			81.44%

As the above chart shows, the bank's level of lending compares favorably to local competition. Local competition has been strong due to the large number of banks within the area. Management stated that credit unions located in Lancaster and Dubuque provide additional competition. Considering the bank's financial condition, strong local competition and lending opportunities available in the assessment area, the institution's loan-to-deposit ratio exceeds the standards for satisfactory performance.

Lending in Assessment Area

Loan originations were reviewed for a six month period between April and September 1996 to determine the bank's lending performance within its assessment area.

LOAN TYPE	TOTAL SAMPLED	WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Commercial/ Agricultural	133	76	57
Consumer Single Payment	73	59	81
Consumer Installment	136	92	68
General Real Estate	47	31	66
Other Loans *	7	6	86
Loan Sample Total	396	264	67
* Other loans include municipal, personal, and home equity lines of credit.			

As the preceding chart illustrates, approximately 67% of all loans were originated within the assessment area. The bank's performance of lending to borrowers within its assessment area meets standards for satisfactory performance.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank's internal analysis of real estate and consumer loans were reviewed for the six month period between April and September 1996 to assess the bank's performance under this criterion. An analysis of 164 consumer loans revealed the following distribution, by income level:

LOAN TYPE	Number of Loans Sampled	LOW INCOME Number of Loans	MODERATE INCOME Number of Loans
Real Estate	45	1	9
Installment	80	49	22
Single Payment	39	22	8
Percentage Totals		44%	24%

As the preceding chart illustrates, 111 of 164 or approximately 68% of consumer loans were made to low and moderate income borrowers.

The bank's internal analysis of small business and small farm loans was also reviewed for the six month period between April and September 1996 to assess the bank's performance under this criterion. Small businesses are defined as those with annual revenues of \$1 million or less, and small farms are defined as those with annual revenues of \$500,000 in or less. Seventy-one out of a total of 73 business loans reviewed were made to small businesses, and all 50 farm loans reviewed were made to small farms.

The analysis of the bank's lending to borrowers of different income levels and businesses of different sizes revealed that the bank exceeds the standards for satisfactory performance.

Geographic Distribution of Loans

Because there are no low- or moderate-income geographies contained within the assessment area in which lending activity could be analyzed, this criterion is not rated.

Response to Complaints

No CRA-related complaints were received by the institution.