

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 **The State Bank of Viroqua** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **July 29, 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**.

The State Bank of Viroqua's performance is deemed outstanding based upon the following factors: a strong performance of lending to borrowers of different income levels and businesses of different sizes; a substantial majority of its consumer, commercial and agricultural loans are originated within its assessment area and its loan-to-deposit ratio is consistent with local peer lending and UBPR lending levels.

The following table indicates the performance level of **The State Bank of Viroqua** with respect to each of the five performance criteria:

SMALL INSTITUTION ASSESSMENT CRITERIA	THE STATE BANK OF VIROQUA 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		X	
Response to Complaints	No Complaints were received since the previous examination.		

DESCRIPTION OF INSTITUTION

The State Bank of Viroqua, with total assets of \$54.7 million as of June 30, 1996, is the largest local bank in Vernon County, Wisconsin and a subsidiary of Baraboo Bancorporation, Inc., a multi-bank holding company with consolidated assets of \$247 million. The bank has two facilities; its main office with two on-premise automated teller machines (ATMs) and a branch office located two miles away in the Vernon Square Center. The bank also has an ATM at a convenience store three blocks north of the main office. The bank offers standard loan products including residential real estate, commercial, consumer, agricultural, student and government-insured loans; credit cards and fixed-rate home equity loans are also available. Programs in which the bank participates to further meet community credit needs include Farmers Home Administration, Wisconsin Housing and Energy Development (WHEDA) and Small Business Administration. There are no apparent factors relating to the bank's financial size and condition, products offered, prior performance, legal impediments, or local economic conditions that would prevent the bank from meeting its community's various credit needs. The bank's competitors include First National Bank in Viroqua; Westby Co-Op Credit Union in Westby and Westby-Coon Valley State Bank in Westby.

DESCRIPTION OF THE STATE BANK OF VIROQUA'S ASSESSMENT AREA

The bank's assessment area was redefined on December 11, 1995, effective January 1, 1996, to include the Town of Viroqua in BNA 9604 and the following townships: Harmony and Jefferson in BNA 9606; Viroqua in BNA 9603; Webster in BNA 9602; and Sterling, Franklin, Liberty and Kickapoo in BNA 9605, all within Vernon County, Wisconsin. The initial assessment area as defined included only portions of BNAs 9602, 9603 and 9606, as defined by the U.S. Bureau of the Census. The assessment area was revised during the examination to include all of BNAs 9603, 9604, 9605 and 9606; the area contains all geographies where the bank has offices and meets the requirements of the regulation.

The assessment area's total population is 15,137, with less than 1% minority population, according to 1990 census data. The assessment area includes BNA 9605 which is classified as moderate-income while the other three BNAs are considered middle-income. The census data revealed that the assessment area has a median family income of \$26,549, compared to the State of Wisconsin non-metropolitan median income of \$30,290. Twenty-two percent of the families within the assessment are classified as low-income and 22% as moderate-income.

Agriculture plays a major role in the local economy; dairy operations and cash crops of corn, soybeans and tobacco comprise the largest percentage of farming operations in Vernon County. Non-farm residents commute to La Crosse for employment opportunities at large companies, or work locally at small firms. The major employers in the assessment area are Nelson Muffler in Viroqua (motor vehicle parts and accessories distributor) with 150 employees; Globe Building Materials, Inc., in Coon Valley (roofing materials) with 120 employees; AT&T Global Information Services, Inc., in Viroqua (business form printing and pressure sensitive labels) with

115 employees; and Howard Johnson Enterprises in Viroqua (fertilizer blending) with 100 employees. The July, 1996 unemployment rate for Vernon County is 4.3%, compared to the State of Wisconsin with 3.4%; figures for July, 1995 indicate that Vernon County unemployment rate was 4.0%, with the State of Wisconsin rate at 3.4%.

Contacts within the community indicated that the economy in Vernon County is generally stable. Weather conditions of this past spring combined with a tobacco fungus have the potential of putting economic pressure on farmers this year unless there is a long fall growing season. Consolidation of small farming operations continues; with sales to larger farming operations or to the Amish who are starting to settle the area. The contacts stated that financial institutions in the Viroqua area are providing the necessary credit needed by the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. Community contacts were not aware of any discriminatory practices against protected classes by the bank. Management has developed adequate procedures, training and policies to support non-discriminatory lending activities.

Loan-to-Deposit Ratio Analysis

Information reported in the most recent seven consolidated reports of condition reveals that the bank's average quarterly loan-to-deposit ratio is 73.99%. The following chart shows the average quarterly loan to deposit ratio of the bank's competitors in the assessment area:

Bank	Main Office	Asset Size (000)	# of Branch offices	Loan to Deposit Ratio Fall '95**	Loan to Deposit Ratio Spring '96**	Average Loan to Deposit Ratio
First National Bank in Viroqua	Viroqua	45,290	1	68.13%	70.72%	69.43%
Westby-Coon Valley State Bank	Westby	70,428	4	80.02%	81.94%	80.98%

**Fall 1995 and Spring 1996 editions of the *McFadden American Financial Directory*
 N/A indicates information not available

The bank's loan-to-deposit ratio is 68.50%, higher than the peer group ratio of 52.62%, as noted in the March 31, 1996 UBPR. The individual quarterly ratios show a downward trend over the same time period; from 74.66% as of 12/31/94 to 67.34% on 6/30/96. During this eighteen-month period, the loan portfolio remained relatively constant, with a minor decrease in dollar volume of \$474,000 or 1.04%, while total deposits increased substantially by \$4,677,000 or 10.46%, reflecting favorable local economic conditions.

The June 30, 1996 consolidated report of condition shows the distribution of loans by type as follows:

LOAN TYPE	DOLLAR AMOUNT OUTSTANDING (000's)	PERCENT OF TOTAL LOANS
REAL ESTATE		
Construction	289	0.87
Residential (1-4)	4,203	12.64
Commercial	8,919	26.82
Agricultural	2,801	8.42
CONSUMER		
Open-end Credit	668	2.01
All Other	1,885	5.67
COMMERCIAL AND INDUSTRIAL	8,247	24.80
AGRICULTURAL	4,272	12.85
STATE AND POLITICAL OBLIGATIONS	1,956	5.88
OTHER	12	0.04

The following table, from the March 31, 1996 UBPR, compares the loan portfolio mix of the bank with those of its peer group:

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	0.32	1.23
1 - 4 Family Residential	13.15	27.16
Home Equity	0.0	0.08
Other Real Estate	33.1	21.08
Farmland	6.50	7.13
Multi-family	0.00	0.30
Commercial	24.63	11.12
TOTAL REAL ESTATE LOANS	46.60	52.76
LOANS TO INDIVIDUALS	7.63	14.98
CREDIT CARD LOANS	1.84	0.21
COMMERCIAL AND INDUSTRIAL LOANS	27.10	14.30
AGRICULTURAL LOANS	11.60	10.37
MUNICIPAL LOANS	6.84	0.26
OTHER LOANS*	0.15	0.15
*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

Analysis of the loan-to-deposit ratio and loan portfolio mix for The State Bank of Viroqua indicates that the loan-to-deposit ratio for the bank is considered to be satisfactory and that the loan portfolio mix adequately meets the consumer, commercial and agricultural credit needs of the community.

Lending in the Assessment Area

The examination loan sample of approved applications was reviewed to determine the portion of lending activity within the bank's assessment area. The loan sample revealed the following:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE BANK-S ASSESSMENT AREA	PERCENT OF TOTAL %
Single Payment	20	16	80.00%
Instalment	20	17	85.00%
Credit Card	20	13	65.00%
Commercial and Agricultural	20	17	85.00%
Real Estate Mortgages	10	7	70.00%
Totals	90	70	77.78%

The preceding chart illustrates that the majority of the sampled loans were originated within the bank's assessment area.

A listing of all instalment and commercial/agricultural originations for the first six months of 1996 was provided by the bank. A total of 94 instalment and 92 commercial/agricultural loans were reviewed; the percentage of loans within the assessment area increased slightly to 78.62%, when this information is combined with the examination loan sample, as highlighted in the following chart:

LOAN TYPE	TOTAL REVIEWED	WITHIN THE BANK-S ASSESSMENT AREA	PERCENT OF TOTAL
Single Payment and Instalment	134	110	82.09%
Credit Card	20	13	65.00%
Commercial and Agricultural	112	87	77.68%
Real Estate Mortgages	10	7	70.00%
Combined Loan Information	276	217	78.62%

The results of this analysis demonstrates that the bank is focussing its lending efforts within the assessment area and meeting local credit needs; thus, the bank's performance is considered to exceed the standards for satisfactory performance.

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

A review of the examination loan sample and information supplied by the bank, revealed the following income distribution:

LOAN TYPE	LOW INCOME	MODERATE INCOME	MIDDLE INCOME	UPPER INCOME
Single Payment and Instalment	25	12	9	8
Credit Card	2	3	1	1
Real Estate Mortgages	1	2	2	3
Combined Sample Totals *	28	17	12	12

(Information compiled by income amounts kept on file by the bank)

The bank's commercial/industrial and agricultural lending reflects a continued effort to make a wide range of loans to small businesses. A more detailed breakdown of the number and amount of loans currently outstanding is as follows:

COMMERCIAL REAL ESTATE SECURED				
ORIGINAL AMOUNTS	June, 1996		June, 1995	
	#	\$(000)	#	\$(000)
\$100,000 or less	34	\$1,027	32	\$808
More than \$100,000 through \$250,000	10	\$1,413	13	\$1,494
More than \$250,000 through \$1,000,000	12	\$6,479	11	\$5,626

COMMERCIAL AND INDUSTRIAL LOANS				
ORIGINAL AMOUNTS	June, 1996		June, 1995	
	#	\$(000)	#	\$(000)
\$100,000 or less	127	\$1,506	152	\$2,157
More than \$100,000 through \$250,000	15	\$1,442	16	\$1,088
More than \$250,000 through \$1,000,000	13	\$4,172	19	\$7,521

As the preceding charts illustrate, a substantial majority of the total number of commercial loans were in the amounts of \$100,000 or less. This further evidences the bank's commitment to its small farm and small business owners.

A further analysis of the bank's participation in government sponsored loan programs revealed that the bank is an active lender in the WHEDA Crop, WHEDA (Target Area) and student loan programs. This lending activity further evidences bank lending to small businesses and small farms. The use of government-sponsored agricultural lending programs and student loan programs illustrates the bank's efforts at meeting the area's credit needs. As a whole, these lending efforts are consistent with the credit needs of the bank's assessment area. The following chart summarizes the bank's activity in the above mentioned government-sponsored loan programs as of June 30, 1996:

PROGRAM	OUTSTANDING		SINCE PREVIOUS EXAMINATION	
	NUMBER	DOLLAR AMOUNT	NUMBER	AMOUNT
FmHA	17	\$1,297,472	1	\$330,000
SBA	1	\$14,575	0	0
WHEDA Crop	10	\$154,982	10	\$129,000
WHEDA (Target Area)	2	\$146,515	2	\$157,030
Student Loans (Funding Only)	0	\$0	77	\$223,939
Federal Home Loan Mortgage Corporation (Originated for Baraboo National Bank)	44	\$1,425,297	2	\$111,000

Bank lending to borrowers of different incomes and to businesses/farms of different sizes is deemed as exceeding the standard for satisfactory performance, based upon the bank's significant lending to low- and moderate-income borrowers and the significant level of agricultural and small business loans of \$100,000 or less.

Geographic Distribution of Loans

The bank's assessment area consists of three middle-income and one moderate-income BNAs. Primary loan products and the examination loan sample were reviewed to determine the geographic distribution of the bank's credit products within its assessment area.

Nine consumer loans and one commercial loan were made in the one moderate-income BNA, representing 4.61% of the loans made within the assessment area. The level of performance is consistent with the composition of the community, and the bank's performance is deemed to be satisfactory.

Response to Complaints

No complaints were received by the institution regarding its CRA performance, since the previous examination.