

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 the safe and sound operation 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-Lakeland, Woodruff, Wisconsin, prepared by the Federal Reserve Bank of Minneapolis, the institution’s supervisory agency, as of April 21, 1997. 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 CRA RATING: This institution is rated “Satisfactory.”

Several factors support the bank’s satisfactory CRA rating. First, the bank has maintained a high loan-to-deposit ratio since becoming a member of the Federal Reserve System (“FRS”) effective January 1, 1996. The bank’s loan-to-deposit ratio also compares favorably with the ratios of other financial institutions located within the bank’s assessment area. Second, the bank has made a significant number of loans within its assessment area. Third, based on an analysis of the bank’s loans, the bank lends to borrowers of different income levels and to small businesses. Finally, the bank originates loans to borrowers residing in geographies of different income levels in its assessment area.

DESCRIPTION OF INSTITUTION

The bank is able to fulfill area credit needs effectively. This is the bank's first CRA evaluation since it became a member of the FRS effective January 1, 1996. The previous CRA evaluation by the Federal Deposit Insurance Corporation ("FDIC") as of September 26, 1994, resulted in an outstanding rating. The bank operates seven offices--the main office and six branch offices in north-central Wisconsin. Three of the offices: the main office in Woodruff and the Minocqua and downtown Tomahawk branches--offer a full range of services, including loans. Three of the four other branch offices--Hazelhurst, Boulder Junction, and Manitowish Waters--accept deposits and take loan applications. Loan officers from the main office are at each of these three offices one day a week, and loan applicants can also submit loan applications by appointment. The other branch office in Tomahawk is located in a grocery store and is essentially a paying and receiving station. The bank has not closed any offices since the last evaluation; however, it acquired the two Tomahawk branch offices through the acquisition of and merger with the Bradley Bank, Tomahawk, Wisconsin, during the second quarter of 1996. The bank also operates four automated teller machines ("ATM"). The ATMs are located in Woodruff, Minocqua, Tomahawk, and Manitowish Waters. The Manitowish Waters ATM only dispenses cash; the other three also accept deposits. The bank's offices and ATMs are located throughout the assessment area. Six of the bank's offices and three of its ATMs are located in middle-income block numbering areas ("BNA"): 9713 (Woodruff and Minocqua), 9802 (both Tomahawk offices), 9709 (Hazelhurst), and 9508 (Boulder Junction). The bank's Manitowish Waters office and ATM are in moderate-income BNA 9501.

The bank's size does not restrict its ability to meet the credit needs of residents or businesses located within its assessment area. According to the March 31, 1997, Report of Condition ("ROC"), the bank had total assets of approximately \$149 million. It had total net loans of about \$110 million and total deposits of about \$124 million as of the same date. According to a review of the quarterly ROC data, the bank's loan portfolio has increased by about \$39 million (55%) since the bank's entry into the FRS effective January 1, 1996. The bank's deposits have fluctuated but increased by approximately \$37 million (43%) during the same period. Much of the increase is attributed to the bank's acquisition of and merger with the Bradley Bank, Tomahawk, Wisconsin, during the second quarter of 1996. The bank is a subsidiary of F&M Bancorporation, Inc., Kaukauna, Wisconsin ("FMB"). FMB had total consolidated assets of \$1.2 billion as of December 31, 1996.¹

According to the March 31, 1997, ROC data, the bank's loan portfolio is 47% consumer real estate, 44% commercial, 8% consumer, and 1% other loans. The bank's loan portfolio mix has remained relatively stable during the last five quarters. The composition of the bank's loan portfolio reflects the level of demand for specific types of credit by residents and businesses in the assessment area.

The bank offers a variety of loan products to fulfill the credit needs of residents and businesses within its assessment area. It extends conventional open- and closed-end consumer, residential real estate, mobile home, and commercial loans.

In addition to conventional loan products, the bank offers several types of government-guaranteed loans. For residential real estate loan borrowers, it offers Federal Housing Administration Title I, Wisconsin

¹ Although FMB had total assets over \$1 billion as of December 31, 1996, the bank is not considered a large bank for CRA evaluation purposes since holding company assets have not exceeded \$1 billion as of two consecutive year-ends.

Housing Economic Development Authority (“WHEDA”) home purchase and construction , and U.S. Department of Agriculture Rural Housing Service loans. In addition, the bank is becoming certified to offer Department of Housing and Urban Development (“HUD”) Section 184 loans for loans secured by tribal trust land. The bank also actively originates conventional real estate loans that it sells to the secondary market. Commercial borrowers have access to Small Business Administration (“SBA”) loans.

DESCRIPTION OF F&M BANK-LAKELAND’S ASSESSMENT AREA

The bank has defined its assessment area as sections of five north-central Wisconsin counties: Vilas, Oneida, Lincoln, Iron, and Price. The assessment area includes 30 BNAs. This sparsely populated, heavily forested area stretches approximately 90 miles from the northern to the southern boundary. From east to west, the assessment area is approximately 54 miles across. The assessment area encompasses several small Wisconsin towns and villages, including Woodruff, Minocqua, Tomahawk, Merrill, Eagle River, Arbor Vitae, St. Germain, Boulder Junction, Manitowish Waters, and Lac du Flambeau. The bank’s assessment area includes the Lac du Flambeau Indian Reservation (“Reservation”), most of which is located in Vilas County. Offices of several other banks and credit unions are located in the assessment area, including Firststar Bank Wisconsin, First Financial Bank, and Park City Credit Union in Minocqua; M&I Merchants Bank of Rhinelander in Woodruff and Lac du Flambeau; M&I Bank of Eagle River in Eagle River and St. Germain; and Tomahawk Community Bank, S.S.B, in Tomahawk.

CRA divides income levels into four categories: low, moderate, middle, and upper. Because the bank’s assessment area is not located in a metropolitan statistical area, the categorization of a borrower or area’s income is determined relative to the statewide nonmetropolitan median family income. Pursuant to the CRA’s definitions, low-income individuals have incomes of less than 50% of the statewide nonmetropolitan median family income, while moderate-income individuals have incomes of at least 50% but less than 80% of this amount. The regulation defines middle-income individuals as persons with incomes of at least 80% but less than 120% of the statewide nonmetropolitan median family income. Individuals with incomes of 120% or more than the statewide nonmetropolitan median family income are classified as upper-income persons. According to the 1996 updated data, the statewide nonmetropolitan median family income in Wisconsin is \$37,700; this figure is used to classify income levels of borrowers. BNAs are classified using similar categories based on the level of the median family income in the geography compared with the 1990 statewide nonmetropolitan median family income of \$30,290.

According to the 1990 U.S. Census data, the assessment area’s median family income is \$29,162, which is somewhat lower than the statewide nonmetropolitan median family income. Its median household income is \$25,297. There are approximately 13,994 families and 18,571 households within the assessment area. Approximately 8% of the families and 10% of the households have incomes below the poverty level. The percentage of such families in the assessment area is the same as the nonmetropolitan statewide percentage of 8%, but the percentage of households in the assessment area is slightly lower than the nonmetropolitan statewide percentage of 11%. The distribution of families and households by median income for the assessment area is summarized in the following table.

ASSESSMENT AREA POPULATION DISTRIBUTION BY INCOME LEVEL				
Unit of Measure	Low Income	Moderate Income	Middle Income	Upper Income
Families Compared to Median Family Income	20%	24%	25%	31%
Households Compared to Median Household Income	23%	19%	22%	36%

As previously discussed, the bank's assessment area includes 30 BNAs in 5 counties. The assessment area's total population, according to 1990 U.S. Census data, is 47,374. The assessment area includes one low-income BNA, 9 BNAs classified as moderate income, and 20 BNAs classified as middle income. The following table describes the assessment area's population and income distribution by BNA.

INCOME DESIGNATION AND POPULATION DISTRIBUTION BY BNA		
County and BNAs	Income Designation	Percentage of Assessment Area Population
Vilas County		
9501	Moderate	2%
9502	Moderate	1%
9503	Moderate	1%
9507	Middle	1%
9508	Middle	1%
9509	Low	4%
9510	Moderate	2%
9511	Middle	4%
9512	Moderate	3%
9513	Middle	2%
9514	Moderate	5%
Oneida County		
9705	Middle	4%
9706	Middle	7%
9707	Middle	3%
9708	Middle	4%
9709	Middle	4%
9710	Moderate	2%
9711	Middle	3%
9712	Middle	3%
9713	Middle	3%
Lincoln County		
9801	Middle	3%
9802	Middle	6%
9803	Middle	3%
9804	Middle	4%
9805	Middle	4%
9806	Middle	8%
9807	Middle	8%

INCOME DESIGNATION AND POPULATION DISTRIBUTION BY BNA		
County and BNAs	Income Designation	Percentage of Assessment Area Population
Iron County		
9803	Moderate	3%
9804	Moderate	1%
Price County		
9701	Middle	1%

As the table illustrates, the bank's assessment area has one low-income area, BNA 9509 in Vilas County. This BNA encompasses the majority of the Reservation and is located approximately 12 miles west of Minocqua and Woodruff. This BNA has 4% of the assessment area's population. The moderate-income BNAs primarily represent the northern third of the assessment area; this area is sparsely populated and heavily forested. The moderate-income BNAs contain about 20% of the assessment area's population. The southernmost section of the assessment area, including the town of Merrill, is served by financial institutions located in the Wausau, Wisconsin, metropolitan statistical area.

According to Wisconsin Public Service Corporation ("WPSC") census data, the 1995 population for Minocqua and Woodruff was 3,779 and 1,710, respectively. Bank management and members of area tribal and community development organizations familiar with the economic characteristics of the assessment area were contacted during this CRA evaluation. They characterized the area's economy as strong overall. One community contact estimated the annual, seasonally adjusted unemployment rate for the assessment area to be approximately 2%. The major industry continues to be year-round tourism and the attendant service-related industries; many area jobs are seasonal and lower-paying. Although tourism is dominant, other employers with a presence in the area include a medical center in Woodruff, a small vitamin manufacturer, and a small publishing company.

The nontourism-related sector of the assessment area is centered in Rhinelander and, to a lesser extent, Tomahawk. According to WPSC's 1995 population data, Rhinelander's population is 7,714. The 1990 U.S. Census lists Tomahawk's population as 3,527. Rhinelander is located adjacent to the eastern border of the bank's assessment area. CRA contacts indicate that Rhinelander and Tomahawk have been successful in attracting some manufacturing companies and paper mills. As previously mentioned, the assessment area is heavily forested and has numerous lakes and resorts. According to community members familiar with Oneida and Vilas county tourist facilities contacted during the evaluation, there are more than 450 hotel and motel guest rooms within a 15-mile radius of Minocqua. The area also contains a large number of cabins, cottages, and family vacation homes; most are reportedly owned by out-of-area residents from Milwaukee and Chicago.

The assessment area also is home to the Lac du Flambeau Band of Lake Superior Chippewa Indians of Wisconsin ("Tribe"). Most of the Reservation is located in southwestern Vilas County, adjacent to Oneida and Iron counties. Tribal offices are located in Lac du Flambeau, approximately 12 miles northwest of Woodruff and Minocqua. According to a tribal planning official contacted as part of this CRA evaluation, the Reservation encompasses 144 square miles; the area is heavily forested and has numerous lakes. Approximately one-third of the Reservation is water, one-third is Indian land, and one-third is privately owned land. The Tribe has 2,400 members, 1,400 of whom live on the Reservation. The Tribe employs approximately 800 people and is the largest employer on the Reservation. The Tribe owns the Lake of the Torches Resort Casino, the local grocery store, a campground, an electric monitor manufacturing company,

and a small wood-pallet manufacturer. A small number of Reservation residents are self-employed. The casino employs approximately 300 people and attracts business from as far away as Chicago. According to tribal officials, the average hourly wage of Reservation residents is \$6.33 and the 1996 unemployment rate on the Reservation is 26%. The contacts indicated that there is a need on the Reservation for venture capital financing. They acknowledge that this is a financing area that most conventional banks are not very actively involved in.

According to community members contacted in connection with the CRA evaluation who are familiar with Oneida and Vilas county economic development and housing issues, both rental and owner-occupied affordable housing units are in short supply. These CRA contacts indicated that new home construction set an all-time record in Oneida County in 1996. However, approximately half of the homes built are second "vacation" homes; only half are owner-occupied units. According to bank management and CRA contacts, new home construction costs have increased dramatically in the last several years. They indicated that one of the impediments they experience when trying to recruit new businesses to the area is the general lack of housing available, especially affordable housing. In addition, a tribal official contacted as part of the CRA evaluation stated that housing on the Reservation is also in short supply. The tribal official pointed out that there are 340 tribal housing units on the Reservation; all are "mutual-help" units that the occupants will eventually own. More than half of the units are designated for low- and moderate-income Reservation residents. Currently, there is a long waiting list for tribal housing. According to the tribal CRA contact, the Tribe is approved for HUD's Section 184 loan program and has been working with Minocqua and Woodruff banks to provide such loans to eligible borrowers. The Section 184 loan program provides home ownership to Native American individuals, tribes, and tribal housing authorities on tribal trust land or in the areas where other home financing is unavailable for Native Americans. A few area banks have made such loans. The tribal official is hopeful that as more banks are certified to make such loans, residential real estate lending on the Reservation will increase, thus helping to alleviate the housing shortage. According to the tribal official, the tribal housing authority held a home fair in Lac du Flambeau in March 1997. More than 300 tribal members participated along with all of the Minocqua and Woodruff banks. The home fair provided home loan and building plan information to tribal members.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank has done a satisfactory job of meeting the credit needs of its assessment area. Much of the analysis on the following pages was based on a statistical sample of 151 consumer, 94 residential, and 100 commercial loans originated in the six months preceding the evaluation. The criteria discussed below were reviewed in determining this rating. In assigning the overall rating, greatest weight was placed on the level of lending to borrowers of different income levels and businesses of different sizes and geographic distribution of loans categories. These criteria most closely measure the bank's effectiveness in serving all segments of its assessment area, including low- and moderate-income people and areas.

LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's net loan-to-deposit ratio is strong and exceeds the standards for satisfactory performance based on the ratio's consistently high level. The quarterly average of the bank's net loan-to-deposit ratio, based on the data for the five calendar quarters since January 1, 1996, is 81%. During that time, the bank's net loan-to-deposit ratio has fluctuated between 78% and 89%. As noted previously, the bank's loan portfolio has increased by 55% since the bank's entry into the FRS. The bank's deposits have fluctuated but they

have increased by 43% during the same period. Much of the increase is attributed to the bank's acquisition of and merger with the Bradley Bank in Tomahawk, Wisconsin, during the second quarter of 1996.

The bank's general lending performance compares favorably with its peer group based on March 31, 1997, Uniform Bank Performance Report ("UBPR") data. These data indicate that the bank's net loan-to-deposit ratio of 89% ranks the bank in the 91st percentile as compared with its peers. The following chart summarizes the bank's quarterly net loan-to-deposit ratio and its components since January 1, 1996.

DATE	NET LOANS (In thousands)	DEPOSITS (In thousands)	NET LOAN-TO- DEPOSIT RATIO
March 31, 1996	\$71,002	\$86,964	82%
June 30, 1996	\$97,474	\$123,415	79%
September 30, 1996	\$101,722	\$131,158	78%
December 31, 1996	\$105,285	\$131,716	80%
March 31, 1997	\$110,237	\$124,392	89%

The chart also shows the fluctuations in loan volume and deposits as a result of the advances and paydowns on commercial lines of credit consistent with a loan portfolio primarily tied to tourism. According to bank management, lending typically decreases and deposit levels typically increase in the winter months. Lending levels usually increase during the second and third quarters to fund the operating costs of the numerous resorts and small service-related industries in the assessment area, while deposits decrease during these quarters. However, according to bank management, deposits did not increase as expected during the fourth quarter 1996. Management attributes this to a less-than-stellar tourist season. Since January 1, 1996, the bank's loan-to-deposit ratio has fluctuated between a high of 89% as of March 31, 1997, to a low of 78% as of September 30, 1996.

The bank's loan data does not reflect loans sold to the secondary market since January 1, 1996. The bank sells residential real estate loans to the secondary market; if these loans were included in the data presented above, the net loan-to-deposit ratio would increase slightly in any given quarter.

According to Bank management, the bank's main competitors are Firststar Bank Wisconsin, First Financial Bank, and Park City Credit Union in Minocqua; M&I Merchants Bank of Rhinelander; M&I Bank of Eagle River; Tomahawk Community Bank, S.S.B, in Tomahawk; and First National Bank, Park Falls. The bank's net loan-to-deposit ratio is strong; however, it is lower than that of the other financial institutions operating in the bank's assessment area. Although the bank competes with First National Bank in Park Falls, the institution is not located in the bank's assessment area.

The following chart shows the quarterly average net loan-to-deposit ratios available for some of the bank's local competitors.

BANK	TOTAL ASSETS (March 31, 1997) (In thousands)	QUARTERLY AVERAGE NET LOAN-TO-DEPOSIT RATIO
F&M Bank-Lakeland Woodruff, Wisconsin	\$149,301	81%
M&I Merchants Bank Rhineland, Wisconsin	\$242,106	92%
M&I Bank of Eagle River Eagle River, Wisconsin	\$139,864	92%
Tomahawk Community Bank, S.S.B Tomahawk, Wisconsin	\$ 55,244	93%
First National Bank Park Falls, Wisconsin	\$ 60,236	74%

As the net loan-to-deposit data indicate, the demand for credit appears strong throughout the assessment area. Although three of the four bank competitors listed have higher quarterly average net loan-to-deposit ratios than the bank, the situation is mitigated by the fact that M&I Merchants Bank (“M&I”) has two offices in Rhineland, which is not included in the bank’s assessment area. Given the economic and demographic characteristics of Rhineland, it is quite likely that much of M&I’s lending and deposit activity emanates from that city’s much larger customer base. The M&I Bank of Eagle River operates a branch in Three Lakes, Wisconsin, which is also not included in the bank’s assessment area. It is likely that some of the loan and deposit activity for M&I Bank of Eagle River includes a larger customer base than our subject bank.

The many financial institutions that operate in the bank’s assessment area create a very competitive market. Community contacts familiar with the small business environment in the assessment area stated that the most competitive small business lender in the area is F&M Bank-Lakeland. According to an article in an April 1997 banking trade publication, the SBA named F&M Bank-Lakeland one of the top ten “small-business friendly” banks in Wisconsin with assets between \$100 million and \$500 million.

The bank made several notable community development loans since its last CRA evaluation, including a number of SBA and WHEDA loans. Most notably, the bank made two large loans to fund low-income multifamily housing facilities in the assessment area. The bank also provided several loans for low-income housing projects.

Based on the bank’s consistently strong loan-to-deposit ratio, the competitive banking environment, its UBPR peer group ranking, its strong participation in community development lending, and the lack of identified credit needs in the assessment area, with the exception of a perceived need for venture capital financing on the Reservation, the bank’s loan-to-deposit ratio exceeds the standards for satisfactory performance.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

The bank’s lending activity within its assessment area exceeds the standards for satisfactory performance. Based on the loans sampled, the bank has extended a significant majority of its loans to residents and

businesses in its assessment area. The table below shows the percentages of consumer, residential real estate, and commercial loans by total number and dollar amount originated in the assessment area.

LOANS IN THE ASSESSMENT AREA		
Loan Type	Total Number of Loans	Total Dollar Amount of Loans
Consumer	92%	88%
Residential Real Estate	93%	91%
Commercial	98%	99%

As mentioned previously, the data are based on a statistical sampling of consumer, residential real estate, and commercial loans originated during a six-month period preceding the evaluation. As the data indicate, the bank's lending activity is heavily concentrated within the assessment area.

Based on the bank's strong concentration of consumer, residential real estate, and commercial lending in the assessment area, the bank's lending performance exceeds this category's standard for satisfactory performance.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES

The bank's level of lending to individuals of different incomes and to businesses of different sizes meets the standards for satisfactory performance. As previously discussed, CRA classifies income levels into four categories: low, moderate, middle, and upper. According to the 1990 U.S. Census data, the median family income for the assessment area is \$29,162. For purposes of classifying the bank's consumer borrowers, the 1996 Wisconsin nonmetropolitan median family income of \$37,700 is compared with borrowers' incomes.

The following table shows the percentage of consumer and residential real estate loans made to borrowers of different income levels.

DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BORROWER INCOME LEVELS*								
Loan Type	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans
Consumer	40%	25%	17%	18%	43%	57%	0%	0%
Residential Real Estate	21%	11%	15%	16%	64%	73%	0%	0%

*Income level is determined based on the 1996 Wisconsin nonmetropolitan median family income of \$37,700.

The consumer loan data reveal that the bank extends a large percentage of consumer loans to low- and moderate-income borrowers. Consumer loans to these borrowers represented 57% of the total number of loans and 43% of the total amount of loans in the sample. Low- and moderate-income families and households comprise 44% and 42% of the assessment area population, respectively. More specifically, low-income families and households represent 20% and 23% of the local population, respectively;

moderate-income families and households represent the balance. Thus, the bank's consumer lending to low- and moderate-income borrowers appears to exceed the representation of such people in the assessment area.

The residential real estate data show that the bank's lending to low- and moderate-income people is 36% of the total number and 27% of the total amount of residential real estate loans originated in the six months preceding the evaluation. The bank's residential real estate loan originations to low-income people closely approximate the representation of such people in the assessment area, while loans to moderate-income people is slightly lower than expected given the area's demographics. According to bank management, the data reflect the lack of available, affordable housing in the assessment area. Community contacts confirmed the lack of such housing in the assessment area. The lack of low- and moderately priced housing stock translates into lower demand for residential real estate loans from low- and moderate-income people.

As shown in the table, the bank did not make any consumer or real estate loans to upper-income people, although these residents comprise 31% of the assessment area families and 36% of its households. Upper-income households appear to be heavily concentrated around the cities of Merrill and Rhinelander. These cities are located at the southern and eastern edges of the assessment area, respectively, and are served more directly by a number of financial institutions. The bank does not have offices in either of these communities.

As previously discussed, to serve the residential real estate credit needs of low- and moderate-income people, the bank offers WHEDA home purchase and construction and U.S. Department of Agriculture Rural Housing Service loans. In addition, the bank is becoming certified to offer HUD Section 184 loans secured by tribal trust land on the Reservation. During the first quarter 1997, bank real estate loan officers attended a Federal National Mortgage Association loan workshop for Native American lending and the tribal housing authority's home fair. Bank real estate loan officers also meet regularly with area real estate agents and the tribal housing authority to search for creative ways to address the area's affordable housing shortage. Since the bank's previous CRA evaluation, it has originated several WHEDA loans.

The sample of commercial loans reviewed during the evaluation shows that the bank originates loans to small businesses, defined as entities with gross annual revenues of \$1 million or less. Specifically, the bank made 93% of its commercial loans to small businesses. The following table shows the distribution of the banks' loans by loan amount. The table shows that the bank is willing to extend loans of various sizes to small business entities.

DISTRIBUTION OF LOANS TO SMALL BUSINESSES BY LOAN AMOUNT			
	Loan Amount \$100,000 or less	Loan Amount \$100,000.01 to \$250,000	Loan Amount \$250,000.01 to \$1,000,000
Small Business	97%	2%	1%

The high level of loan originations to small businesses is expected because almost all commercial entities in the bank's assessment area are classified as small businesses.

The bank is an active small business lender and, as previously mentioned, offers SBA loans to commercial loan customers. The bank has not made any SBA loans since January 1, 1996, the date it became a member bank of the FRS. However, it has made a few SBA loans since its September 24, 1994, CRA evaluation, which was conducted by the FDIC.

The bank's lending performance to small businesses is strong but generally reflects the concentration of such entities in the assessment area. Its performance with respect to consumer loans extended to low- and moderate-income people is also strong. In contrast, the bank's residential real estate lending performance to moderate-income people is less than expected based on the assessment area's demographics. This situation is apparently the result of the affordable housing shortage in the assessment area. Because 47% of the bank's loan portfolio is consumer real estate loans and 44% is commercial, while only 8% is consumer loans, greater weight is placed on the bank's record of real estate and commercial lending in assigning the rating for this category. Moreover, the bank made no loans to upper-income people, although they comprise over 30% of the assessment area's families. For these reasons, the bank's lending to individuals of different incomes and to businesses of different sizes meets this category's standards for satisfactory performance.

GEOGRAPHIC DISTRIBUTION OF LOANS

The distribution of the bank's loans among geographies of different income levels meets the standards of satisfactory performance. As previously discussed, the bank's assessment area has one low-income BNA and nine moderate-income BNAs. The following table shows the distribution of the bank's consumer, residential real estate, and commercial loans in low-, moderate-, and middle-income BNAs.

DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BNA INCOME LEVEL*						
Loan Type	Low-Income BNAs		Moderate-Income BNAs		Middle-Income BNAs	
	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans
Consumer	3%	3%	17%	21%	80%	76%
Residential Real Estate	7%	4%	25%	31%	68%	65%
Commercial	0%	0%	12%	12%	88%	88%

*The bank's assessment area does not include any upper-income BNAs.

According to the table, the bank originated 3% of the consumer loans and 7% of the residential real estate loans in the one low-income BNA, 9509, located in the bank's assessment area. BNA 9509 encompasses the majority of the Reservation, which, as previously noted, is located in southwestern Vilas County adjacent to Oneida and Iron counties. The tribal offices are located in Lac du Flambeau, approximately 12 miles northwest of Woodruff and Minocqua. The BNA has a population of 1,840, representing approximately 4% of the assessment area's total population. Of the 622 households located in this BNA, 45% are classified as low income and 37% have incomes below the poverty level. Members of these households typically do not qualify for types of credit other than small loans, which explains the low level of real estate loans and the lack of commercial loans. According to tribal planning and housing officials contacted during the evaluation, the Tribe is the major employer on the Reservation. The contact indicated that most Reservation residents do their shopping in nearby Minocqua or Woodruff. Some tribal members bank in those communities, but because M&I Merchants Bank in Rhinelander operates a branch in the

tribal grocery store in Lac du Flambeau, many Reservation residents bank there. Because M&I is also the depository bank for tribal funds, many of the tribal commercial business enterprises bank there also. It appears that the bank's low level of activity in this BNA is also the result of the existence of a competitor's branch office in the BNA.

The table also shows that the bank is somewhat more active in originating loans to persons or businesses in the bank's nine moderate-income BNAs. According to the table, the bank originated 17% of the consumer, 25% of the residential real estate, and 12% of the commercial loans in the sample in the moderate-income BNAs. The moderate-income BNAs primarily represent the northern third of the assessment area; this area is sparsely populated and heavily forested. According to bank management, much of Vilas County is in the Eagle River, Wisconsin, school district. As such, bank management believes that many of the moderate-income BNA residents bank in Eagle River where school-related functions occur.

The bank made loans in the vast majority of the BNAs located in the assessment area. Activity appears to be spread reasonably throughout the assessment area with activity heaviest in the BNAs closest to the bank's offices and lightest in those areas more distant from the bank or served by other financial institutions.

Approximately 76% of the assessment area population reside in middle-income BNAs. The distribution of loans in the middle-income BNAs appears reasonable. Based on the preceding discussion of the demographic characteristics of the assessment area and the bank's lending activity, the distribution of the bank's loans among geographies of different income levels is reasonable and meets the standards for satisfactory performance.

GENERAL

The evaluation did not reveal any violations of the substantive or technical provisions of the fair lending and fair housing laws and regulations. In addition, the bank has not received any CRA-related complaints since the previous evaluation.

PUBLIC DISCLOSURE

April 21, 1997

Date of Evaluation

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

F&M Bank-Lakeland

Name of Depository Institution

09555570000

Identification Number of Institution

Woodruff, Wisconsin

Address of Institution

Federal Reserve Bank of Minneapolis
250 Marquette Avenue
Minneapolis, Minnesota 55401-2171

NOTE: 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.