

PUBLIC DISCLOSURE

April 13, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Benton State Bank
Certificate #14316**

**42 West Main Street
Benton, Wisconsin 53803**

**Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Chicago Regional Office
300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606**

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.

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

The Benton State Bank has a satisfactory record of helping meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. This rating is supported by the following:

- The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of the reviewed loans, both by number and dollar amount, were originated within the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of home mortgage and small business loans reflects a reasonable dispersion throughout the assessment area.
- The bank has not received any complaints about its performance in meeting assessment area credit needs.

SCOPE OF EVALUATION

The Community Reinvestment Act (CRA) small bank evaluation procedures were used for this evaluation. The Benton State Bank's CRA evaluation is based upon a review of home mortgage, small farm, and small business loans. These credit products were selected as management indicated that these loan types are the institution's primary business focuses and represent the largest portion of the bank's portfolio. The institution's portfolio consists of 38 percent residential real estate loans as of December 31, 2014, which accounted for the largest segment of the bank's portfolio. At 28 percent, agricultural loans made up the second largest portion of the portfolio while commercial loans made up 24 percent of the bank's portfolio. Discussions with bank management indicated that they consider home mortgage lending to be the bank's primary lending focus and makes up the majority of its lending activity.

Of the five performance criterion, more weight was placed upon "Lending to Individuals of Various Income Levels and Farms and Businesses of Different Sizes" as this criterion best demonstrates the bank's CRA performance given its lending emphases.

The review of home mortgage review consists of reviewing home purchase, home improvement, and refinance loans. For the purposes of this evaluation a small farm loan is a loan secured by farmland or to finance agricultural production with an original loan amount of \$500,000 or less. Small business loans are commercial or commercial real estate loans originated in the amount of \$1 million or less.

The loans reviewed for this evaluation are considered representative of the bank's lending

performance since the last public evaluation conducted as of July 7, 2008. Loans originated from July 1, 2014 to December 31, 2014 were considered for review (review period). Sampling procedures using a 90 percent confidence interval and 10 percent precision were utilized to obtain income and revenue information. Bank management agreed that the review period was a representative sample of the bank's lending efforts, dating back to the last CRA evaluation.

Of the 48 residential real estate loans totaling \$3,813,973 originated during the review period, 23 loans totaling \$1,733,686 were selected for review in this evaluation. Twenty small farm loans totaling \$636,140 were selected from a universe of 39 loans totaling \$4,833,985 and 18 small business loans totaling \$1,219,207 were selected from a universe of 36 loans totaling \$3,067,967. A review of FDIC records, as well as the bank's CRA Public File, did not reveal any complaints relating to the bank's CRA performance since the previous evaluation.

The bank's CRA performance was further analyzed in relation to its performance context. The performance context includes, but is not limited to bank size and structure, financial condition, loan mix, resources and limitations, the assessment area's demographics, economic factors, competition, loan demand, and available opportunities. To assist the FDIC examiner in conducting the CRA evaluation, a community contact interview, was conducted with a representative in the assessment area and not affiliated with the bank, during the examination. Information obtained from this community contact interview was used to set the scope of this CRA evaluation.

DESCRIPTION OF INSTITUTION

The Benton State Bank is a full-service, \$63 million community bank with its main office located in Benton, Wisconsin (Lafayette County). The bank is a member of the one-bank holding company, BSB Community Bancorporation, Inc., headquartered in Benton, Wisconsin. It has two full service branch offices located in Potosi and Shullsburg, Wisconsin. All bank facilities are located in middle-income census tracts. The bank has not opened or closed any offices since the previous examination.

A variety of products and services are offered to meet the credit and deposit needs of the assessment area. Loan types include consumer loans (for personal, household and family purposes), real estate loans (for residential, business, agricultural, and construction purposes), commercial loans, and agricultural loans. Deposit products offered include checking, savings, certificates of deposit, individual retirement, health savings accounts, and money market accounts. The bank also offers drive through services at all banking facilities. The bank operates eight Automated Teller Machines (ATM) located throughout the assessment area and northern Illinois. None of the ATMs are deposit taking. Lobby hours in Benton and Shullsburg are from 8 a.m. to 4 p.m. Monday through Thursday with extended hours of 8 a.m. to 6 p.m. on Friday. These branches are also open on the first and third Saturdays of the month from 8:30 am to 12 p.m. The Potosi branch hours are from 8:30 a.m. to 5:00 p.m. Monday through Thursday

with extended hours until 6:00 p.m. on Friday. This branch is open on the second and fourth Saturdays from 8:30 a.m. to 12:00 p.m. Products and services are further accessible, 24 hours-a-day, seven days-a-week, through the online banking.

According to the December 31, 2014, Consolidated Reports of Condition and Income (or Call Report), the bank reported \$62,702,000 in total assets, \$53,619,000 in total deposits and \$54,104,000 in total loans. Table 1 shows the distribution of the bank's loan portfolio.

Table 1 - Loan Distribution as of 12/31/2014		
Loan Type	Dollar Amount (000)	Percent of Total Loans
Construction and Land Development	\$238	<1%
Secured by Farmland	\$9,014	17%
1-4 Family Residential	\$20,355	38%
Multifamily (5 or more) Residential	\$752	1%
Commercial Real Estate	\$7,473	14%
<i>Total Real Estate Loans</i>	\$37,832	70%
Commercial and Industrial	\$5,190	10%
Agricultural	\$5,763	11%
Consumer	\$4,904	9%
Other	\$415	<1%
*Total Loans	\$54,104	100%
<i>Source: Call Report; *Percentages may not add up to 100 due to rounding</i>		

Table 1 shows that the largest portion of the loan portfolio is made of residential real estate lending followed by agricultural loans and commercial. There are no legal or financial impediments that prevent The Benton State Bank from meeting its CRA obligations. The bank's CRA performance was last evaluated on July 7, 2008, which resulted in a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

The assessment area includes six contiguous census tracts within the State of Wisconsin. Three of the census tracts are located in Grant County and three of the tracts are located in Lafayette County. All of the tracts are part of the non-metropolitan portion of Wisconsin. The tracts located in Lafayette County are considered remote rural and therefore are included on the Federal Financial Institutions Examination Council (FFIEC) list of Distressed or Underserved Nonmetropolitan Middle-income Geographies. A nonmetropolitan middle-income geographic

area is designated as underserved "if it meets criteria for population size, density and dispersion that indicate the area's population is sufficiently small, thin and distant from the population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs," as described in a question-and-answer document about the CRA prepared by the FFIEC. The assessment area has not changed since the previous CRA evaluation and meets the requirements of the regulation, as it does not arbitrarily exclude any categories of geographies.

Census tracts and borrower income designation are determined based on the median family income (MFI) of the tract compared to the comparable area. Tracts in the assessment area are compared to the MFI of tracts in non-metropolitan Wisconsin for census year 2010. Borrower income is determined by taking the borrower's income and comparing it to the MFI for the appropriate area. Annually the FFIEC releases estimated incomes for the various areas. Table 2 defines the FFIEC updated MFI and income level designations of the assessment area borrowers and geographies for 2014.

Table 2 – Estimated Median Family Income (MFI) Levels for Non-metro Wisconsin		
Income Level	Percent of MFI	2014 MFI - \$60,600
Low	Less than 50%	\$0 - \$30,299
Moderate	50% to less than 80%	\$30,300 - \$48,479
Middle	80% to less than 120%	\$48,480 - \$72,719
Upper	120% and above	\$72,720 and over
<i>Source: 2014MFI: FFIEC</i>		

Various communities within the assessment area include Belmont, Benton, Cuba City, Darlington, Dickeyville, Hazel Green, Potosi, and Shullsburg. According to the Wisconsin Realtors Association housing sales in the Lafayette County have been steady through the past few years ranging from 126 homes sold in 2012 to 133 sold in 2014. The median sale price has ranged from \$71,000 in 2012 to \$87,625 in 2013. Less rural Grant County has seen higher levels of home sales over the past three years, ranging from 344 in 2012 to 372 in 2014. The median sales price ranged from \$98,950 in 2012 to \$105,000 in 2013. Discussions with a community contact indicated that there is little turnover in the housing market in Benton and therefore hasn't seen a fluctuation in home prices. Table 3 contains additional demographic data for the assessment area.

According to the Wisconsin Department of Workforce Development web site, in January 2015, the national unemployment rate was at 6.1 percent. Counties within the bank's assessment area were reported at 6.1 percent for Grant County and 5.5 percent for Lafayette County. For the same period the unemployment rate for the state of Wisconsin was reported at 5.4 percent.

Table 3 – Select Demographic Characteristics of the Assessment Area

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Census Tracts	6	--	--	100%	--
Population by Census Tract Income Level	22,358	--	--	100%	--
Owner-Occupied Housing Units by Census Tract Income Level	6,913	--	--	100%	--
Families by Income Level	5,957	15%	20%	27%	38%
Families by Census Tract Income Level	5,957	--	--	100%	--
Businesses by Census Tract Income Level*	1,513	--	--	100%	--
Farms by Census Tract Income Level*	508	--	--	100%	--
Median Family Income		\$58,600	Median Housing Value		\$121,520
Adjusted Median Family Income for 2010**		\$60,600			
Families Below Poverty Level		323			
Unemployment Rate***		Grant – 6.1 Lafayette- 5.5			
<i>Source: 2010 U.S. Census data, * 2010 D&B Data, **FFIEC ***Bureau of Labor Statistics Data as of September 2014</i>					

The bank operates in a competitive environment, with a wide array of products available from competing institutions. Based on the June 30, 2014, Summary of Deposits, 18 banking offices operated in Grant and Lafayette County, which includes the bank’s assessment area. The Benton State Bank ranked 12th, with a market share of 3.38 percent. The bank’s primary competition includes local banks and credit unions in Lafayette and Grant County as well as in eastern Iowa and northern Illinois.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The Benton State Bank’s lending performance reflects a reasonable responsiveness to assessment area credit needs. This conclusion was determined by evaluating the bank’s lending activity (as measured by loan-to-deposit), assessment area concentration, and borrowers’ characteristics. The evaluation of the bank’s lending performance is based upon a review of home mortgage, small farm, and small business loans originated during the review period (as detailed under “Scope of Evaluation”).

Loan-to-Deposit (LTD) Ratio

The LTD ratio is more than reasonable given the institution’s size, financial condition, and assessment area credit needs. The net LTD ratio has averaged 97 percent over the 26 quarters since the prior evaluation. Two financial institutions were considered similarly situated to this bank based on range of asset size, loan portfolio composition, banking structure, and geographic service area. The average net LTD ratios for the similarly situated banks ranged from 64 to 83 percent. Given the assessment area credit needs, opportunities, bank size, resources, and comparable banks’ performance levels, The Benton State Bank LTD is more than reasonable.

Assessment Area Concentration

The bank’s performance in originating credit within the assessment area is reasonable, as a majority of the residential real estate, small farm, and small business loans were granted to borrowers located within the assessment area. Table 4 details the number and dollar volume of the reviewed loans originated inside and outside of the assessment area.

Loan Category or Type	Number of Loans				Total	Dollars in Loans (000)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage 2014	15	65%	8	35%	23	\$1,298	75%	\$436	25%	\$1,734
Small Farm 2014	11	55%	9	45%	20	\$654	65%	\$348	35%	\$1,002
Small Business 2014	12	67%	6	33%	18	\$1,349	67%	\$656	33%	\$2,005
Total	38	62%	23	38%	61	\$3,301	70%	\$1,440	30%	\$4,741

Source: Bank records

Table 4 shows that, during the review period, a majority of the loans reviewed were originated within the assessment area. The number of small farm loans extended by number was reviewed further, as just over half (or 55 percent) were extended to farmers in the assessment area. Bank management explained that the agriculture lender at the bank during the review period was long established at the bank, and had built lending relationships with many area farmers, both inside and outside of the defined assessment area. No unmet credit needs of local farmers were identified in our community contact interview. Based upon assessment area size, bank resources, credit needs, and assessment area opportunities, the assessment area concentration is reasonable.

Lending to Individuals of Various Income Levels and Farms and Businesses of Different Sizes

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income) and farms and businesses of different sizes. An analysis for each loan type follows.

Lending to Individuals of Various Income Levels

The bank has an excellent record of lending to borrowers of various income levels, including low- and moderate-income individuals. Table 5 shows the distribution of residential real estate loans by borrower income level. The distribution includes only those loans originated inside the assessment area. Table 5 also includes the distribution of assessment area families by income level for reference.

Table 5 – Home Mortgage Loans by Income Category of the Borrower					
Borrower Income Level	% of Families*	#	%	\$(000)	%
Low 2014	15%	6	40%	\$560	43%
Moderate 2014	20%	5	33%	\$452	35%
Middle 2014	27%	0	--	\$0	--
Upper 2014	38%	4	27%	\$286	22%
Totals 2014	100%	15	100%	\$1,298	100%

*Source: Bank Records, *2010 U.S. Census data.*

Table 5 shows that the lending to low-income borrowers exceeds the assessment area demographics by the number of loans. In addition, five percent of the assessment area families are below the poverty level. Families earning below the poverty level typically are less able to afford the cost of homeownership (including principal and interest payments, taxes and insurance). After adjusting for poverty, the low-income family representation would be ten percent (low-income families minus families below poverty) which is greatly exceeded by the bank’s lending to low-income families by number volume and dollar volume.

Lending to moderate-income geographies also exceeds the number of moderate-income families in the assessment area by both number and dollar volume. This level of lending demonstrates the bank’s wiliness to lend to borrowers of various income levels and meet the credit needs of the community.

Lending to Farms of Different Sizes

The institution has achieved reasonable lending penetration to farms of different sizes. Table 6 shows the bank’s performance in extending small farm loans based on the revenue of the borrower.

Table 6 – Small Farm Loans by Revenue Category of the Farm					
Farm Revenue Level	% of Farms*	#	%	\$(000)	%
≤\$1,000,000					
2014	99%	8	73%	\$533	81%
>\$1,000,000					
2014	1%	0	--	\$0	--
Revenue Not Reported					
2014	--	3	27%	\$121	19%
Totals					
2014	100%	11	100%	\$654	100%

*Source: Bank records, *2014 D&B data*

The bank’s small farm lending shows that 73 percent of the small farm loans made in the AA were to farms with gross annual revenue of \$1 million or less. Additionally, the loans that were not identified as having revenue of \$1 million or less were all loans for which income data was not obtained by the financial institution and not necessary indicative of lending to larger farms. While the bank’s lending is below the percentage of farms that have revenue of \$1 million or less, the bank’s level of lending is still considered to be reasonable.

Lending to Businesses of Different Sizes

Lending to business of different sizes within the assessment area demonstrates reasonable penetration. Table 7, on the following page, reflects the distribution of small business loans by business revenue size. The analysis only includes loans originated within the assessment area. The D&B demographic data is presented for reference.

Based on bank information on the business revenues, 75 percent of the small business loans made in the assessment area were extended to business with revenues of \$1 million or less. The demographics of the area show that of the business reporting to D&B 75 percent reported income of \$1 million or less. The bank’s level of lending to these smaller businesses is in line with the demographic comparison and demonstrates the bank’s willingness to lend to businesses of different sizes.

Table 7 – Small Business Loans by Revenue Category of the Business					
Business Revenue Level	% of Businesses*	#	%	\$(000)	%

≤\$1,000,000	2014	75%	9	75%	\$534	40%
>\$1,000,000	2014	4%	3	25%	\$815	60%
Revenue Not Reported	2014	21%	0	--	\$0	--
Totals	2014	100%	12	100%	\$1,349	100%
<i>Source: Bank records, *2014 D&B data</i>						

Geographic Distribution of Loans

Because the assessment area does not include any low- or moderate-income geographies, review of the Geographic Distribution criterion would not result in meaningful conclusions. However, a brief analysis of the loans extended during the review period, revealed that loans were distributed throughout the defined assessment area.

Response to Complaints

The bank has not received any complaints regarding its CRA performance during the evaluation period.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No violations of the substantive provision of the anti-discriminatory laws and regulations were identified during the examination.