



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

May 17, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Wood County National Bank
Charter Number 4639**

**181 Second Street South
Wisconsin Rapids, WI 54494**

**Comptroller of the Currency
Iron Mountain Field Office
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 geographic distribution of loans reflects a good dispersion throughout the assessment area.
- The loan-to-deposit ratio is reasonable.
- A majority of loans are originated inside the bank's assessment area.
- The bank has an adequate distribution of loans to individuals of different income levels, including low- and moderate-income levels, and businesses of different sizes.

DESCRIPTION OF INSTITUTION

Wood County National Bank (Wood Co. NB) is a \$240 million community bank with \$30 million in tier one capital. The bank's main office, including a stand-alone drive up facility, is located in Wisconsin Rapids, WI in a middle-income census tract (CT). The bank operates two full-service branches, one in Plover, WI in an upper-income CT and one in Wisconsin Rapids in a middle-income CT. A limited-service branch is also located in Wisconsin Rapids in an upper-income CT. This branch offers deposit related products and services. 24-hour deposit-taking ATMs are located at the main office drive-up facility and all branches. Cash dispensing only ATMs are located in the Shopko store in Plover and the Riverview Hospital in Wisconsin Rapids. The Shopko ATM is available during normal business hours and the hospital ATM is available 24-hours. The bank is 100% owned by WCN Bancorp, Inc., a one-bank holding company with \$242 million in assets located in Wisconsin Rapids. The bank has one major affiliate, namely WoodTrust Asset Management, National Association, a separately chartered trust company headquartered in Wisconsin Rapids. All financial information in this evaluation is as of March 31, 2004.

The bank offers traditional community bank products and services and is primarily a commercial and residential real estate lender. As of March 31, 2004, the net loan portfolio represented 65% of total assets. The loan portfolio in dollar amount is broken down as follows: 74% commercial, 23% residential real estate, and 3% consumer loans.

There are no financial, legal or other impediments that would hinder the bank's ability to help meet the credit needs of its assessment area. The previous CRA evaluation dated September 21, 1998, resulted in a satisfactory rating.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) includes 21 CTs located in Central Wisconsin. This area includes the southwestern portion of Wood County, the southern two-thirds of Portage County, and the far northern portion of Adams County. The AA is comprised of one moderate- (5%), 17 middle- (81%), and three upper-income (14%) CTs. The AA is considered legal and appropriate. It consists of only whole CTs and does not arbitrarily exclude any low- or

moderate-income geographies.

According to 2000 census data, the total population of the bank's AA is 104,888, which is comprised of 27,244 families. Income levels for these families are as follows: 3,700 low-income families (14%), 4,678 moderate-income families (17%), 6,931 middle-income families (25%), and 11,935 upper-income families (44%). Of the low-income families, 1,259 (34%) are below the poverty level. The HUD updated median family income for nonmetropolitan areas in Wisconsin was \$52,000 in 2003 and \$50,800 in 2002. These figures were used in the borrower income distribution test. The 2000 census median family income for nonmetropolitan areas in Wisconsin is \$47,360. This figure was used in the geographic distribution test. The median housing value within the AA is \$90,729, with 68% of the total housing units being owner-occupied.

The current local economy is characterized as stable. Wood products and paper manufacturing are the primary industries in the Wood County area, with insurance carriers and educational services primary in Portage County. Major employers in the area include: Stora Enso North America Corp., Domtar A.W. Corp., Riverview Hospital Assoc., Renaissance Learning, Inc., Sentry Insurance a Mutual Co., Stevens Point Public School District, and University of Wisconsin-Stevens Point. The unemployment rate in May 2004 for Wisconsin was 4.8%. The unemployment rates for Wood, Portage and Adams Counties for the same time period were 5.6%, 4.8% and 5.6%, respectively. These figures are not seasonally adjusted.

Competition among financial institutions in Wood Co. NB's AA is considered strong. Competitors include: branches of six large multi-state banks, branches of two large Wisconsin state banks, the main office and branches of several Wisconsin community banks and credit unions. In total deposits, Wood Co. NB, with a market share of 12%, ranks first out of all FDIC-insured institutions with at least one branch located in the bank's AA. This is using FDIC market share data as of June 30, 2003. The balance of the market share is divided among 20 institutions with market shares ranging from 11% down to .1%.

In conducting this assessment of the bank's performance, we contacted a local Realtor. The contact stated that local financial institutions are meeting the credit needs of the community and had only favorable comments concerning the bank's performance.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is satisfactory given its size, financial condition, and credit needs of the community. The average quarterly loan-to-deposit ratio for the bank since the last examination is 82%, which ranks third in a peer group of nine similarly situated banks. The peer group consists of banks that are chartered within Wood Co. NB's AA. The average loan-to-deposit ratios for the similarly situated banks ranged from 70% to 102% over the same time period. Of the nine banks, Wood Co. NB has the largest level of average assets at \$244 million. The other banks' average assets ranged from \$30 million to \$174 million.

Additionally, the bank originates residential real estate loans that are immediately sold on the

secondary market. These loans are not used in the loan-to-deposit calculation. In 2002, 2003, and through May 2004, the bank originated and sold \$50 million, \$74 million, and \$12 million, respectively.

Lending in Assessment Area

The bank originates a majority of its loans inside the assessment area. This conclusion is based on an analysis of the original dollar amount and number of all commercial, residential real estate and consumer loans originated or refinanced by the bank between January 1, 2002 and April 30, 2004. A comparison of zip code and CT boundaries indicated they are similar; therefore, the location of borrowers with loans in the selected time period was determined using their zip codes as a proxy for the CT address. A report sorted by zip code and loan type was generated to complete the analysis. The following table illustrates the level of lending inside the bank’s assessment area:

Penetration of Lending Inside the Bank’s Assessment Area January 2002 – April 2004 Loan Originations		
	% of Total Number of Loans Inside the Assessment Area	% of Total Dollar Amount of Loans Inside the Assessment Area
Commercial Loans	92%	68%
Residential Real Estate Mortgages	92%	86%
Consumer Loans	85%	84%
Total	90%	76%

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

The bank’s lending practices represent a reasonable penetration among borrowers of different income levels, including low- and moderate-income borrowers, and businesses of different sizes. The bank’s primary loan products were used in our sample and are depicted in the following tables. A sample of 30 commercial customers located in the bank’s assessment area indicates the following breakdown of annual revenues:

Lending Distribution Based on Revenue Size of Businesses January 2002 – April 2004				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses (2000 census information)	67%	6%	27%	100%
% of Bank Loans in AA by #	87%	13%	0%	100%
% of Bank Loans in AA by \$	59%	41%	0%	100%

The percent of bank loans in dollar to businesses with gross annual revenues of \$1 million or less is below the demographic characteristics; however, it is reasonable considering small businesses generally request smaller loan amounts. Additionally, the percent of bank loans in number to businesses with \$1 million or less in gross annual revenues is well above the percent of businesses in this revenue category.

The following table is based on an analysis of 30 residential real estate mortgage loans containing income information for the borrower. These customers are located within the bank's assessment area and were randomly selected from all residential real estate mortgages, excluding home equity lines of credit, originated between January 1, 2002 and April 30, 2004.

Lending Distribution Based on Income Level of Residential Real Estate Borrowers January 2002 – April 2004 Loan Originations			
Borrower Income Level	Bank Lending Distribution by Number of Loans	Bank Lending Distribution by Dollar Value of Loans	Percentage of Families in each Income Category (Census information)
Low	7%	4%	14%
Moderate	13%	9%	17%
Middle	27%	22%	25%
Upper	53%	65%	44%
Totals	100%	100%	100%

As indicated by the table above, 20% of the number and 13% of the dollar value of loans were made to low- and moderate-income borrowers, who make up 31% of the AA's population. This represents an adequate distribution of lending to borrowers of different income levels. The bank's lending in number to low-income borrowers is well below the demographic characteristics. One-third (34%) of the low-income families in the AA are below the poverty level and account for 5% of the total families in the AA. These families would not typically qualify for real estate mortgage loans. Families in the low-income category that are above the poverty level account for 9% of the total families in the AA. When compared to the percentage of families in the low-income category that are above the poverty level, the bank's lending performance approximates the demographic characteristics. The lower percentage in dollars

loaned to low- and moderate-income borrowers is indicative of the smaller loans that are typically made to customers in these income ranges.

Geographic Distribution of Loans

Our analysis of 302 geocoded commercial and 985 geocoded residential real estate mortgage loans originated or renewed between January 1, 2002 and April 30, 2004 indicates Wood Co. NB has a good dispersion of loans throughout its AA, with lending evident in all CTs. The following table illustrates the results of the review.

Geographic Distribution Based on Number and Dollar Amount of Loans Made in Assessment Area January 2002 – April 2004 Loan Originations						
	% of Number Originated in the Moderate-income CT	% of Dollar Amount Originated in the Moderate-income CT	% of Number Originated in the Middle-Income CTs	% of Dollar Amount Originated in the Middle-Income CTs	% of Number Originated in the Upper-Income CTs	% of Dollar Amount Originated in the Upper-Income CTs
Commercial Loans	4%	6%	76%	80%	20%	14%
Percentage of Businesses in the Assessment Area (2000 census information)	3%		80%		17%	
Residential Real Estate Mortgages	4%	3%	65%	62%	31%	35%
Percentage of Owner-Occupied Housing in the Assessment Area (2000 census information)	3%		76%		21%	
Total Loans	4%	4%	68%	70%	28%	26%

Responses to Complaints

No complaints have been received by the bank or OCC relating to the bank's CRA performance since the previous evaluation.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.