



SMALL BANK

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

PUBLIC DISCLOSURE

March 22, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Washington County Bank, National Association
Charter Number 23800**

**990 Helena Avenue North
Oakdale, MN 55128**

**Comptroller of the Currency
Minneapolis South
920 Second Avenue South Suite 800
Minneapolis, MN 55402**

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.

Washington County Bank's performance of lending in its assessment area is reasonable and the bank's loan-to-deposit ratio compares favorably to other similarly situated banks. The bank's distribution of commercial loans is excellent in relation to businesses by revenue size and business location in the assessment area.

- The bank's quarterly loan-to-deposit ratio of 89% compared favorably among other community banks operating in a similar assessment area.
- The bank's business lending distribution was near the assessment area demographics for businesses by annual revenue size and business location.
- By number, 60% of the bank's business loan originations were made in the assessment area.
- The bank has not received any CRA related complaints.

DESCRIPTION OF INSTITUTION

Washington County Bank is a \$175 million bank located in Oakdale, Minnesota. The bank maintains its main office in Oakdale with a branch in Maplewood. The Maplewood office opened in 2002 and is new since the bank's last CRA exam. Both offer traditional banking products and services, including a drive-up facility and ATM access.

As of December 31, 2005, the bank's \$146 million loan portfolio consisted of 57% commercial loans, 37% residential real estate loans, 4% agriculture loans and 2% consumer loans. Net loans made up 83% of total assets. The bank's primary lending focus is commercial lending, which accounts for 79% of the dollar volume in the bank's loan portfolio based on originations since January 1, 2004.

Washington County Bank is owned by WCB Bancshares, Inc., a closely held one-bank holding company. The bank does not have any affiliate relationships that impact the bank's CRA performance. There are currently no legal impediments or other factors, including the financial condition of the bank, which limit its ability to meet the credit needs of its assessment area. The evaluation period used for this Public Evaluation is from May 1, 2001 through March 31, 2006. The bank's last Public Evaluation was in 2001 and a Satisfactory rating was assigned.

DESCRIPTION OF ASSESSMENT AREA

The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Washington County Bank's assessment area is located in portions of Washington County and Ramsey County, which is situated in the eastern part of the Minneapolis/St. Paul Metropolitan Statistical Area (MSA). The bank excludes the far northern

portions of Washington County as well as the southeastern portion due to their distance from the bank. Washington County has an elongated shape, running north and south for approximately 50 miles. Nineteen census tracts of Ramsey County that are adjacent to the western boundaries of central Washington County are included in the assessment area. The exclusion for the far northern and southeastern portions of Washington County does not materially change the demographics of the assessment area.

The assessment area is economically sound. The communities within the assessment area continue to consist of some of the fastest-growing within the Minneapolis/St. Paul MSA. 2000 Census data shows annual average unemployment is 3.12 percent for the assessment area. This compares favorably with the unemployment of 3.50 percent for Minneapolis-St.Paul MSA. Average unemployment for the state of Minnesota is 4.05 percent. Employment is diversified with highest employment in the services and retail trade sectors. Major employers in the area include 3M, Guidant Corp., and Imation. Owner-occupancy is high at 79 percent of residential housing, and overall vacancy for housing units is low at 2 percent.

Table 1 below shows assessment area composition by census tract income level based on 2000 census data. Table 2 below shows family income level based on 2005 HUD updated MSA median family income of \$77,000.

Table 1. Assessment Area by Income Level	Number of Census Tract	Percent of Census Tract
Low Income	0	0.00%
Moderate Income	6	10.17%
Middle Income	31	52.54%
Upper Income	20	33.90%
N/A	2	3.39%

Table 2. Family Income Level	Percent of Families
Low Income	13.63%
Moderate Income	18.08%
Middle Income	27.46%
Upper Income	40.83%

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Washington County's loan-to-deposit ratio is good, averaging 89 percent from January 2001 to December 2005. The bank's quarterly loan-to-deposit ratio ranged from 78 percent to 98 percent during this assessment period. The bank's loan-to-deposit ratio has shown an increasing trend over the last four quarters. Compared to six similarly situated banks within the assessment area, Washington County's loan-to-deposit ratio was greater than four and less than two. These peer

banks had total assets between \$110M and \$205M and had loan-to-deposit ratio's ranging from 70 percent to 97 percent.

Lending in Assessment Area

Washington County's record of lending in its assessment area is satisfactory. The bank originated 60 percent by number and 53 percent by dollar of its business loans within its assessment area. The bank's ratio of lending within the assessment area was calculated from its primary loan type, business loans. Business loans were selected as the bank's primary loan type based on an analysis of all originations and purchases since January 1, 2004. Business loans accounted for 41 percent by number and 79 percent by dollar of originations during this period. We calculated the ratio of loans in the assessment area by taking a random sample of 20 business loans originated or purchased between January 1, 2004 and March 31, 2006.

Lending to Businesses of Different Sizes

Washington County's distribution of loans in its assessment area to businesses of different revenue size is excellent. Table 3 shows the bank's distribution of commercial loans to businesses with annual revenue of less than \$1 million versus the demographics for the area. The data was obtained from a random sample of 20 business loans originated or purchased in the assessment area between January 1, 2004 and March 31, 2006.

Table 3. Revenue Size of Business	By Number %	By Dollar %	Demographic for Assessment Area*
Less than \$1 Million	66.67%	77.06	64.32%
Greater than \$1 Million	33.33%	22.94	4.22%
Revenue Not Reported	0.00%	0.00%	31.46%

*per 2004 business demographic data for business

Geographic Distribution of Loans

Washington County's geographic distribution of business loans within the assessment area is satisfactory. Table 4 below shows the bank's distribution of business loans by income level of the geographies in their assessment area. There are no businesses located in low income tracts and there are a low percentage of businesses located within the moderate-income census tracts. Only 7.9 percent of all businesses within the assessment area are located in these moderate-income tracts. Since opening in 2002, the bank's Maplewood Branch has had an opportunity to implement their marketing plan to penetrate some of the assessment areas in the moderate income tracts.

Table 4. Business Loans	Business Loans	Business Loans by	Assessment Area
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Income Level of Geography	by Number %	Dollar %	Businesses %
Low Income	0.00%	0.00%	0.00%
Moderate Income	5.00%	1.20%	7.90%
Middle Income	75.00%	44.02%	60.42%
Upper Income	20.00%	54.78%	31.68%

Responses to Complaints

There have been no CRA related complaints against the bank.

Fair Lending or Other Illegal Credit Practices Review

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