



Office of the
Comptroller of the Currency
Washington, DC 20219

SMALL BANK

PUBLIC DISCLOSURE

March 25, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The National Bank of Waupun
Charter Number 7898

210 E. Main Street
Waupun, WI 53963

Office of the Comptroller of the Currency

Milwaukee Field Office
1200 North Mayfair Road, Suite 200
Wauwatosa, WI 53226

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 major factors supporting the institution's rating include:

- The loan-to-deposit ratio is reasonable given the bank's asset size, financial condition, and the credit needs of the assessment areas.
- A majority of loan originations are made within the bank's assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

SCOPE OF EXAMINATION

We evaluated the National Bank of Waupun's Community Reinvestment Act (CRA) performance using the Small Bank Lending Test. We used data from the bank's primary loan products, commercial loans and residential real estate loans, to evaluate the bank's lending performance.

The evaluation period covered the date from the previous CRA evaluation, September 4, 2008, through March 25, 2014. The lending test evaluated home mortgage loans and business loans originated between January 1, 2012 and December 31, 2013. Our analysis included a full-scope evaluation for the bank's metropolitan statistical area (MSA) and non-MSA assessment areas.

Prior to conducting this evaluation, the accuracy of the bank's Home Mortgage Disclosure Act (HMDA) data for 2012 and 2013 was tested. We found the data to be accurate, and therefore all reported HMDA data will be used in evaluating home mortgage lending. We used a random sample of business loans to evaluate business lending. We obtained the most recent demographic data.

DESCRIPTION OF INSTITUTION

The National Bank of Waupun is a \$139 million bank with its main office located in Waupun, Wisconsin. The bank operates three branches; the branches are located in Brandon, Fairwater, and Rosendale, Wisconsin. All four offices are located in middle-income census tracts (CTs). The bank provides five ATMs throughout the assessment area. The bank did not open or close any branches during the evaluation period. All locations have similar hours of operation. The bank is wholly owned by National Bancshares Waupun, Inc., a one-bank holding company located in Waupun, Wisconsin.

The bank's business strategy is to serve the credit and depository needs of its local community. The bank offers noncomplex deposit and lending products and services. As of December 31, 2013, the loan portfolio represented 57 percent of the bank's total assets. This is a decline from the previous CRA evaluation, when the loan portfolio

represented 75 percent of total assets. The bank's recent loan demand has been stable, but lower than historical levels. The bank is primarily a commercial and residential real estate lender, with a loan portfolio that consists of (by dollar) 27 percent residential real estate, 41 percent commercial, 26 percent agricultural, and 6 percent consumer loans. Financial information is as of December 31, 2013.

There are no legal or financial impediments limiting the bank's ability to meet community credit needs of its assessment area. The bank was rated Satisfactory at the prior evaluation, dated September 4, 2008.

DESCRIPTION OF ASSESSMENT AREA(S)

The National Bank of Waupun has two assessment areas (AA), including one assessment area in a metropolitan statistical area (MSA). The MSA AA consists of CTs located in Fond du Lac County, Wisconsin. Given the bank's asset size, available resources, and limited branch locations, the designation of the entire Fond du Lac MSA would be too large for the bank to reasonably serve. The non-MSA AA includes CTs located in Dodge and Green Lake County, Wisconsin. The AAs comply with regulatory requirements and do not arbitrarily exclude any low- or moderate-income CTs.

According to the 2010 census data, the bank's Fond du Lac MSA AA consists of three CTs, all of which are in middle-income CTs. Based on 2013 demographic data, this assessment area has 698 businesses. Of these businesses, 531 (76.07 percent) had gross revenues of less than \$1 million, 34 (4.87 percent) had gross revenues over \$1 million, and 133 (19.05 percent) had revenues that were not reported. The AA has a population of 14,730, which is comprised of 4,315 families. Income levels for these families are as follows: 502 low-income families (11.63 percent), 790 moderate-income families (18.31 percent), 1,238 middle-income families (28.69 percent), and 1,785 upper-income families (41.37 percent). The weighted average median family income is \$68,297, and the HUD updated MSA median family income is \$65,600. The percentage of area families below the poverty level is 3 percent.

According to the 2010 census data, the bank's non MSA AA consists of six CTs, of which five are middle-income (83.33 percent) and one is upper-income (16.67 percent). Based on 2013 demographic data, this assessment area has 1,368 businesses. Of these businesses, 1,031 (75.37 percent) had gross revenues of less than \$1 million, 80 (5.85 percent) had gross revenues over \$1 million, and 257 (18.78 percent) had revenues that were not reported. The AA has a population of 26,145, which is comprised of 6,460 families. Income levels for these families are as follows: 950 low-income families (14.71 percent), 1,055 moderate-income families (16.33 percent), 1,596 middle-income families (24.71 percent), and 2,859 upper-income families (44.25 percent). The weighted average median family income is \$62,517, and the HUD updated MSA median family income is \$58,600. The percentage of area families below the poverty level is 6 percent.

The local economy is stable. The largest areas of employment in the area include state correctional facilities and multiple small manufacturing firms in Fond du Lac and Oshkosh. The area has not gained or lost any large employers in the previous years. The unemployment rate in Dodge County as of February 2014 was 7.8 percent. The unemployment rate in Fond du Lac County as of February 2014 was 7 percent. The unemployment rate in Green Lake County as of February 2014 was 10.6 percent. The unemployment rate for the state of Wisconsin as of March 2014 was 6.7 percent.

Competition from other financial institutions is strong in the local market. The bank's competitors include interstate banks, branches of state banks, and local credit unions. As of June 30, 2013, the bank's market share for total deposits was 3.39 percent, which ranked 11th out of 29 financial institutions in Dodge, Fond du Lac, and Green Lake Counties. The balance of the market share is divided among 29 institutions with market shares ranging from 16.69 percent to 0.24 percent.

In assessing the bank's CRA performance, we contacted a local government official to determine the community's profile and performance of local financial institutions. This contact stated the local financial institutions are meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment area. The bank's average quarterly LTD ratio was 73.81 percent for the 22 quarters from September 30, 2008 to December 31, 2013. The bank ranks 11th out of their 14-bank peer group in LTD performance, with peer bank ratios ranging from 58 percent to 103 percent in the specified time period. The banks in this peer group had total average assets ranging from \$57 million to \$347 million.

Lending in Assessment Area

The bank originates a majority of its loans to borrowers located in its assessment areas. A review of the bank's primary loan products shows that loans made to businesses and individuals inside the bank's assessment areas represent 88.10 percent of total loans by number and 83.44 percent by total dollar amount.

Lending in All Assessment Areas										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
RE - Home Purchase	39	76.47%	12	23.53%	51	\$3,915	75.90%	\$1,243	24.10%	\$5,158
RE - Home Refinance	44	89.80%	5	10.20%	49	\$2,641	82.58%	\$557	17.42%	\$3,198
RE - Home Improvement	19	95.00%	1	5.00%	20	\$732	90.82%	\$74	9.18%	\$806
Commercial Loans	46	95.83%	2	4.17%	48	\$2,380	98.16%	\$45	1.84%	\$2,425
Totals	148	88.10%	20	11.90%	168	\$9,668	83.44%	\$1,919	16.56%	\$11,587

Source: Bank Records (verified by examiners)

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

The overall distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The sample for this review included the institution's primary loan products, which are commercial and residential real estate loans.

The bank's borrower distribution of residential real estate lending in the Fond du Lac MSA AA shows reasonable penetration. Low- to moderate-income families represent 29.94 percent of total families in the AA. The institution originated or purchased 39.54 percent of their residential real estate loans to these individuals. This AA does not have any low- or moderate-income CTs.

Borrower Distribution of Residential Real Estate Loans in the Fond du Lac MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	11.63%	9.09%	18.31%	45.46%	28.69%	18.18%	41.37%	27.27%
Home Improvement	11.63%	7.69%	18.31%	23.08%	28.69%	30.77%	41.37%	38.46%
Home Refinance	11.63%	10.53%	18.31%	26.32%	28.69%	36.83%	41.37%	26.32%
% Total	11.63%	9.31%	18.31%	30.23%	28.69%	30.23%	41.37%	30.23%

Source: Sample of bank records from 2012 and 2013 (verified by examiners) and U.S. Census Demographic Data.

The bank's borrower distribution to businesses in the Fond du Lac MSA AA shows reasonable penetration. Businesses in this AA with annual revenues less than or equal to \$1 million represent 76.07 percent of total businesses. The institution originated 86.36 percent by number and 77.87 percent by dollar amount of its total business loans to small businesses in this AA.

Borrower Distribution of Loans to Businesses in the Fond du Lac MSA AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	76.07%	4.87%	19.05%	100.00%
% of Bank Loans in AA by #	86.36%	13.64%	0.00%	100.00%
% of Bank Loans in AA by \$	77.87%	22.13%	0.00%	100.00%

Source: Sample of bank records from 2012 and 2013 (verified by examiners) and Dun & Bradstreet Business Demographic Data.

The bank's borrower distribution of residential real estate lending in the non-MSA AA shows reasonable penetration. Low- to moderate-income families represent 31.04 percent of total families in the AA. The institution originated or purchased 33.33 percent of their residential real estate loans to these individuals. This AA does not have any low- or moderate-income CTs.

Borrower Distribution of Residential Real Estate Loans in the Non-MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	14.71%	4.55%	16.33%	22.73%	24.71%	36.36%	44.25%	36.36%
Home Improvement	14.71%	0.00%	16.33%	75.00%	24.71%	0.00%	44.25%	25.00%
Home Refinance	14.71%	15.79%	16.33%	15.79%	24.71%	21.05%	44.25%	47.37%
% Total	14.71%	8.89%	16.33%	24.44%	24.71%	26.67%	44.25%	40.00%

Source: Sample of bank records from 2012 and 2013 (verified by examiners) and U.S. Census Demographic Data.

The bank's borrower distribution to businesses in the non-MSA AA shows reasonable penetration. Businesses in this AA with annual revenues less than or equal to \$1 million represent 75.37 percent of total businesses. The bank originated 90.48 percent by number and 56.31 percent by dollar amount of its total business loans to small businesses in this AA.

Borrower Distribution of Loan to Businesses in the Non-MSA AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	75.37%	5.85%	18.79%	100.00%
% of Bank Loans in AA by #	90.48%	9.52%	0.00%	100.00%
% of Bank Loans in AA by \$	56.31%	43.69%	0.00%	100.00%

Source: Sample of bank records from 2012 and 2013 (verified by examiners) and Dun & Bradstreet Business Demographic Data.

Geographic Distribution of Loans

The bank's AAs contain no low- or moderate-income CTs. Therefore, an analysis of geographic distribution would not provide meaningful information.

Responses to Complaints

The bank has not received any CRA-related complaints since the previous examination.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment areas by an affiliate whose loans have been considered as part of the bank's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.