



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 14, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Red Cedar Bank N.A.
Charter Number 14801**

**715 Hwy 79
Boyceville, WI 54725**

**Comptroller of the Currency
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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- Average loan-to-deposit ratios are reasonable.
- A majority of its loans are in the assessment area.
- Red Cedar Bank, N.A. has a reasonable distribution of credit among businesses and farms of different sizes and individuals of different income levels.

DESCRIPTION OF INSTITUTION

Red Cedar Bank, N.A. (RCB) is a \$23 million community bank located in Boyceville, a small agricultural community in Western Wisconsin. The main office has a drive-up facility. The bank also has a branch in a supermarket in Menomonie, Wisconsin. No ATMs are owned or operated by RCB. The bank's primary loan types based on 2001 originations include residential real estate 1st mortgages, commercial, and agricultural loans. Net loans equal 74.96% of total assets as of September 30, 2001. Its \$17.159 million loan portfolio is divided between residential real estate (\$6.308 million or 36.76%), commercial (\$5.386 million or 31.39%), agricultural (\$3.077 million or 17.93%), consumer (\$2.088 million or 12.17%), and other (\$.300 million or 1.75%). The last CRA examination was January 13, 1997. At that exam, the bank was rated Satisfactory Record of Meeting Community Credit Needs. There are no financial, legal, or other factors that impede the bank's ability to meet its CRA obligations.

DESCRIPTION OF ASSESSMENT AREA

RCB's assessment area is Dunn County, Wisconsin. The assessment area meets the requirements of the regulation. There are eight block numbering areas in the county, all of which are middle income geographies. Dunn County's population was 39,858 as of the 2000 census. The 2000 census also found that the median family income was \$47,100 in the county, compared to \$54,300 in the state. For 2001, the Department of Housing and Urban Development estimated the median family income for the non-MSA portions of Wisconsin was \$48,400 and that the weighted average of median housing was \$48,405. As of the 2000 census, the homeownership rate in Dunn County was 69.1%. Unemployment in Dunn County was 3.5% in 2000.

The county's largest municipality and county seat is the City of Menomonie with a population of 14,715. Other municipalities in Dunn County are very small and agriculturally orientated. The Village of Boyceville (population of 1,068) is a rural community located 11 miles northwest of Menomonie. Dunn County population density is 46.8 persons per square mile as of 2000.

A majority of Dunn County acreage is oriented to agriculture. Farm acreage has declined slightly, but far less than most sections in Northern Wisconsin. Dairy farming is the predominant agribusiness of Dunn County. Other than dairy farming, agriculture in Dunn County includes apple orchards, fish farms and tree farming. Of the work force in Dunn County, 11.3% work in agriculture compared to the state average of 4.6%.

Manufacturing is also an important employment sector. Manufacturers in Dunn County include ConAgra Grocery Products, Minnesota Mining & Manufacturing (3M), Phillips Origen Center, Cardinal-FG, All American Manufacturing, A.C. Humko, Badger Iron Works, Indianhead Enterprises, Inc., MRM/Elgin Corp., Schmit Prototypes, Inc., American Structures Service Co., Banks Hardwoods, and others.

The Village of Boyceville's local economy is depressed. The number of dairy farms is declining. The weak farm economy, coupled with an increasing number of residents who commute to other areas for employment, makes it difficult for small businesses to remain viable in Boyceville. Although it once had a full range of businesses and services, it has lost the majority of those businesses and people now commute for employment, shopping and services.

RCB is the only financial institution in Boyceville, although there are 11 other financial institutions with a presence in Dunn County. Including all branches, these 12 financial institutions have 27 locations within Dunn County.

One community contact was conducted during the exam and there were no other community contacts conducted by regulators within the year. The most current interview was with an economic development agency in Dunn County. The community contact did not reveal any unmet credit needs in the area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition and local credit needs. Over the past 20 quarters, the bank's quarterly average loan-to-deposit ratio rose significantly from 63.09% on December 31, 1996 to 87.88% on September 30, 2001, with a quarterly average ratio of 77.16%. The average loan-to-deposit ratios for the same time frame for State and National Banks under \$50 Million within a radius of approximately 30 miles range from 56.00% to 83.97%.

| Institution | Assets (as of 9/30/01) | Average LTD Ratio 4Q96 to 3Q01 |
|--|-----------------------------------|---|
| SECURITY BANK, NEW AUBURN, WI | \$26 Million | 83.97% |
| COMMUNITY BANK OF CAMERON, CAMERON, WI | \$43 Million | 81.04% |
| RED CEDAR BANK, N.A., BOYCEVILLE, WI | \$23 Million | 77.16% |
| FIRST NATIONAL BANK OF BARRON, BARRON, WI | \$40 Million | 71.40% |
| FARMERS STATE BANK, RIDGELAND, WI | \$25 Million | 69.82% |
| CITIZENS STATE BANK OF CLAYTON, CLAYTON, WI | \$16 Million | 66.57% |
| THE BANK OF SPRING VALLEY, SPRING VALLEY, WI | \$49 Million | 56.00% |

Lending in Assessment Area

A majority of loans and other lending-related activities are in the bank's assessment area. In our sample of 60 loans originated in 1999, 2000, and 2001, we found that 90.00% of loans were made in the assessment area with 80.75% of dollars in the assessment area.

| TOTAL LOANS REVIEWED | | | | | | | | |
|-----------------------------|---------------------------|----------|------------------|----------|-------------------------------|----------|-----------|----------|
| LOAN TYPE | IN ASSESSMENT AREA | | | | OUT OF ASSESSMENT AREA | | | |
| | # | % | \$ (000s) | % | # | % | \$ | % |
| 1-4 Family Residential RE | 18 | 90% | 1,624,100 | 85.00% | 2 | 10% | 286,600 | 15.00% |
| Commercial Loans | 18 | 90% | 827,017 | 76.93% | 2 | 10% | 248,070 | 23.07% |
| Agricultural Loans | 18 | 90% | 308,996 | 71.49% | 2 | 10% | 123,200 | 28.51% |
| Total Reviewed | 54 | 90% | 2,760,112 | 80.75% | 6 | 10% | 657,870 | 19.25% |

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

The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses and farms of different sizes given the demographics of the Assessment Area (AA).

For residential real estate loans, the distribution reflects reasonable penetration of individuals of different income levels. The demographics of the assessment area show that 18.17% of families are in the low-income category and 19.70% in the moderate-income category. Our sample indicates that only 10.00% of the residential real estate loans were made to low-income families and 15.00% to moderate-income families. However, the percentage of families below poverty level is 8.8% and those families would have difficulty purchasing homes. Taking into consideration the percentage of families below the poverty level, the bank's penetration of lending to low- and moderate-income families more closely approximates area demographics.

| RESIDENTIAL REAL ESTATE | | | | | | | | |
|--------------------------------|-------------------------|------------------------------|---------------------------------|------------------------------|--------------------------------|------------------------------|----------------------------|------------------------------|
| Borrower Income Level | Low \$ 0 to \$24,200 | | Moderate \$24,2001 to 38,720 | | Middle \$38,721 to \$58,080 | | Upper \$58,081 and over | |
| % of AA Families | 18.17% | | 19.70% | | 24.46% | | 37.68% | |
| | % of # of Bank Loans | % of \$ Amount of Bank Loans | % of # of Bank Loans | % of \$ Amount of Bank Loans | % of # of Bank Loans | % of \$ Amount of Bank Loans | % of # of Bank Loans | % of \$ Amount of Bank Loans |
| | 10.00% | 3.12% | 15.00% | 7.84% | 55.00% | 53.67% | 20.00% | 35.37% |

Although our sample indicated that only 47.07% of the dollars of loans originated were to businesses with gross revenues under \$1 million, 81.25% of the number of loans originated were made to businesses with gross revenues under \$1 million. The combination of the percentages of loans made and dollars of originations indicate that the bank’s penetration is reasonable based on the demographic of the assessment area.

| BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES IN AA | | |
|---|--------------------------|-------------------------|
| Business Revenues | <= \$1,000,000 | > \$1,000,000 |
| AA Demographics in % of businesses | 92.75% | 7.25% |
| % of # of Bank Loans | 81.25% | 18.75% |
| % of \$ Amount of Bank Loans | 47.07% | 52.93% |

The bank’s penetration to farms with farms of different sizes is reasonable with all loans in our sample being to farms with revenues under \$1 million.

| BORROWER DISTRIBUTION OF SMALL LOANS TO FARMS IN AA | | |
|--|--------------------------|-------------------------|
| Farm Revenues | <= \$1,000,000 | > \$1,000,000 |
| AA Demographics in % of farms | 97.47% | 2.53% |
| % of # of Bank Loans | 100.00% | 0.00% |
| % of \$ Amount of Bank Loans | 100.00% | 0.00% |

Geographic Distribution of Loans

A geographic distribution analysis would not be meaningful because there are no low- or moderate-income geographies in the bank’s assessment area.

Responses to Complaints

RCB has not received any complaints about its performance in helping meet assessment area credit needs during this evaluation period.

Fair Lending Review

An analysis of most recent year's public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1996.