



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 09, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WPS Community Bank, FSB
Charter Number 718100

5900 Gisholt Drive
Madison, WI 53713

Office of the Comptroller of the Currency

Chicago North Field Office
1700 East Golf Road, Suite 800
Schaumburg, IL 60173

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 loan-to-deposit ratio is reasonable given the bank's size, overall financial condition, and credit needs of the Assessment Area (AA).
- The bank originates a majority of loans inside its AA.
- The distribution of home mortgage lending to borrowers of various income levels in the bank's AA reflects reasonable penetration.
- The geographic distribution of loans to low- and moderate-income geographies reflects a reasonable dispersion throughout the bank's AA.

SCOPE OF EXAMINATION

This is the first Community Reinvestment Act (CRA) examination since the bank opened in January 2009. This full-scope performance evaluation is being conducted under the Small Bank performance standards. The evaluation covers the bank's lending performance from January 2009 through December 2011. Based on the business strategy of the bank and the percentage by number and dollar amount of loans originated, it was determined that the primary product was home mortgages, specifically refinances and purchases. We used information on these loan types gathered from bank reports detailing loan originations over the three-year performance period for our loan sample analysis.

We obtained deposit information reported to the Federal Deposit Insurance Corporation as of June 30, 2011 to determine the bank's deposit market share and market presence within its AA.

DESCRIPTION OF INSTITUTION

WPS Bank is a community bank established in Madison, Wisconsin that had total assets of \$52.2 million as of December 31, 2011. WPS Bank is a wholly owned subsidiary of Wisconsin Physicians Service, a one-bank holding company also located in Madison, Wisconsin. The bank has no branches and does not have any other affiliated organizations.

WPS Bank offers traditional community bank products and services. The bank's primary lending focus is home mortgage lending to the local community. As of December 31, 2011, the bank reported net loans of \$44.3 million or 85% of total assets and 103% of total deposits. The bank's loan portfolio was comprised of approximately 89% mortgage loans, 10% commercial loans, and 1% consumer loans. Tier 1 capital as of December 31, 2011 totaled \$8.5 million or 16% of total assets.

WPS Bank has the financial capacity to assist in meeting the credit needs of its AA. There are no legal or financial impediments limiting the bank's ability to help meet community credit needs.

DESCRIPTION OF ASSESSMENT AREA

WPS Bank has defined their AA as Dane County, Wisconsin, which is part of the Madison Metropolitan Statistical Area (MSA). The AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

The AA consists of ninety-three census tracts (CTs). There are five (5.38%) low-income CTs and 13 (13.98%) moderate-income CTs. Middle-income CTs make up 59.14% of the bank's AA, upper-income CTs make up 19.35% of the bank's AA, and non-rated income CTs make up the remaining 2.15%. The 2011 updated Department of Housing and Urban Development (HUD) estimated median family income (MFI) is \$81,800. There are 15.15% low-income families and 18.13% moderate-income families. About 9.22% of the AA's households have incomes below the poverty level. There has been an increase in unemployment rates from 2008 to 2011 which is due to the deterioration in the economy and housing market. However, the 2011 average annual unemployment rate for Madison, Wisconsin was 5.3% which was below the state average of 7.5%.

Competition among financial institutions in the AA is strong. Fifty institutions, including WPS Bank, serve Dane County. The bank competes with several large national and regional banks and other community based financial institutions that are well-established throughout the community. According to the Federal Deposit Insurance Corporation's June 30, 2011 deposit market share report, WPS Bank ranks 39th in Dane County with a deposit market share of 0.23%. The deposit market share for the Madison MSA ranges from 15.77% down to 0.02%.

During this evaluation, we conducted one community contact to assess economic conditions and credit needs within the bank's AA. We chose a real estate management and brokerage company based on the bank's primary product being home mortgages. Although opportunities are available, strict underwriting standards required by financial institutions have not supported local community service organizations that assist low- and moderate-income areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The Lending Test is rated: Satisfactory

WPS Bank does a good job of meeting the lending needs of its AA. The loan-to-deposit ratio is reasonable, a majority of the bank's lending is inside its AA, lending distribution to borrowers of different income levels reflects reasonable penetration, and lending

distribution by geography reflects reasonable dispersion. More weight was given to borrower penetration rather than the geographical distribution of loans due to the high poverty level and the limited number of households in low-income CTs.

Loan-to-Deposit Ratio

The bank’s quarterly average loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and credit needs of the AA. WPS Bank’s quarterly average LTD ratio for the evaluation period from March 31, 2009 to December 31, 2011 was 78.80% compared to the peer average of 82.36%. Although lower than peer, the bank’s quarterly average LTD ratio is reflective of the de novo status where the bank initially took in deposits faster than making loans. However, the LTD ratio has significantly increased since the bank opened in January 2009. During the first quarter of operations, the LTD ratio was 35.93% but has increased to 102.65% at December 31, 2011 compared to the peer of 81.22%.

Lending in Assessment Area

WPS Bank’s lending within Dane County, Wisconsin is reasonable as a majority of loans sampled during our examination were originated inside the AA. Our sample consisted of 62 home mortgage loans of which 47 or 75.81% were originated inside the AA during the evaluation period. In terms of dollars, \$7.9 million of the sample was located inside the bank's AA and \$3.4 million was located outside the bank's AA.

Lending in Dane County, Wisconsin										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgages	47	75.81	15	24.19	62	7,990	70.24	3,385	29.76	11,375

Source: Loan Sample.

Lending to Borrowers of Different Incomes

The distribution of home mortgage lending to borrowers of various income levels in the bank’s AA reflects reasonable penetration. The table below indicates good penetration among low-income borrowers and poor penetration among moderate-income borrowers. For comparison purposes, WPS Bank’s lending to low-income borrowers is more than 170% of the HMDA peer group but less than 50% for lending to moderate-income borrowers. Although the bank’s level of lending to low-income borrowers is slightly less than the percentage of low-income families, 9.22% of households in the AA are living below the poverty level and make it difficult to qualify for home ownership.

Borrower Distribution of Home Mortgage Loans in Dane County, Wisconsin				
Borrower Income Level	WPS Bank Number of Loans	WPS Bank Percentage of Loans	2008 - 2010 HMDA Peer Group Distribution Percentage	Family Distribution Percentage
Low-Income	6	12.77	7.24	15.15
Moderate-Income	5	10.64	22.03	18.13
Middle-Income	16	34.04	29.83	28.08
Upper-Income	20	42.55	40.90	38.64
Totals	47	100.00	100.00	100.00

Source: Loan Sample and 2000 US Census Data.

Geographic Distribution of Loans

The geographic distribution of home mortgage lending to low- and moderate-income geographies reflects reasonable dispersion. More weight is given to the dispersion among moderate-income CTs due to the limited number of owner-occupied households in low-income CTs. For comparison purposes, there are 77 owner-occupied households in low-income CTs and 3,167 owner-occupied households in moderate-income CTs.

The table below indicates poor dispersion to low-income geographies as the bank did not lend to any low-income CTs and good dispersion to moderate-income geographies. The bank's level of home mortgage lending to moderate-income CTs was over 130% of the HMDA peer group but slightly lower than the 11.22% owner-occupied households located in the AA.

Geographic Distribution of Home Mortgage Loans in Dane County, Wisconsin				
Type of Census Tract	WPS Bank Number of Loans	WPS Bank Percentage of Loans	2008 - 2010 HMDA Peer Group Distribution Percentage	OOHU Distribution Percentage
Low-Income	0	0.00	0.53	0.70
Moderate-Income	5	10.64	8.05	11.22
Middle-Income	23	48.93	62.57	64.74
Upper-Income	19	40.43	28.85	23.34
Totals	47	100.00	100.00	100.00

Source: Loan Sample and 2000 US Census Data.

Responses to Complaints

WPS Bank has not received any written comments or complaints regarding its performance in efforts to meet the credit needs of their AA since beginning operations in January 2009.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 195.28(c), in determining a Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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