



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 30, 2001

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

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

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

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

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of Washington County Bank, National Association, Oakdale, MN as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of April 30, 2001. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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 is good in comparison to other similarly situated bank. The bank's distribution of business loans is adequate in relation to the range of businesses by revenue size and business location in the assessment area.

- By number, 70 percent of the bank's business loan originations were made in the assessment area.
- The bank's quarterly average loan-to-deposit ratio of 93 percent ranked it highest among 8 community banks operating in the assessment area.
- The bank's business lending distribution was near the assessment area demographics for businesses by annual revenue size and business location.
- The bank has not received any CRA related complaints.

DESCRIPTION OF INSTITUTION

The Washington County Bank is a \$53 million bank located in Oakdale, Minnesota. Washington County Bank maintains its main banking office in Oakdale and has a loan production office in Dickenson, North Dakota. The main office offers traditional banking products and services, including a drive-up facility and ATM access.

The bank is primarily a business lender. Based on total dollars of originations since the bank opened on April 6, 1999, business loans accounted for 76 percent, agriculture 9 percent, 1-4 family residential real estate 5 percent, home equity lines-of-credit 4 percent, and consumer and other loans 6 percent of total loan originations. Total outstanding loans equaled \$39 million or 74 percent of total assets as of December 31, 2000.

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. This is the bank's first CRA evaluation since opening for business on April 6, 1999. The evaluation period used for the Public Evaluation is from April 6, 1999 through April 24, 2001.

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 primarily in portions of Washington County, which is situated in the eastern portion of the Minneapolis/St. Paul Metropolitan Statistical Area (MSA). The bank excludes the far northern and southern portions of Washington County due to their distance from the bank. Washington County has an elongated shape, running north and south for approximately 50 miles. Thirteen 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 southern 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 comprise some of the fastest-growing within the Minneapolis/St. Paul metropolitan area. Annual average unemployment is low at 1.7 percent for Washington County. This compares favorably with the unemployment of 2.2 percent for Minneapolis-St. Paul MSA. Average unemployment for the state of Minnesota is 3.3 percent. Minnesota Department of Trade and Economic Development information indicates a diversified economic base and a mix of residential, commercial/industrial and public recreational development. Employment is diversified with highest employment in the retail, services, and manufacturing sectors. Major employers in the area include 3M and Imation. Owner-occupancy is high at 80 percent of residential housing, and vacancy for rental property is low at 3 percent.

One new community contact and 24 existing contacts were considered in evaluating the credit needs of the assessment area. Several community groups said that there is a need for small

business loans and loans that would result in job creation, particularly for the type of job that would provide higher wages that would support a family. In addition, contacts said that there is a need for technical assistance and managerial counseling for small business owners. A total of nine community banks, including Washington County Bank, are located in the assessment area plus several credit unions and branches of three large national banking companies.

Table 1 below shows assessment area composition by census tract income level based on 1990 census data. Table 2 below shows family income level based on 2000 HUD updated MSA median family income of \$68,600. The weighted average median family income from the 1990 census was \$47,526.

Table 1. Assessment Area by Income Level	Number of Census Tract	Percent of Census Tract
Low Income	0	0.00%
Moderate Income	3	8.11%
Middle Income	20	54.05%
Upper Income	12	32.43%
NA	2	5.41%

Table 2. Family Income Level	Percent of Households
Low Income	16.70%
Moderate Income	16.19%
Middle Income	22.00%
Upper Income	45.11%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Washington County's loan-to-deposit ratio is good. Washington County's quarterly average loan-to-deposit ratio since the bank opened for operations was 93 percent. The bank's quarterly loan-to-deposit ratio ranged from 85 percent to 126 percent during this assessment period. The bank's loan-to-deposit ratio has stabilized at approximately 85 percent during the last 5 quarters. The bank's loan-to-deposit ratio was higher than eight similarly situated banks located within the assessment area. These peer banks had total assets of less than \$300M and had loan-to-deposit ratios that ranged from 72 percent to 92 percent.

Lending in the Assessment Area

Washington County's record of lending in its assessment area is reasonable. The bank originated 70 percent by number and 87 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 the bank opened for operations on April 6, 1999. Business loans accounted for 39 percent by number and 76 percent by dollar of originations during this period. The next largest loan type, agricultural, represented less than 9 percent of both the number and dollar of originations. We calculated the ratio of loans in the assessment area by taking a random sample of 20 business loans originated during the current assessment period.

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

Washington County's distribution of loans in its assessment area to business of different revenue size is reasonable. Table 3 shows the bank's distribution of business loans (commercial and commercial real estate) to businesses with annual revenue of less than \$1 million versus the demographic for the area. The data was obtained from a random sample of 20 business loans originated or purchased in the assessment area between April 6, 1999 and April 24, 2001. Nearly two-third of businesses in our sample that reported revenue of less than \$1 million, actually had revenue of less than \$500M. Note that approximately 6 percent of businesses surveyed did not report revenues.

Table 3. Revenue Size of Business	By Number %	By Dollar %	Demographic for Assessment Area
Less than \$1 Million	70.00%	34.71%	87.04%
Greater than \$1 Million	30.00%	65.29%	7.23%
Revenue Not Reported	0.00%	0.00%	5.72%

Geographic Distribution of Loans

Washington County's geographic distribution of business loans within the assessment area is adequate. Table 4 shows the bank's distribution of business loans by income level of the geographies. As noted in the table below, there is a low percentage of businesses located within the assessment area's moderate-income census tracts. Only 3.3 percent of all business within the assessment area are located in these moderate-income tracts. While we noted a lack of business lending in the bank's moderate-income tracts, management has extended home-equity and instalment loans in these areas. The low level of lending in these areas can also be partially explained by the bank only being opened for two years and not having enough time to fully implement all of its marketing plans within the assessment area.

Table 4. Business Loans Income Level of Geography	Business Loans by Number %	Business Loans by Dollar %	Assessment Area Businesses %
Low Income	0.00%	0.00%	0.00%
Moderate Income	0.00%	0.00%	3.32%
Middle Income	70.00%	53.89%	55.35%
Upper Income	30.00%	46.11%	41.23%

Response to Complaints

There have been no CRA related complaints against the bank.

Record of Compliance with Antidiscrimination Laws

An analysis of 1998 HMDA, Small Business and Small Farm lending data, public comments, and consumer complaint information was performed according to the OCC's risk based fair lending approach. The analysis of this data revealed no basis for the OCC to conduct a comprehensive fair lending examination in connection with the CRA evaluation.