



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 8, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Olmsted National Bank
Charter Number 22997
120 Elton Hills Drive NW
Rochester, Minnesota 55901**

**Comptroller of the Currency
Minneapolis Duty Station
920 Second Avenue South, Suite 800
Minneapolis, MN 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 **Olmsted National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 8, 1997. 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.

Olmsted National Bank's record of lending in the assessment area is strong as shown by the bank's high loan-to-deposit ratio and a high percentage of loans originated within the assessment area. The bank's record of lending to borrowers of different income levels, including low- and moderate-income individuals and businesses of different sizes, is reasonable.

The following table indicates the performance level of Olmsted National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Olmsted National Bank</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination		

DESCRIPTION OF INSTITUTION

Olmsted National Bank is a \$7 million newly chartered bank which opened for business on May 9, 1996. The bank operates one office located in Rochester, Minnesota. The bank is owned by Evans Bancshares, Inc., a two-bank holding company.

Olmsted National Bank offers traditional banking services and lending products, with a concentration in commercial and commercial real estate loans. On April 22, 1997, the bank's loan portfolio mix was as follows: commercial and commercial real estate 83%, residential real estate 15%, and loans to individuals 2%. Primary competition includes well established community banks located in the Rochester area and three large banking organizations, each with more than a billion dollars in total assets. There are no legal or financial impediments limiting the bank's ability to help meet community credit needs.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is Olmsted County, which is located in southeastern Minnesota. Olmsted County is part of the Rochester, Minnesota Metropolitan Statistical area (MSA). The city of Rochester is a major regional employment, retail, medical, business, education, and transportation center for southeastern Minnesota. Rochester is Minnesota's fifth largest city with a population of approximately 75,000 people. There are no low-income, 4 moderate-income, 14 middle-income, and 3 upper-income census tracts within the bank's assessment area. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

Based on 1990 census information, the population of the assessment area is 106,470. The weighted average of the updated U.S. Department of Housing and Urban Development median family income for the MSA is \$54,800. About 7% of households are below the poverty level, 19% receive social security, and 4% receive public assistance. Household incomes in the area are: 15% low-income, 19% moderate-income, 29% middle-income, and 37% high-income. About 10% of the population is over 65 years old.

The economy of the assessment area is healthy with a growing population and employment base. The Rochester employment market is dominated by two large employers, the Mayo Clinic and IBM. After a recent downsizing from 7,300 to 4,400 employees, IBM is now planning to increase employment levels. The Mayo Clinic and associated hospitals, with approximately 11,300 employees, recently announced an expansion after several years of a hiring freeze. The balance of the employers in the assessment area are comparatively small and include a mixture of light fabrication and distributors. Common credit needs throughout the assessment area consist of loans to small businesses and instalment and residential loans to consumers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Analysis

The bank's loan-to-deposit ratio is strong given the bank's size, financial condition, and opportunities for lending in the assessment area. During the four quarters since the bank opened for operation, the bank's loan-to-deposit ratio averaged 109%. The ratio is higher than the bank's national peer group average of 73%. We compared the loan-to-deposit ratios for 28 similarly situated financial institutions located in Olmsted and five contiguous counties with total assets of less than \$100 million to the bank. These banks averaged 71% and ranged from 42% to 115% at year-end 1996. Olmsted National Bank's loan-to-deposit ratio was the highest.

Comparison of Credit Extended Inside and Outside of the Assessment Area

A substantial majority of the bank's loans and other lending related activities are within the bank's assessment area. A listing of all commercial and commercial real estate outstanding loans as of

April 21, 1997 showed that 82% by dollar volume and 89% of loan accounts are to customers residing within the bank's assessment area.

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

The bank has a good record of lending to individuals of different income levels and businesses of different sizes. An analysis of the distribution of the loan portfolio by personal income or business revenue shows that management has responded well to the credit needs of its assessment area by originating loans to low- and moderate-income borrowers as well as to businesses with a broad range of revenue.

We reviewed all loans that the bank categorized as a residential real estate loan or a home equity line of credit that were outstanding on April 22, 1997 (12 loans which totaled \$771 thousand). The following chart depicts the number and dollar percent of these loans by income level of the borrowers, compared to the income level of households located in the bank's assessment area.

Income Level	Income level of Households	Outstanding Loans by Number	Outstanding Loans by Dollar
Low	15%	8.3%	10%
Moderate	19%	33.3%	20%
Middle	29%	16.7%	9%
Upper	37%	41.7%	61%

The bank has a good distribution of loans to businesses of different revenue size. We reviewed 40 commercial and commercial real estate loans totaling \$3.7 million that were outstanding on April 21, 1997 (88% of all commercial and commercial real estate loans). As shown in the table below, 76% of business loans by number of accounts were originated to bank customers with annual revenues of less than \$1 million.

Annual Revenues of the bank's commercial loan customers	Outstanding Loans by Number	Outstanding Loans by Dollar Amount
Less than \$100,000	30%	13.7%
\$100,001 - \$250,000	12.5%	14.2%
\$250,001 - \$500,000	20%	16.8%
\$500,001 - \$1,000,000	12.5%	19.2%
Greater than \$1,000,000	25%	36.1%

Geographic Distribution of Loans

The geographic distribution of the bank's credit extensions reflects reasonable penetration throughout the assessment area. The following chart depicts the distribution of all commercial and commercial real estate loans within the assessment area on April 12, 1997 (45 borrowers with total loans of \$4.2 million). The bank's current small business lending focus has resulted in the relatively low level of originations in the assessment area's moderate-income census tracts which are predominately residential areas.

Geographic Distribution of Loans Within the Bank's Assessment Area					
(dollars in 000's)	Distribution of Census Tracts	Number of Loans	Percent by Number	Dollars of Loans	Percent by Dollar
Low-income census tracts	0%	n/a	n/a	n/a	n/a
Moderate-income census tracts	19%	2	4%	\$120	3%
Middle-income census tracts	67%	35	78%	\$3,346	79%
Upper-income census tracts	14%	8	18%	\$763	18%

Compliance with Antidiscrimination Laws and Regulations

We did not find any violations of antidiscrimination laws or regulations, or disparate treatment of loan applicants.