



## PUBLIC DISCLOSURE

March 03, 2014

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Western Bank, National Association  
Charter Number 25066  
663 University Avenue  
St. Paul, MN 55104

Office of the Comptroller of the Currency  
13710 FNB Parkway, Suite 110  
Omaha, NE 68154-5298

**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 Outstanding.**

**The Lending Test is rated: Outstanding**

**The Community Development Test is rated: Outstanding**

Major factors that support this rating include:

- The bank's loan-to-deposit (LTD) ratio is reasonable.
- A substantial majority of loan originations and purchases are within the bank's assessment area (AA).
- The distribution of residential loans to borrowers of different income levels exhibits an excellent penetration. The distribution of loans to businesses of different sizes reflects a reasonable penetration.
- Western Bank's geographic distribution of residential and business loans to low- and moderate-income (LMI) census tracts reflects excellent dispersion.
- The overall level and responsiveness of community development (CD) lending, investments, and services is excellent.

## **Scope of Examination**

This Performance Evaluation (PE) assesses the bank's performance under the Lending and Community Development Tests. The evaluation period ranges from April 12, 2010, the date of the prior PE, through March 3, 2014, the date of the current evaluation. However, the Lending Test concentrated on activity from January 1, 2012 to December 31, 2013. In evaluating the bank's lending performance, the bank's primary loan products include commercial and commercial real estate lending with an emphasis on small business lending, followed by residential lending. In evaluating the Community Development Test, we reviewed CD loans, investments, and services for the entire evaluation period.

In our evaluation of the distribution of loans, we utilized the demographics and geographies related to the 2010 Census as it applied to the years 2012 and 2013.

This evaluation is based on accurate data. We tested Home Mortgage Disclosure Act (HMDA) data for residential mortgages and business loan reports provided by the bank to verify the accuracy of data used for this evaluation. We also verified CD loans, investments, and services submitted by management to ensure the investments and activities met the regulatory definition for CD. We excluded any items that did not meet the definition or purpose of CD.

We did not consider the activities of affiliates in this evaluation.

## Description of Institution

Western Bank, National Association (WB or bank) is an independent, intrastate bank that opened for business in 1915. In addition to its main office in St. Paul, WB operates four branches in Maplewood, Oakdale, Mounds View, and Bloomington. The bank closed the Edina location in December 2013 when the branch was relocated to Bloomington. The previous CRA evaluation, dated April 12, 2010, assigned an “Outstanding” rating.

The corporate structure has changed since the last CRA evaluation. In 2012, American National Corporation (ANC) purchased WB. ANC also owns American National Bank based in Omaha, Nebraska. There are no legal or financial impediments to WB’s ability to meet the credit needs of its AA. Although the bank offers a full range of loan and deposit services, its primary business focus is commercial and commercial real estate loans.

As of December 31, 2013, net loans were 58 percent of WB’s total assets of \$425 million. The following table reflects WB’s loan portfolio summary.

<b>Western Bank, National Association Loan Portfolio Summary</b>		
<b>Loan Category</b>	<b>Dollar Volume (in thousands)</b>	<b>Percentage</b>
<b>Commercial and Commercial Real Estate</b>	<b>187,623</b>	<b>76</b>
<b>Residential Real Estate</b>	<b>41,174</b>	<b>17</b>
Obligations of States and Political Subdivisions in the U.S.	12,487	5
Construction and Development, Consumer and Other	5,483	2
Total Loans	246,767	100

*Source: December 31, 2013 Call Report*

The bank’s lending strategy continues to be the origination of commercial and commercial real estate loans to small and midsize businesses and business owners, and the origination of residential loans categorized by purchase, refinance, and improvement.

WB’s branches are the primary delivery system for retail products and services, and they are located in areas that make them accessible to bank customers. The bank’s ATMs (all located on the branch sites) supplement the branches. During the evaluation period, the bank closed its Edina branch and relocated it to 4400 W 78<sup>th</sup> Street in Bloomington. The Oakdale, Mounds View, and Bloomington branches are in middle-income census tracts as was the Edina branch office prior to its 2013 closing. The Maplewood branch is located in a moderate-income geography, and the main office in St. Paul is in a low-income census tract. These two offices are well-positioned to serve residents of several adjacent LMI census tracts in the AA. The bank’s other branches

are located in close proximity to many of the other LMI census tracts in the AA. Lobby hours and drive-up hours are set to meet customer needs. Each branch location contains an ATM in which customers may make deposits, withdraw cash, and transfer funds.

WB's banking programs and hours allow the bank to deliver needed banking and credit services to LMI areas and customers as well as small business owners throughout the bank's AA. Products and services offered include, but are not limited to, the following:

- The bank offers a variety of checking accounts to accommodate customer needs. Free personal checking includes no minimum balance, no monthly service charges, free debit card, and unlimited check writing privileges. This account requires an opening deposit of \$300. The account has access to WB's branch ATMs, as well as the Wells Fargo ATM network with no fee. Wells Fargo ATM locations are widely scattered throughout the AA across all income level census tracts. The bank also offers online banking and direct deposit.
- WB has a variety of savings accounts available for individuals and minors. Each savings account has a minimum balance that must be kept, with the exception of the minor savings account, to avoid quarterly service charges. The bank also offers traditional IRAs, Roth IRAs, and Coverdell Education Savings Accounts.
- Business customers have access to basic business checking or premier business checking. Basic business checking accounts are geared toward businesses with relatively low balances and limited activity. Premier business accounts receive interest on account balances. Each account has access to cash management services, merchant credit card processing, debit cards, remote deposit, and online banking.
- WB also offers 24-hour banking by phone, internet, and mobile device. Customers have the ability to transfer money between accounts and obtain information on account balances, current rates, recent deposits, and year-to-date interest earned.
- Personal Visa credit cards, as well as college credit cards to build credit, are available through WB.
- Business Visa credit cards are available through the bank.
- Consumer loans and residential mortgages are also available, including conventional home equity loans and lines of credit and Minnesota Housing Finance Agency home improvement loans.
- Commercial loans including Small Business Administration (SBA) 7(a), 504, and Express loans are offered to new business startups and existing businesses.
- In order to reach out to the diverse population in the AA, WB has employees who can communicate in Spanish, Hmong, French, Turkish, Oromo, Somali, Malayalam, and Hindi.

## Description of Assessment Area

The bank's AA includes the 11 whole, contiguous Minnesota counties in the Minneapolis-St. Paul-Bloomington, MN-WI MSA. These counties include Ramsey, Hennepin, Anoka, Washington, Dakota, Carver, Chisago, Isanti, Scott, Sherburne, and Wright. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

According to the June 30, 2013 FDIC Deposit Market Share Report, 146 banks and thrifts operate 770 branches within the AA. Large banks dominate the banking competition with Wells Fargo, N.A. and US Bank, N.A. holding 51.3 and 30.5 percent of the market share, respectively. TCF National Bank, BMO Harris Bank, N.A.; and Bremer Bank, N.A. round out the top five, collectively holding 6.1 percent of market share. Competition is high among the remaining 141 banks and thrifts. WB is ranked 15th overall and holds 0.2 percent of the total market share.

The Minneapolis-St. Paul-Bloomington, MN-WI MSA is the 15th largest metropolitan area in the nation. The MSA is comprised of thirteen counties located in both Minnesota and western Wisconsin (WB excludes the Wisconsin counties from its AA). Major employers within the MSA include Target Corporation, Allina Healthcare, Fairview Health Systems, Wells Fargo & Co., the University of Minnesota, and 3M Corporation. Strengths of the Twin Cities region include a large number of major research institutions and nationally headquartered businesses. This, combined with a highly educated workforce, supports the region's above average income levels.

During the evaluation period, the Twin Cities region has economically outperformed the Midwest and the nation as a whole. According to the Bureau of Labor and Statistics, the unemployment rates for the Minneapolis-St. Paul-Bloomington, MN-WI MSA and the United States were 4.0 percent and 7.0 percent, respectively, as of November 2013. This was the lowest among the 50 largest metropolitan areas nationally. House prices are steadily appreciating, easily outpacing the nationwide recovery.

As noted in the demographic data table that follows, of the 750 census tracts in the AA, 65 are low-income geographies and 157 are moderate-income geographies. Almost five percent and 17 percent of the AA's businesses are located in the low-income and moderate-income census tracts, respectively. Of the total number of businesses and farms in the AA, 68 percent have 1-4 employees and 70 percent earn less than \$500,000 of annual revenue.

<b>Demographic Data for the Greater Twin City AA</b>						
	<b>Total</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>N/A*</b>
Census Tracts	750	<b>65</b>	<b>157</b>	336	188	4
Businesses by Geography	320,195	<b>15,523</b>	<b>54,141</b>	151,158	99,316	57
Farms by Geography	8,094	98	887	5,095	2,014	-
Total Population	3,154,469	208,755	571,608	1,512,906	857,387	3,813
Owner Occupied Housing Units	881,930	23,519	131,232	459,361	267,818	-
Households by Income	1,217,670	279,237	201,976	238,244	498,213	-
Families by Income	785,373	153,505	141,216	185,465	305,187	-
Census MSA MFI	\$80,925	Median Housing Value		\$264,504		
HUD – Adjusted MFI	\$83,900	Unemployment		4.0%		
Businesses and Farms with less than five employees	<b>67.90%</b>	# of Retired Households		172,035		
Businesses and Farms with less than \$500,000 annual revenue	<b>70.46%</b>	# of SS Households		259,673		

*\*Geographies that have not been assigned an income classification.  
Source: 2010 US Census, HUD*

We determined the community credit needs in the AA by reviewing CRA Performance Evaluations of other banks operating in the same AA, conducting discussions with management, and gathering input from community contacts. We determined the most pressing credit needs in the AA are small business lending, economic development, and affordable housing.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

The bank's performance under the Lending Test is rated "Outstanding".

### **Loan-to-Deposit Ratio**

WB's LTD ratio is reasonable given the bank's size, location, local competition, and the credit needs of the AA. This determination is based on the quarterly average LTD ratio of 79.4 percent from March 31, 2010 through December 31, 2013. During this evaluation period, WB's LTD ratio ranged from a low of 62.5 percent to a high of 101.9 percent.

Management considers the banks shown in the following table to be similarly situated institutions. All are community banks less than \$1 billion in assets that actively offer similar loan products and have branch locations in the AA.

The quarterly average LTD ratio for each similarly situated bank is listed in the following table. Please note that no ranking is intended or implied.

<b>Loan-to-Deposit Ratios</b>		
<b>Financial Institutions</b>	<b>Total Assets \$ (000's) (As of 12/31/2013)</b>	<b>Average Loan-to- Deposit Ratio</b>
<b>Western Bank, National Association</b>	<b>424,816</b>	<b>79.4%</b>
Beacon Bank	344,364	72.1%
Highland Bank	450,435	67.6%
Northeast Bank	346,718	98.0%
Sunrise Banks, National Association	847,415	53.0%
Premier Bank	558,041	78.0%
Venture Bank	412,093	88.5%

*Source: Institution Reports of Condition from March 31, 2010 to December 31, 2013.*

### **Lending in Assessment Area**

A substantial majority of the number and dollar amount of WB's loans were originated or purchased inside its AA. As depicted in Table 1 below (\$000s omitted), 97.27 percent of the number and 96.01 percent of the dollar amount of loans were originated or purchased inside the AA. Almost 98 percent of the number of the business loan originations or purchases occurred inside the AA.

<b>Table 1 - Lending in the Greater Twin City AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	29	90.6	3	9.4	32	3,596	83.8	696	16.2	4,292
Home Improvement	26	96.3	1	3.7	27	1,444	82.8	300	17.2	1,744
Home Refinance	21	95.5	1	4.5	22	3,705	97.9	81	2.1	3,786
Business	423	97.9	9	2.1	432	182,799	96.4	6,883	3.6	189,681
Totals	499	97.3	14	2.7	513	191,544	96.0	7,960	4.0	199,503

*Source: Data reported under HMDA and bank loan data.*

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

WB's distribution of residential loans to LMI borrowers is excellent. Its distribution of loans to businesses of different sizes exhibits a reasonable penetration.

In our analysis, we included all 1-4 family real estate loans WB originated or purchased in 2012 and 2013 that are reported under the requirements of the HMDA, as well as 40 small business loans originated or purchased during the same period.

As detailed in Table 2 below, in each category except one, the bank’s 1-4 family real estate lending (HMDA reportable loans) to LMI borrowers exceeds the percentage of families in those income levels. This reflects an excellent level of distribution.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in the Greater Twin City AA</b>								
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	19.5	20.0	18.0	20.0	23.6	0.0	38.9	60.0
Home Improvement	19.5	33.3	18.0	14.3	23.6	47.6	38.9	4.8
Home Refinance	19.5	42.9	18.0	28.6	23.6	21.4	38.9	7.1

*Source: Data reported under HMDA and U.S. Census data.*

As illustrated in Table 2A below, the percentage of loans by number to small businesses (60 percent) is reasonable compared to the percentage of small businesses in the AA (73.6 percent). A small business is defined as a business with revenues of \$1 million or less. Although the percentage by the dollar volume of loans (40 percent) was below the demographic, we placed the most weight on the number of loans originated or purchased to arrive at a rating.

<b>Table 2A - Borrower Distribution of Loans to Businesses in the Greater Twin City AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73.6	4.6	21.8	100
% of Bank Loans in AA by #	60.0	40.0	0.0	100
% of Bank Loans in AA by \$	40.0	60.0	0.0	100

*Source: Loan sample and Dun and Bradstreet data.*

As detailed in Table 2C below, 70 percent of the number of loans to businesses originated by WB were in amounts of \$250,000 or less. Loan size often loosely correlates to the size of the business.

<b>Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Greater Twin City AA</b>				
Loan Size	Number of Loans	Percent of Number	Dollar Volume of Loans (000’s)	Percent of Dollar Volume
\$0 - \$100,000	14	35.0	754	5.2
\$100,001 - \$250,000	14	35.0	2,652	18.1
\$250,001 - \$500,000	5	12.5	1,572	10.7
\$500,001 - \$1,000,000	4	10.0	2,960	20.2
Over \$1,000,000	3	7.5	6,715	45.8

*Source: Loan sample.*

**Geographic Distribution of Loans**

WB’s geographic distribution of residential and business loans to LMI census tracts reflects excellent dispersion and demonstrates a pattern indicative of an institution seeking to service the credit needs of its AA.

As depicted in Table 1, for the two-year period (2012 and 2013), WB originated 76 1-4 family real estate loans in the AA. Of these residential loans, 29 were for purchases, 26 for improvements, and 21 for refinances. In Table 3 below, for each category except one, the percent of the bank’s HMDA reportable loans compared to the percent of owner occupied housing in the LMI census tracts is excellent.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in the Greater Twin City AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	2.7	17.2	14.9	10.4	52.1	51.7	30.3	20.7
Home Improvement	2.7	11.6	14.9	19.2	52.1	57.7	30.3	11.5
Home Refinance	2.7	14.3	14.9	23.8	52.1	57.1	30.3	4.8

*Source: Data reported under HMDA and U.S. Census data.*

Table 3A below illustrates the extent to which the bank’s lending in the low-income census tracts (11.6 percent of business loans) surpasses the percent of businesses located in those geographies (4.9 percent). The volume of WB’s business loans in the moderate-income census tracts (28.1 percent) also compares favorably to the percent of businesses in those geographic areas (16.9 percent). This is an excellent distribution of business loans to the LMI geographies in the AA.

<b>Table 3A - Geographic Distribution of Loans to Businesses in the Greater Twin City AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	4.9	11.6	16.9	28.1	47.2	44.0	31.0	16.3

*Source: Data collected by bank and Dun and Bradstreet data.*

**Responses to Complaints**

WB has not received any complaints regarding its CRA performance during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

WB's responsiveness to the community development needs of the AA through CD lending, investments, and services is excellent. Our conclusion is based on the bank's level of activity and performance context.

WB demonstrates an excellent responsiveness to the CD needs of the AA through the use of CD loans, qualified investments, and CD services considering the bank's capacity and financial condition, and the need and availability of such opportunities in the AA. The bank centers its CD efforts primarily in qualified lending and services.

The evaluation period starts at the date of the last CRA evaluation period (April 12, 2010) and goes to the date of the current CRA evaluation (March 3, 2014).

### **Number and Amount of Community Development Loans**

Considering the needs and opportunities in the AA, and WB's performance context and capacity, the bank's performance is excellent relative to CD lending.

During the evaluation period, WB originated 55 CD loans totaling \$22 million that directly benefit the AA. This level of lending represents 37 percent of the bank's equity capital as of December 31, 2013. Through its portfolio of CD loans, the bank is supporting:

- Affordable housing (including multifamily rental housing) for LMI families and individuals,
- Community services targeted to LMI individuals,
- Economic development of LMI geographies, and;
- Revitalization and stabilization of LMI neighborhoods.

Examples of CD loans originated by WB include:

- Three loans totaling \$6 million in conjunction with the St. Paul Riverfront Renaissance Redevelopment Project. This initiative facilitated the expansion of an existing market and restaurant. It is projected to revitalize the inner-city geography and provide over 100 permanent jobs within one year of completion. The property is located in a low-income census tract.
- A \$1 million line of credit to a non-profit organization that provides and maintains affordable housing communities and support services to lower income families, seniors and people living with disabilities. This line of credit supports the organization's ongoing cash flow needs. WB renews this line annually. During the evaluation period, the bank originated this loan and renewed it three times.
- A \$100,000 line of credit to a non-profit organization that focuses on economic development and revitalization of LMI neighborhoods. This organization helps build community support around the concept of creating, financing, and supporting resident-owned small businesses as a means of revitalizing inner-city

neighborhoods. WB renews this working capital line of credit annually. During the review period, the loan was renewed four times.

- A \$1 million loan to a business to demolish two buildings and construct a new, larger showroom/warehouse/storage building in a moderate-income census tract in St. Paul. The City of St. Paul awarded a low-interest loan and a grant to the borrower to assist in this capital improvement project.

### Number and Amount of Qualified Investments

Considering the needs and opportunities in the AA, and WB’s performance context and capacity, the bank’s performance is adequate relative to qualified investments. WB had a total of \$873,000 in qualified investments during the evaluation period and \$298,000 of this total was contributed through charitable donations. The following table reflects the distribution of these donations by year and CD purpose.

Qualified Investments 4/13/2010 - 3/3/2014										
Activity Year	Affordable Housing		Revitalization and Stabilization		Economic Development		Community Services		Grand Total	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
2010	10	14	2	3	15	21	8	13	35	51
2011	11	19	1	2	18	27	30	41	60	88
2012	8	19	1	2	23	38	22	25	54	84
2013	9	20	0	0	17	27	22	25	48	72
2014	0	0	0	0	2	3	0	0	2	3
Totals	38	72	4	7	75	116	82	104	199	298

Donations were made to approximately 65 CD organizations. Noteworthy donation amounts included:

- Neighborhood Development Center, Inc. - \$78,000
- CommonBond Communities - \$30,000
- Metropolitan Consortium of Community Developers - \$10,000

Other CD investments consisted of \$575,000 in equity equivalent investments with a CD purpose. Of that total, WB continued three equity investments of \$450,000 made in prior review periods. In 2011, WB made a \$125,000 equity investment to the Neighborhood Development Center for a development project that provided affordable housing and supported permanent job creation in a low-income area.

### Extent to Which the Bank Provides Community Development Services

During the evaluation period, WB exhibited an excellent responsiveness to the CD service needs of the AA. WB continues to meet the CD service needs of the AA through volunteer activities by its directors, officers and employees, many on a continuing basis to the organizations. Bank staff served as directors and committee members, and provided strategic planning, loan underwriting, fundraising, budgeting, and marketing expertise.

Board members actively donate their financial and leadership skills to a variety of organizations with a CD purpose. During the evaluation period, WB directors donated almost 2,100 hours of their time to qualifying service organizations. Of this amount, board members volunteered over 800 hours to the following three organizations:

- Neighborhood Development Center, Inc. (NDC) is a non-profit entity that works to revitalize inner city neighborhoods by providing training, technical assistance, lending, and other economic initiatives to assist entrepreneurs in establishing and building businesses in their St. Paul and Minneapolis communities. NDC also develops mixed-use (housing and small business) properties by itself and in conjunction with local community organizations. NDC is a former affiliate of WB and continues to operate from leased space in the bank's main office.
- Volunteer Lawyer Network provides legal advice to economically disadvantaged people with legal problems.
- Partners for Common Good works to provide financing for CD projects in low-income communities.

During the evaluation period, officers and employees of WB donated over 2,100 qualified hours to a variety of community organizations. Noteworthy examples include teaching a credit and savings class for Habitat for Humanity and serving on committees for economic development organizations.

WB provides technical assistance to support CD organizations by sponsoring and assisting in applications for Affordable Housing Program (AHP) grants from the Federal Home Loan Bank of Des Moines, Iowa. During the evaluation period, WB prepared and submitted seven applications totaling \$1,680,000 under this program. WB also administers approved AHP grants.

### **Responsiveness to Community Development Needs**

The volume and responsiveness of WB to the CD needs of the AA is excellent. The Board has identified financing for small business startups and existing businesses, economic development and revitalization/stabilization of LMI geographies, and affordable housing for LMI families and individuals as its primary CD goals. The bank has allocated dollars and manpower resources to achieve those goals through its:

- banking products to assist small business owners and LMI individuals;
- financial support of non-profit CD organizations through loans and cash donations;
- active participation and leadership in providing financial management and oversight of these organizations whose purpose includes economic development, revitalization/stabilization, and affordable housing and community services;
- CD loans and investments; and
- participation in local, state, and federal lending and grants programs to facilitate economic development and affordable housing.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's (bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area 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.