
Comptroller of the Currency
Administrator of National Banks

Small Bank

Minneapolis Duty Station
920 Second Avenue South, Suite 800
Minneapolis, MN 55402

PUBLIC DISCLOSURE

November 29, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Fortress Bank, National Association
108 East Cedar Street, Box 518
Houston, Minnesota 55943**

Charter # 23410

**Office of the Comptroller of the Currency
920 Second Ave. S. 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 Fortress Bank, National Association, prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of November 29, 1999. 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: Satisfactory

- The bank's net loan-to-deposit ratio of 82 percent reflects an adequate level of lending. In addition, the majority of the loans we reviewed (83 percent of commercial loans and 87 percent of the agricultural loans) were made within the bank's assessment areas.
- Within the Houston assessment area, a good level, 85 percent of the bank's commercial loans were made to small businesses and 100 percent of agricultural loans were made to small farms. Within the Winona assessment area, a lower, but reasonable level, 75 percent of the bank's commercial loans were made to small businesses and 90 percent of agricultural loans were made to small farms.

DESCRIPTION OF INSTITUTION:

Fortress Bank, N.A. (Fortress Bank) is a \$45 million institution with a main office located in Houston, Minnesota and a branch located in the neighboring community of Winona, Minnesota. ATMs are located at each bank location, a gas station in Winona and at a college located in Winona. Drive-up facilities are available at the main office and branch. The bank opened the Winona branch in October of 1996.

The bank is wholly owned by Fortress Bancshares Inc., a \$185 million dollar multi-bank holding company headquartered in Milwaukee WI, which owns two other banks. The affiliated banks are located in Westby, WI and Cresco, IA.

Fortress Bank's primary focus is commercial and agricultural lending. As of September 30, 1999, the bank's loan mix consisted of 36% commercial and commercial real estate, 25% agricultural, 25% residential real estate, 13% consumer, and 1% other. Net loans and leases of \$28 million comprised 62% of the bank's total assets.

The bank offers a vast range of credit products and deposit services. There are no legal or financial impediments limiting the bank's ability to meet community credit needs. Fortress Bank's last CRA rating, as performed by the bank's state bank regulator, was A Satisfactory Record of

Meeting Community Credit Needs@ dated July 28, 1994.

DESCRIPTION OF THE ASSESSMENT AREA:

The bank has two CRA assessment areas that consist of portions of Winona and Houston Counties located in the southeastern corner of Minnesota with the Mississippi River as the areas' eastern boundary. The counties are contiguous. The bank's main office is located in the City of Houston, which is located in the northern portion of Houston County. The branch is located in the City of Winona, which is located in the northeastern portion of Winona County. The assessment areas meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies.

For the purposes of this evaluation, we have separate demographic information for each assessment area. The branch located in Winona County is not in a metropolitan statistical area. The Houston County assessment area is part of the La Crosse, Wisconsin Metropolitan Statistical Area (number 3870). As such, the two assessment areas have demographic characteristics that are different from one another.

The Houston County assessment area is largely a rural area consisting of 3 census tracts, all of which are middle-income. The median family income for this assessment area from the 1990 census was \$34,091. The Department of Housing and Urban Development (HUD) estimate of this figure was \$47,200 for 1999. The major cities within the assessment area are Houston, La Crescent, Hoka and Brownsville, all of which have populations of less than 5,000. Based on 1990 Census data, the population of the assessment area is approximately 11,190.

The Winona County assessment area is a partially rural area with the majority of the population and businesses located in the City of Winona, population of approximately 25,000. The assessment area consists of eight block-numbering areas, six or 75 percent of which are designated middle-income with the remainder designated upper-income. The statewide nonmetropolitan median family income from the 1990 census was \$33,487. The HUD estimate of this figure was \$41,600 for 1999. Based on 1990 Census data, the population of the assessment area is approximately 40,540.

We reviewed information from three community contacts made by this and other regulatory agencies within the past two years. We also made one new community contacts during the examination. Most of the contacts were with nonprofit organizations and government agencies. Contacts help address small business and economic development needs. Others address housing needs or provide family services.

For the Houston assessment area, contacts noted the economy as stable with low unemployment, although the agricultural sector is weakened due to low commodity prices. Many of the contacts noted a shortage of affordable housing, caused in part by people who work in the growing La Crosse, Wisconsin area who are seeking homes in more rural and affordable areas. In addition, due to flood control restrictions, the city of Houston has experienced limited housing development over the past few decades. The contacts noted a full range of credit needs, including consumer credit, loans for home purchase and rehabilitation, and business and agricultural loans.

For the Winona assessment area, contacts noted the economy is very strong with low unemployment. Housing prices are rising faster than wages and competition for lower cost housing is strong.

Competition from other banks within both assessment areas is strong. Considering only banks with state or national charters, there are 11 other similarly situated financial institutions ranging from \$24 million to \$317 million in assets to provide competition. These institutions offer loan products similar to what Fortress Bank offers. In addition, the bank has substantial competition provided by several large Midwest financial institutions with large branch networks.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending to Businesses of Different Sizes and Borrowers of Different Incomes

Our samples and rating conclusions are centered on the bank's commercial and agricultural lending in correspondence to the significant dollar volume of originations. This is also consistent with the general composition of the bank's loan portfolio and credit needs of the community. The following table illustrates the origination activity between January 1997 and November 1999. Commercial and agricultural originations accounted for 64% of all the bank's loan originations since January 1997.

Loan Origination Activity January 1997 through November 1999				
Type of Loan	Number of Loans	% of Total	Dollar Amount (000's)	% of Total
Commercial Loans	276	17%	\$10,085	33%
Agricultural Loans	255	15%	\$9,480	31%
Residential Real Estate *	215	13%	\$5,265	17%
Consumer Loans	922	55%	\$5,827	19%
Totals	4,096	100%	\$30,657	100%

Data Source: Bank

Records

* It should be noted that 81 or \$2,475M of these loans were for home purchase, refinance, or improvement; other residential real estate loans were for consumer purposes. In addition, the bank sells mortgage loans to an affiliate. From January 1997 to November 1999, the bank sold 36 loans in the secondary market totaling \$2.8 million dollars.

The bank has a reasonable distribution of lending to businesses of different sizes in relation to the Houston County assessment area demographics. We reviewed a sample of 20 commercial loans within the assessment area that were originated between January 1997 and November 1999 (originations totaling \$843M). The results of our review are illustrated in the table below. The bank's lending distribution met the demographic information, as 85% by number, and 57% by dollar amount were extended to commercial loan borrowers with annual revenues less than \$1 million. This compares to 84% of businesses in the assessment area reporting annual revenues of less than \$1 million, per 1999 Dunn and Bradstreet information (D&B).

Lending Distribution Based on Gross Revenues Commercial Loan Originations - Houston			
Revenue Size of Businesses Sampled \$(000's)	Bank Lending Distribution by Number of Loans	Percentage of Businesses in each Revenue Category (D&B Information)	Bank Lending Distribution by Dollar of Loans
< \$500	80%	84%	43%
\$500 - \$1,000	5%		14%
> \$1,000	15%	4%	43%
Revenue not reported	0%	12%	0%
Totals	100%	100%	100%

The bank has a reasonable distribution of lending to farms of different sizes in relation to the Houston County assessment area demographics. We reviewed a sample of 20 agricultural loans within the assessment area that were originated between January 1997 and November 1999 (originations totaling \$1,654M). The results of our review are illustrated in the table below. The bank's lending distribution met the demographic information, as all were extended to agricultural loan borrowers with annual revenues less than \$1 million. This compares to 98% of businesses in the assessment area reporting annual revenues of less than \$1 million, per 1999 Dunn and Bradstreet information (D&B).

Lending Distribution Based on Gross Revenues Agricultural Loan Originations - Houston			
Revenue Size of Businesses Sampled \$(000's)	Bank Lending Distribution by Number of Loans	Percentage of Businesses in each Revenue Category (D&B Information)	Bank Lending Distribution by Dollar of Loans
< \$500	100%		100%
\$500 - \$1,000	0%	98%	0%
> \$1,000	0%	0%	0%
Revenue not reported	0%	2%	0%
Totals	100%	100%	100%

The bank has a reasonable distribution of lending to businesses of different sizes in relation to the Winona County assessment area demographics. We reviewed a sample of 20 commercial loans within the assessment area that were originated between January 1997 and November 1999 (originations totaling \$1,191M). The results of our review are illustrated in the table below. The bank's lending distribution met the demographic information, as 75% by number, and 87% by dollar amount were extended to commercial loan borrowers with annual revenues less than \$1 million. This compares to 74% of businesses in the assessment area reporting annual revenues of less than \$1 million, per 1999 Dunn and Bradstreet information (D&B).

Lending Distribution Based on Gross Revenues Commercial Loan Originations - Winona			
Revenue Size of Businesses Sampled \$(000's)	Bank Lending Distribution by Number of Loans	Percentage of Businesses in each Revenue Category (D&B Information)	Bank Lending Distribution by Dollar of Loans
< \$500	65%		84%
\$500 - \$1,000	10%	74%	3%
> \$1,000	25%	8%	13%
Revenue not reported	0%	18%	0%
Totals	100%	100%	100%

The bank has a reasonable distribution of lending to farms of different sizes in relation to the Winona County assessment area demographics. We reviewed a sample of 20 agricultural loans within the assessment area that were originated between January 1997 and November 1999 (originations totaling \$992M). The results of our review are illustrated in the table below. The bank's lending distribution met the that demographic information, as 90% by number, and 73% by dollar amount were extended to agricultural loan borrowers with annual revenues less than \$1 million. This compares to 99% of businesses in the assessment area reporting annual revenues of less than \$1 million, per 1999 Dunn and Bradstreet information (D&B).

Lending Distribution Based on Gross Revenues Agricultural Loan Originations - Winona			
Revenue Size of Businesses Sampled \$(000's)	Bank Lending Distribution by Number of Loans	Percentage of Businesses in each Revenue Category (D&B Information)	Bank Lending Distribution by Dollar of Loans
< \$500	90%		73%
\$500 - \$1,000	0%	99%	0%
> \$1,000	10%	0%	27%
Revenue not reported	0%	1%	0%
Totals	100%	100%	100%

Loan-to-Deposit Analysis

The bank's net loan-to-deposit ratio reflects an adequate level of lending. Relative to other banks within the assessment areas, Fortress Bank has a slightly higher net loan-to-deposit ratio. The bank's net loan-to-deposit ratio is 82 percent. This is based on the average of the quarter-end ratios for the past 12 quarters and ranged between 74 percent and 88 percent during that time period. The average ratio for other banks within the assessment areas for the 12 quarters was 78 percent, reflecting strong lending opportunities in the area.

Lending Inside the Assessment Area

Fortress Bank originates a majority of its loans inside its assessment area. We reviewed all commercial and agricultural loans that were originated between January 1997 and November 1999. Our sample included 276 commercial loan originations totaling \$10 million and 255 agricultural loan originations totaling \$9.5 million.

The following table illustrates the level of lending inside the bank's assessment area:

Penetration of Lending Inside the Bank's Assessment Area		
	% of Total Number of Loans Inside the Assessment Area	% of Total Dollar Amount of Loans Inside the Assessment Area
Commercial Loans	83%	57%
Agricultural Loans	87%	78%

Geographic Distribution of Loans

We did not evaluate the geographic distribution of lending within the bank's assessment areas. The number and income distribution of geographies in the assessment area are not sufficient for a meaningful analysis of the geographic distribution of the bank's loans. There are no low- or moderate-income census tracts or block numbering areas within the bank's assessment area.

Response to CRA Related Complaints

The bank has not received any CRA related complaints since the previous evaluation.

Compliance with Antidiscrimination Laws

Fortress Bank is in compliance with applicable antidiscrimination laws and regulations. We found no evidence of apparent disparate treatment during our fair lending review. We performed a fair lending review of all approved new auto loans that originated between May 1, 1999 and November 30, 1999. Our review focused on rates received by single female applicants versus those received by single male applicants. Our review did not identify any loan terms that were less favorable for female applicants than male applicants.