



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 16, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Worthington Federal Savings Bank, FSB
Charter Number 703435

418 11th St
Worthington, MN 56187-2409

Office of the Comptroller of the Currency
Sioux Falls Field Office
4900 South Minnesota Avenue
Suite 300
Sioux Falls, SD 57108-2865

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.

- Worthington Federal Savings Bank's (Worthington Federal) average loan-to-deposit ratio of 84 percent is reasonable.
- A substantial majority of loans originated to borrowers are located in the assessment area.
- The bank's distribution of loans represents satisfactory penetration among individuals of different income levels.

SCOPE OF EXAMINATION

Worthington Federal was evaluated under the Small Bank Community Reinvestment Act (CRA) examination procedures, which includes a lending test. The lending test evaluates the bank's record of meeting the credits needs of its assessment area (AA) through its lending activities. The lending test for Worthington Federal covers its performance from July 1, 2010 through July 6, 2012, as this is representative of its lending strategy since the previous CRA examination.

The number and dollar volume of loans was determined by Worthington Federal's internal loan reports to determine the bank's primary products. The primary products were determined to be residential real estate refinances based on the number and volume of loans originated, and consumer loans based on the number of loans originated. To evaluate the bank's lending performance, we selected a sample of residential real estate refinances and consumer loans originated since July 1, 2010.

The following table shows the breakdown of loans originated since July 1, 2010.

Loan Portfolio Originations		
Loan Type	Originated Loans by Number	Originated Loans by Dollar
Consumer Loans	46.6%	4.2%
Residential RE (Refinance)	19.4%	44.4%
Residential RE (Purchase)	11.7%	21.3%
Residential RE (Construction)	3.6%	17.6%
Home Equity Loans	19.4%	12.4%
Total	100%	100%

Source: Bank loan data from July 1, 2010 to July 6, 2012.

DESCRIPTION OF INSTITUTION

Worthington Federal is a federally chartered mutual savings and loan association with total assets of \$63.3 million as of March 31, 2012. The bank is 100 percent owned by the depositors of Worthington Federal. The bank's main office is located in Worthington, Minnesota with one branch office located in Lakefield, MN. The branch operates under the name of Lakefield Savings Bank, a division of Worthington Federal. Worthington Federal operates no automated teller machines. There have been no significant changes to Worthington Federal's corporate

structure, including merger or acquisition activities, since the last CRA examination. The bank offers a full range of deposit products and their primary lending activity is residential real estate loans for the purchase, refinance, or construction of single family residences, home equity loans, and consumer loans. As of March 31, 2012, loans totaled \$41 million, or 66 percent of total assets. As of March 31, 2012, the loan portfolio consisted of 95 percent residential real estate, 3 percent consumer, 1 percent farmland, and 1 percent commercial real estate. The bank's current business strategy calls for controlled growth focusing on 1-4 family residential real estate and consumer loans.

There are no legal or financial impediments to Worthington Federal's ability to meet the credit needs of its AA. The bank was rated "Satisfactory" at its last CRA examination dated April 18, 2007.

DESCRIPTION OF ASSESSMENT AREA

Worthington Federal has one AA, which includes the contiguous counties of Jackson, Murray, and Nobles located in Southwestern Minnesota. The bank's AA consists of 13 census tracts (CTs):

- 1051, 1052, 1053, 1054, 1055, and 1056 in Nobles County;
- 4801, 4802, 4803, and 4804 in Jackson County; and
- 9001, 9002, and 9003 in Murray County.

The AA consists of 13 middle income tracts (100 percent). There are no low, moderate, or upper income CTs in the AA. The AA is serviced by 18 financial institutions based on the Federal Deposit Insurance Corporation Deposit Market Share report, with 2 of the 18 being large (over \$1 billion) institutions. These other institutions and local credit unions provide competition for Worthington Federal.

According to the 2010 census, there were 40,639 people in the AA, consisting of 13,092 households. The 2011 HUD non-metropolitan statistical area (MSA) median family income for Minnesota is \$59,200. The distribution of family income within the AA is 18 percent low income, 22 percent moderate income, 29 percent middle income, and 31 percent upper income.

Overall, the local economy in Worthington, Minnesota is stable. According to the U.S. Bureau of Labor Statistics, the Minnesota average state unemployment rate as of June 2012 was 5.6 percent, below the national unemployment rate of 8.2 percent. Major employers in the local area include JBS Swift and Company, Prairie Holdings Group, Sanford Medical Group, Bedford Industries, and the local school district.

We did not identify any unmet credit needs in Worthington Federal's AA. Examiners made one community contact during this CRA examination. The contact identified housing as the primary credit need of the community, and indicated local financial institutions are involved in the community, including Worthington Federal. The community contact did not identify any unmet credit needs in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

Worthington Federal's LTD ratio is reasonable given the bank's size, financial condition, and lending opportunities in the AA. The bank's March 31, 2012 LTD ratio is 79 percent, and the LTD ratio averaged 84 percent for the past 20 quarters since the last CRA examination. Worthington Federal's ratio ranged from a quarterly low of 79 percent and a high of 90 percent. Worthington Federal's ratio is reasonable when compared to seven similarly situated banks with respect to size, location, and product offerings. The seven similarly situated banks have a 20-quarter average LTD ratio of 77 percent, with an average high of 97 percent and average low of 52 percent.

Lending in Assessment Area

A substantial majority of loans are originated within the AA. We reviewed a sample of 20 residential real estate refinance loans and 20 consumer loans to determine the bank's lending performance within the AA. All of the loans tested were originated between July 1, 2010 and July 6, 2012. We found that 37 of 40 (93 percent) of loans sampled, and \$2.3 million (89 percent) of loan volume, were originated within the AA.

The following table details the bank's lending within the AA by number and dollar volume of loans.

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate Refinances	19	95%	1	5%	20	2,082	90%	240	10%	2,322
Consumer	18	90%	2	10%	20	195	81%	47	19%	242
Totals	37	93%	3	7%	40	2,277	89%	287	11%	2,564

Source: Loan sample.

Lending to Borrowers of Different Incomes

The overall borrower distribution is reasonable for residential real estate refinances and consumer loans.

Worthington Federal's distribution of residential real estate refinances to low and moderate-income families is reasonable. We reviewed a sample of 60 residential real estate refinances originated since July 1, 2010 to determine the bank's lending to families of different income levels. The bank originated 32 percent of its loans to low and moderate income families, which reasonably compares to 40 percent of AA families with low or moderate incomes.

Borrower Distribution of Residential Real Estate Refinances in Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	% of AA Families
Residential RE Refinances	12%	18%	20%	22%	44%	29%	24%	31%

Source: Loan sample and 2010 U.S. Census data.

Worthington Federal’s distribution of consumer loans to households of low and moderate-income levels is reasonable. We reviewed a sample of 60 consumer loans originated since July 1, 2010 to determine the bank's lending to individuals of different income levels. The bank originated 44 percent of its loans to low and moderate-income borrowers, which reasonably compares to the 41 percent of AA individuals with low or moderate incomes.

Borrower Distribution of Consumer Loans in Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Number of Loans	AA Households	% of Number of Loans	AA Households	% of Number of Loans	AA Households	% of Number of Loans	AA Households
Consumer Loans	15%	23%	29%	18%	18%	23%	38%	36%

Source: Loan sample and 2010 U.S. Census data.

Responses to Complaints

Worthington Federal did not receive any CRA complaints during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.