



PUBLIC DISCLOSURE

October 24, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

RiverWood Bank
Charter Number 700566

14540 Dellwood Drive Baxter, MN 56425

Office of the Comptroller of the Currency

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222 South Ninth Street Suite 800
Minneapolis, MN 55402-3393

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, and should not 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.

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Overall CRA Rating

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The primary factors supporting RiverWood Bank's rating include:

- RiverWood Bank's loan to deposit (LTD) ratio is more than reasonable based on the institution's size, financial condition, and the assessment area (AA) credit needs;
- RiverWood Bank originated a majority of its loans within its AA;
- RiverWood Bank's distribution of loans reflects reasonable penetration among borrowers of different income levels;
- RiverWood Bank's distribution of loans reflects reasonable dispersion throughout census tracts of different income levels; and
- RiverWood demonstrates adequate responsiveness to the community development (CD) needs in its AAs.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

RiverWood Bank is a \$380 million intrastate financial institution headquartered in Bemidji, located in Beltrami County in northern Minnesota. RiverWood has nine other branch locations, including a second location in Bemidji and offices in Bagley in Clearwater County, Baudette in Lake of the Woods County, Baxter and Crosslake in Crow Wing County, Benson in Swift County, Morris in Stevens County, Big Lake in Sherburne County, and Monticello in Wright County. The Baxter branch transferred locations in February of 2017. There have been no other branch openings or closings in the past five years. RiverWood operates nine cash dispensing automated teller machines (ATMs), five of which are non-deposit taking and four take RiverWood Bank deposits. The ATMs are located at all branch locations, with the exception of the Benson branch.

RiverWood is owned by Great River Holding Company, a one-bank holding company located in Baxter, MN. RiverWood also has three wholly owned operating subsidiaries; RiverWood Financial, Inc. offers investment and brokerage services, First Federal Service Corporation manages certain foreclosed properties owned by RiverWood, and Homeland Mortgage, LLC specializes in the origination and processing of residential real estate mortgages for RiverWood and non-affiliated community banks. None of the activities engaged in by Great River Holding Company and RiverWood's operating subsidiaries are considered material relative to RiverWood's CRA performance. There have been no mergers or acquisitions since the previous CRA examination.

As of September 30, 2017, RiverWood's gross loans and leases totaled \$297 million, representing 77.3 percent of total assets. The loans portfolio is comprised of commercial real estate and other commercial loans (52 percent), residential real estate loans (21 percent), consumer loans (15 percent) and agriculture loans (12 percent). The investment portfolio totals \$38.3 million or 9.9 percent of total assets. The investment portfolio consists of US Treasury and Agency securities (94.5), municipal securities (3 percent), and other securities (2.5 percent). Tier One Capital totaled \$32.8 million.

Based on loan originations during the evaluation period and overall loan portfolio composition, RiverWood's primary focus is commercial lending, followed by residential real estate. The following table details RiverWood's loan portfolio composition as of September 30, 2017:

Loan Portfolio Composition	\$000	%
Commercial and Commercial Real Estate	\$155,477	52.34%
Residential Real Estate	\$61,848	20.82%
Consumer	\$35,383	11.91%
Agriculture	\$44,353	14.93%
Total Loans	\$297,061	100%

Source: September 30, 2017 Call Report Data

We did not identify any legal, financial, or other factors impeding RiverWood's ability to help meet the credit needs in its assessment area. RiverWood Bank received a "Satisfactory" rating at its prior CRA examination as of September 30, 2014.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated RiverWood Bank's Community Reinvestment Act (CRA) performance using Intermediate Small Bank examination procedures, which includes a Lending Test and a Community Development (CD) Test. The evaluation focused on the institution's lending performance in meeting the credit needs of its Assessment Areas (AA). Specifically, we analyzed primary loan products to determine the amount of lending in the AAs, the distribution of lending among businesses and farms of different sizes and borrowers of different income levels, and the distribution of lending throughout the AAs. The Community Development Test evaluates RiverWood's responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services.

The evaluation period covered the period from October 1, 2014 through October 23, 2017. RiverWood had two AAs evaluated during this period, the Minneapolis MSA AA and the Non-MSA AA. We determined the bank's primary loan products based on loan originations and purchases for the period of January 1, 2015 through December 31, 2016. Primary products were selected separately for each AA and are notated in bold in the following tables. CD activities from October 1, 2014 through October 23, 2017 were considered in the assessment of the CD test.

In 2015 and 2016 RiverWood Bank served the MN Non-MSA counties including Lake of the Woods, Beltrami, Clearwater, Hubbard, Cass, Crow Wing, Stevens, and Swift Counties, as well as the Minneapolis Metropolitan Statistical Area (MSA) consisting of Sherburne and Wright Counties. For the purpose of this evaluation, the primary loan types for the Non-MSA AA are commercial loans and consumer loans. Commercial loans account for 31.83 percent of the dollar volume of loans originated and represent 15.36 percent of the number of all originations. Consumer loans account for 31.90 percent of the dollar volume of loans originated and represent 55.01 percent of the number of all originations. The following chart depicts loan originations in the Non-MSA AA.

Loan Originations and Purchases in 2015 and 2016 in the MN Non-MSA AA		
<i>Loan Type</i>	<i>Volume by #</i>	<i>Volume by \$</i>
Agriculture	12.31%	18.37%
Commercial	15.36%	31.83%
Consumer	55.01%	31.90%
Residential RE	17.32%	17.90%

Source: Bank loan origination report for 2015 and 2016

The primary loan types for the Minneapolis MSA AA are commercial loans and residential real estate purchase loans. Commercial loans account for 45.74 percent of the dollar volume of loans originated and represent 23.83 percent of the number of all originations. Residential real estate home purchase loans account for 23.17 percent of the dollar volume of loans originated and represent 15.88 percent of the number of all originations. The following chart depicts loan originations in the Minneapolis MSA AA.

Loan Originations and Purchases in 2015 and 2016 in the Minneapolis MSA AA		
<i>Loan Type</i>	<i>Volume by #</i>	<i>Volume by \$</i>
Agriculture	1.08%	1.87%
Commercial	23.83%	45.74%
Consumer	45.13%	15.72%
RRE (includes purchase, improvement & refinance)	29.96%	36.67%
Home Purchase	15.88%	23.17%
Home Improvement	0.36%	0.04%
Home Refinance	13.72%	13.46%

Source: Bank loan origination report for 2015 and 2016

To conduct our analysis, we selected a sample of 20 loans from each primary product type and expanded our samples as necessary. We did not sample Home Purchase loans. Instead, we used Home Mortgage Disclosure Act (HMDA) data.

Data Integrity

We used HMDA data to evaluate Residential Real Estate loans for the purpose of Home Purchases in lieu of selecting a sample. HMDA data was deemed reliable during a Data Integrity review as of June 30, 2017.

Selection of Areas for Full-Scope Review

RiverWood had two AAs, the Minneapolis MSA AA and the Non-MSA AA, evaluated during this period, both of which were selected for a full scope review.

Ratings

RiverWood Bank's overall rating is satisfactory. We gave more weight to RiverWood's performance in the MN Non-MSA AA as it represents RiverWood's primary market in terms of deposits, loan activity, and branch locations. The Non-MSA AA has 86.3 percent of RiverWood's total deposits, 85.9 percent of total loan originations during the assessment period and 80 percent of branch locations.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, 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. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

RiverWood Bank’s lending performance is satisfactory and community development performance demonstrates adequate responsiveness to the community development needs in the AA. We gave more weight to performance in the MN Non-MSA AA as it accounts for the majority of RiverWood’s lending activity, branch locations and number of employees.

LENDING TEST

RiverWood’s lending performance is satisfactory. The LTD ratio is more than reasonable and the majority of loans were originated inside RiverWood’s AAs. The distribution of loans to borrowers of different incomes and to business of different sizes reflects reasonable penetration in the AAs. The geographic distribution of loans in the AAs reflects reasonable dispersion throughout census tracts of different income levels. We gave more weight to performance in the MN Non-MSA AA as it accounts for the majority of RiverWood's lending activity.

Loan-to-Deposit Ratio

RiverWood Bank's Loan-to-Deposit (LTD) ratio is more than reasonable given RiverWood's size, financial condition, and assessment area credit needs. RiverWood's quarterly LTD averaged 93 percent over the 12 quarters from December 31, 2014, to September 30, 2017. This ratio ranged from a quarterly low of 90 percent in the third quarter of 2017 to a quarterly high of 95 percent in the third quarter of 2015.

RiverWood Bank's average LTD ratio ranks first among four similarly situated banks. The following table depicts the average LTD ratios of similarly situated banks compared to RiverWood Bank. Similarly situated banks are defined as financial institutions located in RiverWood's AA with similar asset sizes, product offerings, and services.

Loan-to-Deposit Ratio by Assessment Area (Headquarters)	Assets as of 9/30/17 (\$000s)	Average LTD Ratio (%)
RiverWood Bank (Baxter, MN)	\$387,724	92.70%
Blackridgebank (Fargo, ND)	\$453,482	91.34%
Northview Bank (Sandstone, MN)	\$326,590	83.62%
The Bank of Elk River (Elk River, MN)	\$413,318	70.12%
First Minnesota Bank (Minnetonka, MN)	\$386,544	40.81%

Source: Call Report data as of September 30, 2017

Lending in Assessment Area

RiverWood Bank originates a majority of its loans inside its AAs based on the number of loans originated. Overall, RiverWood originated 88.3 percent of loans by number and 67.0 percent of loans by dollar volume within their AAs. The percentage by dollar

volume is skewed due to two large loans that were originated outside of the assessment area. The table below shows the volume of loans originated inside and outside of the AAs during the evaluation period.

Lending in Minneapolis MSA AA and Non-MSA AAs										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	18	90.0%	2	10.0%	20	\$805	96.1%	\$33	3.9%	\$837
Commercial	35	87.5%	5	12.5%	40	\$9,591	65.3%	\$5,089	34.7%	\$14,680
Totals	53	88.3%	7	11.7%	60	\$10,395	67.0%	\$5,122	33.0%	\$15,517

Source: Consumer and commercial loan samples from 2015-2016

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

Overall, RiverWood Bank's lending to borrowers of different incomes and to business of different sizes reflects reasonable penetration in the AAs. We gave more weight to performance in the MN Non-MSA AA as it accounts for the majority of RiverWood's lending activity.

Performance in the MN Non-MSA AA

Consumer Loans

RiverWood Bank has excellent penetration among borrowers of different income levels. RiverWood's consumer lending to low-income borrowers meets the demographic comparator. RiverWood's lending to moderate-income borrowers significantly exceeds the demographic comparator. Additionally, the high household poverty rate of 13.8 percent and the elevated unemployment of 6.7 percent may reduce RiverWood's ability to lend to low-income individuals. The following table compares RiverWood's consumer lending activities to borrowers of different income levels.

Borrower Distribution of Consumer Loans in the 2015-2016 Non-MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans
Consumer	25.12%	25.00%	17.19%	30.00%	19.25%	10.00%	38.44%	35.00%

Source: Consumer loan sample from 2015-2016, 2010 US Census Data

Business Loans

RiverWood Bank's borrower distribution of loans reflects reasonable penetration among businesses of different sizes. RiverWood's business lending reflected 70 percent of

loans made to businesses with revenues less than \$1 million based on the number of loans and 34 percent by dollar volume. The percentage by dollar volume is significantly lower due to larger loans being made to larger businesses. Specifically, four of the five loans that exceeded \$1 million were made to businesses with revenues in excess of \$1 million. While the percentage of loans by number are less than the demographic comparator, RiverWood Bank is near the comparator, which is reasonable. Additionally, a large portion of this AA is designated as distressed or underserved, which could hinder the bank's ability to make quality loans to small businesses. Demographic data contains a high level of businesses of unknown size, as they chose not to report the information. The following table shows the distribution of business loans among businesses of different sizes in the MN Non-MSA AA.

Borrower Distribution of Commercial Loans in the 2015-2016 Non-MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	83.07%	5.17%	11.76%	100%
% of Bank Loans in AA by #	70.00%	26.67%	3.33%	100%
% of Bank Loans in AA by \$	34.30%	64.58%	1.12%	100%

Source: Commercial loan sample from 2015-2016, 2010 US Census Data

Performance in the Minneapolis MSA AA

Residential Real Estate Purchase Loans

RiverWood Bank has reasonable penetration among borrowers of different income levels. RiverWood's residential real estate lending for the purpose of home purchases to low-income borrowers is below the low-income demographic comparator, which reflects poor penetration. However, RiverWood exceeds the demographic comparator when lending to moderate-income borrowers, which reflects more than reasonable penetration. Additionally, the median housing value in the AA is \$223,400, which may reduce RiverWood's ability to originate home purchase loans to low-income individuals. The following table compares RiverWood's consumer lending activities to borrowers of different income levels.

Borrower Distribution of Residential Real Estate Purchase Loans in the 2015-2016 Minneapolis MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
RRE Purchase	16.36%	4.95%	19.87%	23.19%	29.20%	23.34%	34.56%	23.03%

Source: HMDA Data from 2015-2016, 2010 US Census Data

Business Loans

RiverWood Bank's borrower distribution of loans reflects poor penetration among businesses of different sizes. RiverWood's business lending reflected 52 percent of loans made to businesses with revenues less than \$1 million based on the number of loans and 39 percent by dollar volume. The percentage by dollar volume is lower due to larger loans being made to businesses with revenues in excess of \$1 million. Again, this is due to four of the five loans that exceeded \$1 million were made to businesses with revenues in excess of \$1 million. Additionally, while commercial lending was identified as a primary product due to the large dollar volume, we were unable to fully expand our sample due to a lower number of loans originated in the AA. Commercial lending decreased in volume after the economic downturn as the Monticello and Big Lake area was heavily impacted. This caused elevated loan losses and high levels of other real estate owned properties, which reached over \$12 million in 2013. This led to less commercial lending in this AA and may be a cause for lower levels of lending to businesses with revenues less than \$1 million.

Borrower Distribution of Commercial Loans in the 2015-2016 Minneapolis MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	87.74%	4.77%	7.49%	100%
% of Bank Loans in AA by #	52.00%	46.00%	2.00%	100%
% of Bank Loans in AA by \$	39.19%	60.52%	0.29%	100%

Source: Commercial loan sample from 2015-2016, 2010 US Census Data

Geographic Distribution of Loans

Overall, RiverWood Bank's geographic distribution of loans in the AAs reflects reasonable dispersion throughout census tracts of different income levels. We gave more weight to performance in the MN Non-MSA AA as it accounts for the majority of RiverWood's lending activity. There are no low-income census tracts in either AA.

Performance in the MN Non-MSA AA

Consumer Loans

RiverWood's geographic distribution of consumer loans reflects excellent dispersion throughout census tracts of different income levels. Consumer lending within the moderate-income census tracts is significantly higher in comparison to the percentage of households within the census tracts. The following table shows the distribution of consumer loans among census tracts of different income levels.

Geographic Distribution of Consumer Loans in the 2015-2016 Non-MSA AA								
Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans
Consumer	0.00%	0.00%	22.41%	35.00%	75.53%	65.00%	2.06%	0.00%

Source: Consumer loan sample from 2015-2016, 2010 US Census Data

Business Loans

RiverWood's geographic distribution of business loans reflects reasonable dispersion throughout census tracts of different income levels. Business lending within the moderate-income census tracts is slightly below the demographic comparator, which is reasonable. The following table shows the distribution of business loans among census tracts of different income levels.

Geographic Distribution of Commercial Loans in the 2015-2016 Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Businesses	0.00%	0.00%	22.35%	18.33%	76.19%	76.67%	1.46%	5.00%

Source: Commercial loan sample from 2015-2016, 2010 US Census Data

Performance in the Minneapolis MSA AA

Residential Real Estate Purchase Loans

RiverWood's geographic distribution of residential real estate purchase loans reflects reasonable dispersion throughout census tracts of different income levels. Real estate lending for the purpose of a home purchase within the moderate-income census tract is zero and therefore lower than the demographic comparator. There are only three moderate-income census tracts within the AA, which equates to 11 percent. Two of the moderate-income census tracts are located in the southwest corner of the AA and the third is located in the northwest corner of the AA. RiverWood's branches are located in the middle of the AA, towards the eastern side. Geographical restraints hinder the RiverWood's ability to lend the three moderate-income census tracts and therefore dispersion is reasonable. We reviewed plot maps based on RiverWood's HMDA data, which reflected that the majority of lending is within census tracts closest to the bank's branches in both 2015 and 2016.

Geographic Distribution of Residential Real Estate Purchase Loans in the 2015-2016 Minneapolis MSA AA								
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
RRE Purchase	0.00%	0.00%	5.50%	0.00%	92.10%	99.11%	2.41%	0.89%

Source: HMDA Data from 2015-2016, 2010 US Census Data

Business Loans

RiverWood's geographic distribution of business loans reflects reasonable dispersion throughout census tracts of different income levels. Business lending within the moderate-income census tract is zero and therefore lower than the demographic comparator. There are only three moderate-income census tracts within the AA, which equates to 11 percent. Two of the moderate-income census tracts are located in the southwest corner of the AA and the third is located in the northwest corner of the AA. RiverWood's branches are located in the middle of the AA, towards the eastern side. Geographical restraints hinder RiverWood's ability to lend the three moderate-income census tracts and therefore dispersion is reasonable.

Geographic Distribution of Commercial Loans in the 2015-2016 Minneapolis MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Businesses	0.00%	0.00%	5.59%	0.00%	92.00%	100.00%	2.41%	0.00%

Source: Commercial loan sample from 2015-2016, 2010 US Census Data

Responses to Complaints

During this lending evaluation period, there were no complaints related to RiverWood's performance in meeting AA credit needs.

COMMUNITY DEVELOPMENT TEST

RiverWood's performance under the Community Development Test is rated Satisfactory. RiverWood's community development performance demonstrates adequate responsiveness to the community development needs in the AA. More weight was given to performance in the Non-MSA AA as it accounts for the majority of RiverWood's branches and employees.

Number and Amount of Community Development Loans

MN Non-MSA AA

Performance in the MN Non-MSA is excellent. During the evaluation period, RiverWood originated nine CD loans totaling \$4.1 million, which represents 12 percent of RiverWood's tier one capital as of September 30, 2017. These loans supported affordable housing located within moderate-income and middle-income census tracts that were designated as distressed within the AA.

Minneapolis MSA AA

Performance in the Minneapolis MSA AA needs improvement. RiverWood did not make any Community Development Loans within the Minneapolis MSA AA; however, the Minneapolis MSA only has two of ten total bank locations.

Number and Amount of Qualified Investments

MN Non-MSA AA

RiverWood qualified investments in the Non-MSA AA are adequate in relation to RiverWood's capacity, identified area needs, and available investment opportunities. Qualified investments totaled \$781 thousand, which equates to 2 percent of the total investment portfolio, but 68 percent of the municipal investment portfolio. RiverWood had seven donations totaling \$6 thousand; however, this equates to less than one percent of tier one capital as of September 30, 2017.

Minneapolis MSA AA

Performance in the Minneapolis MSA AA needs improvement. RiverWood did not have qualified investments or donations within the Minneapolis MSA AA; however, the Minneapolis MSA only has two of ten total bank locations.

Extent to Which the Bank Provides Community Development Services

MN Non-MSA AA

RiverWood's employees provided an excellent level of CD services in the MN Non-MSA AA. Nine employees provided 1,165 hours of financial expertise to 11 different organizations. These organizations primarily assist with community development within the AA; however, a few also focus on revitalization and affordable housing.

Minneapolis MSA AA

RiverWood's employees provided an excellent level of CD services in the Minneapolis MSA AA. Three employees provided 274 hours of financial expertise to five different organizations, from two of ten total bank locations. These organizations focus on a mixture of economic development, affordable housing, and services to LMI individuals.

Responsiveness to Community Development Needs

RiverWood's community development activities reflect overall adequate responsiveness to the community development needs of its AAs. RiverWood focused the majority its

CD activity on economic development and affordable housing initiatives, which are identified community needs within the AAs. Additionally, one of RiverWood's branches is located in a moderate-income census tract, which generally increases access to financial services to LMI individuals. Another five branches are located in middle-income census tracts that are designated as either distressed, underserved, or both.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): (01/31/15 to 12/31/16) Investment and Service Tests and CD Loans: (10/01/14 to 10/23/17)	
Financial Institution	Products Reviewed	
RiverWood Bank Baxter, MN	Non-MSA AA: Commercial and Consumer loans Minneapolis MSA AA: Commercial and Residential Real Estate Home Purchase loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None reviewed.		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Minnesota Minneapolis MSA AA #33460	Full Scope	
Minnesota Non-MSA AA	Full Scope	

Appendix B: Community Profiles for Full-Scope Areas

Minnesota Non-MSA AA

Demographic Information for Full-Scope Area: Minnesota Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	55	0.00%	23.64%	74.54%	1.82%	0.00%
Population by Geography	188,186	0.00%	22.71%	75.41%	1.87%	0.00%
Owner-Occupied Housing by Geography	60,657	0.00%	19.09%	78.46%	2.45%	0.00%
Businesses by Geography	14,982	0.00%	22.02%	76.47%	1.52%	0.00%
Farms by Geography	1,478	0.00%	15.83%	83.29%	0.88%	0.00%
Family Distribution by Income Level	52,947	21.14%	19.92%	23.08%	35.86%	0.00%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	21,555	0.00%	28.60%	69.85%	1.54%	0.00%
Median Family Income FFIEC Adjusted Median Family Income for AA Households Below the Poverty Level	= \$63,800 = \$57,683 = 13.81%	Median Housing Value Unemployment Rate				= \$179,421 = 6.73%

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 U.S. Census data with updated information when available

The Non-MSA AA has 55 census tracts which include non-adjacent areas of Northern and Western Minnesota. RiverWood operates its main office and seven branches in this AA. The Northern Minnesota portion of the AA is comprised of 48 contiguous census tracts. RiverWood includes whole counties as part of their AA, including Lake of the Woods, Beltrami, Clearwater, Hubbard, Cass, and Crow Wing counties. The Western Minnesota portion of the AA is comprised of seven contiguous census tracts located in Stevens and Swift counties. The AA consists of the census tracts where RiverWood's branches are located, as well as the surrounding counties where RiverWood originates a majority of its loans. RiverWood's eight office locations are dispersed throughout the AA with the main office and six branch offices located in middle-income census tracts and one branch located in a moderate-income census tract. Additionally, the AA includes areas designated as distressed or underserved by the Federal Financial Institutions Examination Council (FFIEC). These areas are located in Beltrami, Clearwater, Lake of the Woods, Stevens and Swift counties. Two branches are located in distressed middle-income census tracts, one branch is in an underserved middle-income census tract and two branches are located in distressed and underserved middle-income census tracts. The Federal Emergency Management

Agency (FEMA) has not issued any major disaster declarations in the AA during the assessment period.

The MN Non-MSA AA is primarily comprised of middle-income census tracts; 41 census tracts are middle-income, 13 are moderate-income, and one is upper-income. There are no low-income census tracts. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income census tracts. The following table shows demographic information for RiverWood's MN Non-MSA AA.

According to the U.S. Bureau of Labor Statistics, the 2016 average unemployment rate in the AA is 6.7 percent, higher than the Minnesota State unemployment rate of 4.1 percent. The services industry is by far the largest industry in the AA with 7,175 businesses, which accounts for 44 percent of total businesses in the AA. This is due to Bemidji and the surrounding area being a tourist hub in Northern Minnesota. The next largest industries include retail trade at 13 percent, construction at 11 percent, and agriculture/forestry and fishing at 9 percent. Several of the larger employers in the region are hotels including Northern Lights Casino, the Palace Hotel, and Pines at Grandview Lodge. Other larger employers include the Cuyuna Regional Medical Center and Walmart.

Competition from other financial institutions is strong. Based on the June 30, 2017 FDIC market share data, there are 37 different deposit taking institutions with offices located in the AA. RiverWood Bank ranks fifth in deposit market share, with 7.15 percent of the market share or \$275 million. Primary competitors include The First National Bank of Bemidji, First National Bank North (Walker, MN), Bremer Bank National Association, Wells Fargo Bank National Association, along with several smaller banks.

In order to gather current information on the community and potential lending opportunities in the area, we contacted a community economic development organization in the Bemidji area. The representative indicated that Bemidji and surrounding areas are currently experiencing an economic boom. Employment opportunities are increasing as small businesses and new entrepreneurs comprise the majority of economic activity in the region; however unemployment levels remain elevated. Small business lending is in high demand and lenders continue to look for additional lending opportunities.

Minneapolis MSA AA

Demographic Information for Full-Scope Area: Minneapolis MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	28	0.00%	10.71%	85.72%	3.57%	0.00%

Population by Geography	213,199	0.00%	7.52%	90.13%	2.34%	0.00%
Owner-Occupied Housing by Geography	62,744	0.00%	5.50%	92.10%	2.41%	0.00%
Businesses by Geography	13,568	0.00%	5.59%	92.00%	2.41%	0.00%
Farms by Geography	941	0.00%	12.43%	86.50%	1.06%	0.00%
Family Distribution by Income Level	55,228	16.36%	19.87%	29.20%	34.56%	0.00%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	20,012	0.00%	8.70%	89.57%	1.73%	0.00%
Median Family Income FFIEC Adjusted Median Family Income for XXXX Households Below the Poverty Level	= \$85,200 = \$79,301 = 6.20%	Median Housing Value Unemployment Rate				= \$223,400 = 3.60%

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 U.S. Census data with updated information when available

The Minneapolis MSA AA consists of 28 contiguous census tracts located in Central Minnesota. RiverWood includes all census tracts in Sherburne and Wright counties. There is a branch located in each county, both in middle-income census tracts. The AA is not designated as distressed or underserved by the FFIEC. FEMA has not issued any major disaster declarations in the AA during the assessment period.

The Minneapolis MSA is comprised primarily of middle-income census tracts; 24 census tracts are middle-income census tracts, three are moderate-income, and one is upper-income. There are no low-income census tracts in this AA. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income census tracts. The following table shows demographic information for RiverWood's MN Non-MSA AA.

According to the U.S. Bureau of Labor Statistics, the 2016 unemployment rate in the Minneapolis MSA is 3.6 percent, lower than the Minnesota state unemployment rate of 4.1 percent. However, the average unemployment rate in Sherburne and Wright Counties, which comprise the Minneapolis MSA AA, is 4.5 percent, which is high than the MSA and statewide unemployment rates. The services industry is by far the largest industry in the Minneapolis MSA with 7,381 businesses, which accounts for 45 percent of total businesses in the AA. However, the primary industries within Sherburne and Wright Counties are manufacturing and healthcare. Major employers in the AA are Xcel Energy, Dura Supreme, Cargill Kitchen Solutions, Crystal Cabinets, and Remmele Engineering Inc.

Competition from other financial institutions is strong. Based on the June 30, 2017 FDIC market share data, there are 28 different deposit taking institutions with offices located in the AA. RiverWood Bank ranks twenty-first in deposit market share, with 1.67 percent of the market share or \$44 million. Primary competitors include Wells Fargo,

National Association and The Bank of Elk River, which together comprise 31 percent of the market share.