



## **PUBLIC DISCLOSURE**

December 2, 2019

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Western National Bank  
Charter Number 13116

201 North Central Avenue  
Duluth, MN 55807

Office of the Comptroller of the Currency

222 South 9th St, Suite 800  
Minneapolis, MN 55402

**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

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

**The lending test is rated: Satisfactory.**

The major factors that support this rating include:

- The Lending Test rating is based on the performance in the State of Minnesota rating area.
- The loan-to-deposit (LTD) ratio is reasonable considering the bank's size, financial condition, and credit needs of the assessment area (AA).
- The majority of loans originated and purchased are inside the bank's AA.
- The distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable.
- The bank exhibits excellent geographic distribution of loans throughout the AA.

### Loan-to-Deposit Ratio

The bank's LTD is reasonable, considering the bank's size, financial condition, and credit needs of the AA. The bank's average LTD ratio over the past 21 quarters was 72.97 percent. Since the prior CRA evaluation in September 2014, the LTD ratio has ranged from a quarterly low of 64.4 percent in December of 2015 to a quarterly high of 90.28 percent in September 2019. Western National Bank ranks fourth of the five similarly situated institutions used in our analysis. Similarly situated institutions include banks operating in or near the bank's AA with total assets of \$75 million to \$111 million.

| Institution (Headquarters)                             | Assets as of 09/30/2019 (\$000s) | Average LTD Ratio (%) |
|--|----------------------------------|-----------------------|
| Boundary Waters Bank (Ely, MN)                         | \$111,157                        | 101.89%               |
| The First National Bank of Moose Lake (Moose Lake, MN) | \$109,802                        | 87.49%                |
| Northern State Bank of Virginia (Virginia, MN)         | \$74,515                         | 78.23%                |
| <b>Western National Bank (Duluth, MN)</b>              | <b>\$106,678</b>                 | <b>72.97%</b>         |
| First National Bank (Chisholm, MN)                     | \$78,851                         | 20.05%                |

*Source: Call Report data from December 31, 2014 through September 30, 2019.*

### Lending in Assessment Area

A majority of the bank's loans are inside its AA.

The bank originated and purchased 81.5 percent of its total loans inside the AA during the evaluation period. We analyzed 40 small business loans and all 161 home mortgage loans originated between

January 1, 2016 and December 31, 2018. The following tables illustrate lending inside and outside of the AA:

| <b>Lending Inside and Outside of the Assessment Area</b> |                 |      |         |      |         |                                 |      |         |      |                |
|--|-----------------|------|---------|------|---------|---------------------------------|------|---------|------|----------------|
| Loan Category  | Number of Loans |      |         |      | Total # | Dollar Amount of Loans \$(000s) |      |         |      | Total \$(000s) |
|  | Inside          |      | Outside |      |         | Inside                          |      | Outside |      |                |
|  | #               | %    | #       | %    |         | \$                              | %    | \$      | %    |                |
| Home Mortgage  | 132             | 82   | 29      | 18   | 161     | 21,784                          | 83   | 4,376   | 17   | 26,160         |
| Small Business   | 32              | 80   | 8       | 20   | 40      | 10,582                          | 80   | 2,596   | 20   | 13,179         |
| Total  | 164             | 81.5 | 37      | 18.4 | 201     | 32,366                          | 82.3 | 6,972   | 17.7 | 39,339         |

Source: Business loan samples and HMDA data for 2016-2018.

## Description of Institution

Western National Bank (WNB) is an intrastate bank headquartered in Duluth, Minnesota. The bank is wholly-owned by Western Bancorporation, Incorporated. Western Bancorporation, Inc. is a multi-bank holding company, which also owns Western National Bank of Cass Lake, an affiliate of WNB of Duluth. The performance of Western National Bank of Cass Lake was not considered in the evaluation of the bank's CRA performance.

As of September 30, 2019, the bank had total assets of \$107 million. WNB operates a main office and two bank branches in Duluth, MN. WNB operates four automated teller machines (ATMs): one located at the bank's main office, one at a grocery store branch, one on the College of St. Scholastica campus, and one inside a convenience store. The only deposit-taking ATM is located at the bank's main office. The bank has not opened or closed any new branches since the prior CRA evaluation.

WNB is a full-service community bank offering a variety of loan and deposit products including checking accounts, mortgage loans, consumer loans, commercial loans, safe deposit boxes and other traditional banking services such as wire transfer and money orders. Savings products also include traditional money market accounts and individual retirement accounts (IRAs).

As of September 30, 2019, the bank's primary loan mix is comprised of \$56 million (68 percent) in commercial loans, \$21 million (26 percent) in residential real estate loans, and \$4.8 million (6 percent) in construction loans. The net loans to total assets ratio was 77 percent. Tier one capital totals \$11 million with a tier one leverage capital ratio of 10 percent.

WNB's AA consists of 46 census tracts (CTs) within the Duluth, MN-WI MultiState Metropolitan Statistical Area (MMSA). The Duluth, MN-WI MSA is a multi-state MSA that includes St. Louis County and Carlton County in MN, and Douglas County in WI. The AA includes 42 CTs in Southern St. Louis County, MN, and four CTs in Northern Carlton County, MN. The AA complies with CRA regulatory requirements and does not arbitrarily exclude low- or moderate-income areas. The AA includes all CTs where the institution has its main office, branches, and deposit-taking ATMs.

There are no known financial, legal, or other factors that impede WNB's ability to help meet the credit needs of its AA. The bank has not engaged in any merger or acquisition activity since the prior CRA evaluation. WNB received a Satisfactory rating at the last CRA examination dated September 22, 2014.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

WNB was evaluated under the CRA small bank procedures, which is limited to the lending test. The lending test evaluated the bank's record of meeting the credit needs in its AA through its lending activities. The evaluation period for the LTD analysis covered December 31, 2014 through September 30, 2019. The evaluation period for the complaint review portions of the lending test covered January 22, 2014 through November 27, 2019. The evaluation period for the remaining portions of the lending test covered January 1, 2016 through December 31, 2018.

The lending test focused on the bank's primary loan products based on loan origination volume from 2016-2018. We determined home mortgage and commercial loans to be the primary products. Home mortgage loan originations totaled 42 percent of all originations by number. Commercial loans totaled 56 percent of all originations by dollar volume. Each primary product received equal weight in the analysis.

Demographic data is used in part to determine the bank's lending performance. The U.S. Census Bureau released updated demographic data from the 2015 American Community Survey (ACS) effective January 1, 2017. We analyzed 2016 loans separately from 2017-2018 loans given these changes in the AA demographic data. Loans originated or purchased in 2016 were compared to 2010 U.S. Census data. 2017 and 2018 loans were given more weight in the analysis due to higher loan volume.

We reviewed the AA's financial, economic, and environmental factors to determine the bank's lending performance. We also contacted a community member with knowledge of the area's economic conditions and demographics to gather additional insight on lending needs in the AA.

### Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of the AAs within that state is selected for a full-scope review. WNB has one AA, which is referred to as the Duluth MSA AA throughout this report. This AA was selected for a full-scope review and evaluated under the State of Minnesota rating area. Refer to Appendix A-1 for an outline of the examination scope.

### Ratings

The bank's overall rating is based on the bank's lending performance within the State of Minnesota, as that is where bank branches are located and the majority of loan originations and purchases take place. While WNB's AA is located in a MMSA, analysis is based on performance in the state of Minnesota since the bank does not have branches in Wisconsin. The demographic information included in this report represents the Minnesota portion of the bank's AA – 42 CTs located in St. Louis county and four CTs located in Carlton county.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 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 AA 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 Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution 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.

## State Rating

### State of Minnesota

**CRA rating for the State of Minnesota:** Satisfactory

**The Lending Test is rated:** Satisfactory

The major factors that support this rating include:

- The distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable.
- Geographic distribution of loans throughout census tracts of different income levels is excellent.
- WNB received no CRA-related complaints during the evaluation period.

### Description of Institution's Operations in Minnesota

WNB operated three branches during the evaluation period, all located in Duluth, Minnesota. The main office is located in a middle-income tract in West Duluth, with an additional branch located downtown in a moderate-income census tract and the other branch in a grocery store located in a middle-income census tract.

The bank's AA includes 46 CTs located in the state of Minnesota, including 42 CTs located in St. Louis county and four CTs located in Carlton county. The U.S. Census Bureau released updated demographic data from the 2015 American Community Survey (ACS) effective January 1, 2017. The updated demographic data caused several CT changes in the bank's AA. During 2016, the AA included eight low income CTs and six moderate income CTs. During 2017 & 2018, the AA included six low income CTs and six moderate income CTs.

Competition in the bank's market is high. The AA contains a variety of state and federally chartered community banks as well as branches of regional banking institutions. The June 30, 2019 FDIC Deposit Share Report indicates there were 28 financial institutions with 88 locations operating in the bank's AA. WNB is ranked 11<sup>th</sup> with 2.08 percent market share. The top three institutions are Wells Fargo Bank, U.S. Bank, and National Bank of Commerce. When combined, the top three institutions make up 52.12 percent of the deposit market share.

The local economy of the AA is stable and healthy. According to the U.S. Bureau of Labor Statistics, as of October 2019, unemployment levels in the Duluth MSA are 3.1 percent, consistent with the statewide average of 3.2 percent. Duluth's largest industries include health care, retail trade, and educational services. In 2017, the population was 86 thousand people. According to the ACS Census, the median 2018-2018 housing value in the Duluth MSA was approximately \$168 thousand and median family income was approximately \$64 thousand.

Our evaluation included contacting a community member to gain an understanding of the economic conditions, demographics, and community credit needs of the area. The contact is deeply connected to the economic development activities within the local Duluth area. Community credit needs primarily

include quality affordable housing, homeownership assistance, and small business lending. The contact indicated local financial institutions show active involvement in community engagement and do a good job to meet the needs of the local community.

| <b>Table A – Demographic Information of the Assessment Area</b>   |          |                       |                              |                          |                         |                       |
|---|----------|-----------------------|------------------------------|--------------------------|-------------------------|-----------------------|
| <b>Assessment Area: Duluth MSA 2016</b>   |          |                       |                              |                          |                         |                       |
| <b>Demographic Characteristics</b>  | <b>#</b> | <b>Low<br/>% of #</b> | <b>Moderate<br/>% of #</b>   | <b>Middle<br/>% of #</b> | <b>Upper<br/>% of #</b> | <b>NA*<br/>% of #</b> |
| Geographies (Census Tracts)   | 46       | 17.4                  | 13.0                         | 39.1                     | 30.4                    | 0.0                   |
| Population by Geography   | 152,239  | 10.8                  | 6.4                          | 48.4                     | 34.4                    | 0.0                   |
| Housing Units by Geography  | 69,613   | 13.5                  | 6.9                          | 50.3                     | 29.3                    | 0.0                   |
| Owner-Occupied Units by Geography   | 44,436   | 5.0                   | 4.1                          | 56.1                     | 34.8                    | 0.0                   |
| Occupied Rental Units by Geography  | 18,272   | 33.9                  | 13.6                         | 33.1                     | 19.4                    | 0.0                   |
| Vacant Units by Geography   | 6,905    | 13.5                  | 7.5                          | 59.0                     | 20.0                    | 0.0                   |
| Businesses by Geography   | 10,073   | 21.1                  | 3.8                          | 46.3                     | 28.8                    | 0.0                   |
| Farms by Geography  | 284      | 5.6                   | 3.2                          | 58.5                     | 32.7                    | 0.0                   |
| Family Distribution by Income Level   | 38,033   | 18.5                  | 15.7                         | 22.9                     | 42.9                    | 0.0                   |
| Household Distribution by Income Level  | 62,708   | 23.5                  | 15.0                         | 16.4                     | 45.1                    | 0.0                   |
| Median Family Income MSA - 20260<br>Duluth, MN-WI MSA   |          | \$59,812              | Median Housing Value         |                          |                         | \$161,634             |
|   |          |                       | Median Gross Rent            |                          |                         | \$701                 |
|   |          |                       | Families Below Poverty Level |                          |                         | 8.3%                  |
| <i>Source: 2010 U.S. Census and 2016 D&amp;B Data</i><br><i>Due to rounding, totals may not equal 100.0</i><br><i>(*) The NA category consists of geographies that have not been assigned an income classification.</i> |          |                       |                              |                          |                         |                       |

| <b>Table A – Demographic Information of the Assessment Area</b>  |          |                       |                              |                          |                         |                       |
|--|----------|-----------------------|------------------------------|--------------------------|-------------------------|-----------------------|
| <b>Assessment Area: Duluth MSA 2017- 2018</b>  |          |                       |                              |                          |                         |                       |
| <b>Demographic Characteristics</b>   | <b>#</b> | <b>Low<br/>% of #</b> | <b>Moderate<br/>% of #</b>   | <b>Middle<br/>% of #</b> | <b>Upper<br/>% of #</b> | <b>NA*<br/>% of #</b> |
| Geographies (Census Tracts)  | 46       | 13.0                  | 13.0                         | 43.5                     | 30.4                    | 0.0                   |
| Population by Geography  | 152,993  | 7.9                   | 7.4                          | 45.1                     | 39.6                    | 0.0                   |
| Housing Units by Geography   | 70,330   | 9.1                   | 8.3                          | 47.5                     | 35.1                    | 0.0                   |
| Owner-Occupied Units by Geography  | 43,133   | 2.9                   | 5.0                          | 50.0                     | 42.1                    | 0.0                   |
| Occupied Rental Units by Geography   | 18,283   | 24.5                  | 17.0                         | 37.5                     | 21.0                    | 0.0                   |
| Vacant Units by Geography  | 8,914    | 7.6                   | 6.7                          | 56.1                     | 29.6                    | 0.0                   |
| Businesses by Geography  | 10,117   | 10.5                  | 14.4                         | 42.0                     | 33.0                    | 0.0                   |
| Farms by Geography   | 267      | 3.7                   | 4.1                          | 47.2                     | 44.9                    | 0.0                   |
| Family Distribution by Income Level  | 36,826   | 17.6                  | 15.7                         | 23.2                     | 43.5                    | 0.0                   |
| Household Distribution by Income Level   | 61,416   | 23.9                  | 14.9                         | 16.5                     | 44.7                    | 0.0                   |
| Median Family Income MSA - 20260<br>Duluth, MN-WI MSA  |          | \$64,345              | Median Housing Value         |                          |                         | \$168,334             |
|  |          |                       | Median Gross Rent            |                          |                         | \$745                 |
|  |          |                       | Families Below Poverty Level |                          |                         | 8.4%                  |
| <i>Source: 2015 ACS Census and 2018 D&amp;B Data</i><br><i>Due to rounding, totals may not equal 100.0</i><br><i>(*) The NA category consists of geographies that have not been assigned an income classification.</i> |          |                       |                              |                          |                         |                       |

## Scope of Evaluation in Minnesota

The rating for the State of Minnesota is based wholly on the performance of the Duluth MSA AA, as it is the only AA in the state. The Duluth MSA AA received a full-scope review. As previously discussed under the Scope of the Evaluation section, home mortgage loans and commercial loans were given equal weighting when arriving at conclusions.

## LENDING TEST

The bank's performance under the Lending Test in Minnesota is rated Satisfactory.

Based on a full-scope review, the bank's lending performance in the State of Minnesota is reasonable.

## Distribution of Loans by Income Level of the Geography

The bank exhibits excellent geographic distribution of loans in the State of Minnesota.

### ***Home Mortgage Loans***

Refer to Table O in Appendix D-2 for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases. The geographic distribution of home mortgage loans to borrowers located in CTs of different income levels is excellent.

The geographic distribution of loans in 2017 and 2018 was excellent. WNB originated 12.8 percent of home loans to borrowers in low-income geographies and 11.6 percent to borrowers in moderate-income geographies. The bank's proportion of loans significantly exceeded both the demographic and aggregate comparators.

The geographic distribution of loans in 2016 was excellent. WNB originated 6.5 percent of home loans to borrowers in low-income geographies and 10.9 percent to borrowers in moderate-income geographies. The bank's proportion of loans to low-income geographies exceeded both the demographic and aggregate comparators, and the proportion of loans to moderate-income geographies significantly exceeded these comparators.

### ***Small Loans to Businesses***

Refer to Table Q in Appendix D-4 for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses. The geographic distribution of business loans to businesses located in geographies of different income levels is excellent.

The geographic distribution of loans to small businesses in 2017 and 2018 is reasonable. WNB originated 40 percent of business loans to businesses located in low-income geographies and 5 percent of loans to businesses located in moderate-income geographies. Lending to businesses located in low-income geographies significantly exceeds the demographic and aggregate CRA comparators. However, lending in moderate-income tracts is below both demographic and aggregate comparators. The underperformance in moderate-income tracts can be attributed to high competition in the bank's market. The underperformance for moderate-income tracts is offset by excellent performance in relation to the low-income geographies.

The geographic distribution of loans to small businesses in 2016 is excellent. WNB originated 25 percent of business loans to businesses located in low-income geographies and 30 percent of loans to businesses located in moderate-income geographies. Lending to low-income geographies exceeds the demographic and aggregate CRA comparators. Lending to moderate-income geographies significantly exceeds both the demographic and aggregate CRA comparators.

### ***Lending Gap Analysis***

#### **Distribution of Loans by Income Level of the Borrower**

The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses of different sizes.

### ***Home Mortgage Loans***

Refer to Table P in Appendix D-3 for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases. The distribution of home mortgage loans to borrowers of different income levels is reasonable.

The distribution of home loans to borrowers of different income levels in 2017 and 2018 is reasonable, given performance context. WNB originated 4.7 percent of home mortgage loans to low-income borrowers. WNB's data is below the demographic and near the aggregate comparator. WNB originated 16.3 percent of home mortgage loans to moderate-income borrowers, which is above the demographic comparator and slightly below the aggregate comparator.

The distribution of home loans to borrowers of different income levels in 2016 is reasonable, given performance context. WNB originated 4.3 percent of home mortgage loans to low-income borrowers within the AA. WNB's lending data is significantly below demographic data but near aggregate lending data. WNB originated 10.9 percent of home mortgage loans to moderate-income borrowers within the AA. WNB's lending data was below both demographic and aggregate comparators. The bank's 2016 lending performance compared to demographic comparators is indicative of the elevated poverty level in the Duluth MSA; as 8.3 percent of families are below this income level. In addition, median housing values continue to rise in the Duluth MSA, averaging approximately \$162 thousand. Given the performance context, WNB's performance aligns closely with aggregate CRA comparators.

### ***Loans to Small Businesses***

Refer to Table R in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses. The distribution of business loans to businesses of different income levels is reasonable.

The distribution of business loans to businesses of different sizes in 2017 and 2018 is reasonable. WNB originated 75 percent of business loans to small businesses. Small businesses are defined as businesses with gross annual revenue of \$1 million or less. The distribution of business loans to businesses of different sizes in 2016 is reasonable. WNB originated 55 percent of loans to small businesses. While WNB remains below the demographic comparators in both assessment periods, their performance significantly exceeds aggregate comparators in both time periods.

### ***Responses to Complaints***

There were no CRA-related complaints during the evaluation period.

# Appendix A: Scope of Examination

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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 MSAs and non-MSAs 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”.

|   |                                 |  |
|---|---------------------------------|--|
| <b>Time Period Reviewed:</b>                            | 1/01/2016 – 12/31/2018          |  |
| <b>Bank Products Reviewed:</b>                          | Home Mortgage<br>Small Business |  |
| <b>List of Assessment Areas and Type of Examination</b> |                                 |  |
| <b>Rating and Assessment Areas</b>                      | <b>Type of Exam</b>             | <b>Other Information</b>                   |
| MMSA(s)   |                                 |  |
| Duluth MSA AA   | Full Scope                      | Portions of St. Louis and Carlton Counties |

## Appendix B: Summary of MMSA and State Ratings

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| RATING – Western National Bank |                     |
|--------------------------------|---------------------|
| Overall Bank:                  | Lending Test Rating |
| Western National Bank          | Satisfactory        |

## Appendix C: Definitions and Common Abbreviations

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The following terms and abbreviations are used in 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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggregate.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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.

**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-Scope 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), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**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-Scope 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:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**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 state/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. The median is the point at which half of the families have income above, and half below, a range of incomes. 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, and half below, a range of incomes.

**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.

**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.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical 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 statistical area, the institution will receive a rating for the multi-state metropolitan statistical 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.

**Tier 1 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.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

| Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography |                           |              |              |                |                                   |              |            |                                   |              |            |                                   |              |             |                                   |              |             |                                   |              | 2016       |
|---|---------------------------|--------------|--------------|----------------|-----------------------------------|--------------|------------|-----------------------------------|--------------|------------|-----------------------------------|--------------|-------------|-----------------------------------|--------------|-------------|-----------------------------------|--------------|------------|
| Assessment Area:  | Total Home Mortgage Loans |              |              |                | Low-Income Tracts                 |              |            | Moderate-Income Tracts            |              |            | Middle-Income Tracts              |              |             | Upper-Income Tracts               |              |             | Not Available-Income Tracts       |              |            |
|   | #                         | \$           | % of Total   | Overall Market | % of Owner-Occupied Housing Units | % Bank Loans | Aggregate  | % of Owner-Occupied Housing Units | % Bank Loans | Aggregate  | % of Owner-Occupied Housing Units | % Bank Loans | Aggregate   | % of Owner-Occupied Housing Units | % Bank Loans | Aggregate   | % of Owner-Occupied Housing Units | % Bank Loans | Aggregate  |
| Duluth MSA 2016   | 46                        | 8,284        | 100.0        | 5,484          | 5.0                               | 6.5          | 5.9        | 4.1                               | 10.9         | 5.0        | 56.1                              | 43.5         | 51.3        | 34.8                              | 39.1         | 37.9        | 0.0                               | 0.0          | 0.0        |
| <b>Total</b>  | <b>46</b>                 | <b>8,284</b> | <b>100.0</b> | <b>5,484</b>   | <b>5.0</b>                        | <b>6.5</b>   | <b>5.9</b> | <b>4.1</b>                        | <b>10.9</b>  | <b>5.0</b> | <b>56.1</b>                       | <b>43.5</b>  | <b>51.3</b> | <b>34.8</b>                       | <b>39.1</b>  | <b>37.9</b> | <b>0.0</b>                        | <b>0.0</b>   | <b>0.0</b> |

Source: 2010 U.S Census; 01/01/2016 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

| Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography |                           |               |              |                |                                   |              |            |                                   |              |            |                                   |              |             |                                   |              |             |                                   |              | 2017-18    |
|---|---------------------------|---------------|--------------|----------------|-----------------------------------|--------------|------------|-----------------------------------|--------------|------------|-----------------------------------|--------------|-------------|-----------------------------------|--------------|-------------|-----------------------------------|--------------|------------|
| Assessment Area:  | Total Home Mortgage Loans |               |              |                | Low-Income Tracts                 |              |            | Moderate-Income Tracts            |              |            | Middle-Income Tracts              |              |             | Upper-Income Tracts               |              |             | Not Available-Income Tracts       |              |            |
|   | #                         | \$            | % of Total   | Overall Market | % of Owner-Occupied Housing Units | % Bank Loans | Aggregate  | % of Owner-Occupied Housing Units | % Bank Loans | Aggregate  | % of Owner-Occupied Housing Units | % Bank Loans | Aggregate   | % of Owner-Occupied Housing Units | % Bank Loans | Aggregate   | % of Owner-Occupied Housing Units | % Bank Loans | Aggregate  |
| Duluth MSA 2017-2018  | 86                        | 13,500        | 100.0        | 4,650          | 2.9                               | 12.8         | 4.7        | 5.0                               | 11.6         | 6.1        | 50.0                              | 34.9         | 47.5        | 42.1                              | 40.7         | 41.7        | 0.0                               | 0.0          | 0.0        |
| <b>Total</b>  | <b>86</b>                 | <b>13,500</b> | <b>100.0</b> | <b>4,650</b>   | <b>2.9</b>                        | <b>12.8</b>  | <b>4.7</b> | <b>5.0</b>                        | <b>11.6</b>  | <b>6.1</b> | <b>50.0</b>                       | <b>34.9</b>  | <b>47.5</b> | <b>42.1</b>                       | <b>40.7</b>  | <b>41.7</b> | <b>0.0</b>                        | <b>0.0</b>   | <b>0.0</b> |

Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

| <b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b> |                                  |              |                   |                       |                             |                     |                  |                                  |                     |                  |                                |                     |                  |                               |                     |                  |                                       |                     | <b>2016</b>      |
|--|----------------------------------|--------------|-------------------|-----------------------|-----------------------------|---------------------|------------------|----------------------------------|---------------------|------------------|--------------------------------|---------------------|------------------|-------------------------------|---------------------|------------------|---------------------------------------|---------------------|------------------|
|  | <b>Total Home Mortgage Loans</b> |              |                   |                       | <b>Low-Income Borrowers</b> |                     |                  | <b>Moderate-Income Borrowers</b> |                     |                  | <b>Middle-Income Borrowers</b> |                     |                  | <b>Upper-Income Borrowers</b> |                     |                  | <b>Not Available-Income Borrowers</b> |                     |                  |
| <b>Assessment Area:</b>  | <b>#</b>                         | <b>\$</b>    | <b>% of Total</b> | <b>Overall Market</b> | <b>% Families</b>           | <b>% Bank Loans</b> | <b>Aggregate</b> | <b>% Families</b>                | <b>% Bank Loans</b> | <b>Aggregate</b> | <b>% Families</b>              | <b>% Bank Loans</b> | <b>Aggregate</b> | <b>% Families</b>             | <b>% Bank Loans</b> | <b>Aggregate</b> | <b>% Families</b>                     | <b>% Bank Loans</b> | <b>Aggregate</b> |
| Duluth MSA 2016  | 46                               | 8,284        | 100.0             | 5,484                 | 18.5                        | 4.3                 | 5.7              | 15.7                             | 10.9                | 14.9             | 22.9                           | 21.7                | 20.4             | 42.9                          | 43.5                | 38.1             | 0.0                                   | 19.6                | 20.9             |
| <b>Total</b>   | <b>46</b>                        | <b>8,284</b> | <b>100.0</b>      | <b>5,484</b>          | <b>18.5</b>                 | <b>4.3</b>          | <b>5.7</b>       | <b>15.7</b>                      | <b>10.9</b>         | <b>14.9</b>      | <b>22.9</b>                    | <b>21.7</b>         | <b>20.4</b>      | <b>42.9</b>                   | <b>43.5</b>         | <b>38.1</b>      | <b>0.0</b>                            | <b>19.6</b>         | <b>20.9</b>      |

*Source: 2010 U.S. Census ; 01/01/2016 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0*

| <b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b> |                                  |               |                   |                       |                             |                     |                  |                                  |                     |                  |                                |                     |                  |                               |                     |                  |                                       |                     | <b>2017-18</b>   |
|--|----------------------------------|---------------|-------------------|-----------------------|-----------------------------|---------------------|------------------|----------------------------------|---------------------|------------------|--------------------------------|---------------------|------------------|-------------------------------|---------------------|------------------|---------------------------------------|---------------------|------------------|
|  | <b>Total Home Mortgage Loans</b> |               |                   |                       | <b>Low-Income Borrowers</b> |                     |                  | <b>Moderate-Income Borrowers</b> |                     |                  | <b>Middle-Income Borrowers</b> |                     |                  | <b>Upper-Income Borrowers</b> |                     |                  | <b>Not Available-Income Borrowers</b> |                     |                  |
| <b>Assessment Area:</b>  | <b>#</b>                         | <b>\$</b>     | <b>% of Total</b> | <b>Overall Market</b> | <b>% Families</b>           | <b>% Bank Loans</b> | <b>Aggregate</b> | <b>% Families</b>                | <b>% Bank Loans</b> | <b>Aggregate</b> | <b>% Families</b>              | <b>% Bank Loans</b> | <b>Aggregate</b> | <b>% Families</b>             | <b>% Bank Loans</b> | <b>Aggregate</b> | <b>% Families</b>                     | <b>% Bank Loans</b> | <b>Aggregate</b> |
| Duluth MSA 2017-2018   | 86                               | 13,500        | 100.0             | 4,650                 | 17.6                        | 4.7                 | 6.8              | 15.7                             | 16.3                | 19.3             | 23.2                           | 19.8                | 21.9             | 43.5                          | 37.2                | 32.8             | 0.0                                   | 22.1                | 19.2             |
| <b>Total</b>   | <b>86</b>                        | <b>13,500</b> | <b>100.0</b>      | <b>4,650</b>          | <b>17.6</b>                 | <b>4.7</b>          | <b>6.8</b>       | <b>15.7</b>                      | <b>16.3</b>         | <b>19.3</b>      | <b>23.2</b>                    | <b>19.8</b>         | <b>21.9</b>      | <b>43.5</b>                   | <b>37.2</b>         | <b>32.8</b>      | <b>0.0</b>                            | <b>22.1</b>         | <b>19.2</b>      |

*Source: 2015 ACS Census ; 01/01/2017 - 12/31/2018 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0*

| <b>Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography</b> |                                 |              |              |                |                   |              |             |                        |              |            |                      |              |             |                     |              |             |                             |              | <b>2016</b> |  |
|---|---------------------------------|--------------|--------------|----------------|-------------------|--------------|-------------|------------------------|--------------|------------|----------------------|--------------|-------------|---------------------|--------------|-------------|-----------------------------|--------------|-------------|--|
| AA  | Total Loans to Small Businesses |              |              |                | Low-Income Tracts |              |             | Moderate-Income Tracts |              |            | Middle-Income Tracts |              |             | Upper-Income Tracts |              |             | Not Available-Income Tracts |              |             |  |
|   | #                               | \$           | % of Total   | Overall Market | % Businesses      | % Bank Loans | Aggregate   | % Businesses           | % Bank Loans | Aggregate  | % Businesses         | % Bank Loans | Aggregate   | % Businesses        | % Bank Loans | Aggregate   | % Businesses                | % Bank Loans | Aggregate   |  |
| Duluth MSA 2016   | 20                              | 5,339        | 100.0        | 2,178          | 21.1              | 25.0         | 22.0        | 3.8                    | 30.0         | 3.3        | 46.3                 | 30.0         | 46.3        | 28.8                | 15.0         | 28.5        | 0.0                         | --           | 0.0         |  |
| <b>Total</b>  | <b>20</b>                       | <b>5,339</b> | <b>100.0</b> | <b>2,178</b>   | <b>21.1</b>       | <b>25.0</b>  | <b>22.0</b> | <b>3.8</b>             | <b>30.0</b>  | <b>3.3</b> | <b>46.3</b>          | <b>30.0</b>  | <b>46.3</b> | <b>28.8</b>         | <b>15.0</b>  | <b>28.5</b> | <b>0.0</b>                  | <b>--</b>    | <b>0.0</b>  |  |

*Source: 2016 D&B Data; 01/01/2016 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0*

| <b>Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography</b> |                                 |              |              |                |                   |              |            |                        |              |             |                      |              |             |                     |              |             |                             |              | <b>2017-18</b> |  |
|---|---------------------------------|--------------|--------------|----------------|-------------------|--------------|------------|------------------------|--------------|-------------|----------------------|--------------|-------------|---------------------|--------------|-------------|-----------------------------|--------------|----------------|--|
| AA:   | Total Loans to Small Businesses |              |              |                | Low-Income Tracts |              |            | Moderate-Income Tracts |              |             | Middle-Income Tracts |              |             | Upper-Income Tracts |              |             | Not Available-Income Tracts |              |                |  |
|   | #                               | \$           | % of Total   | Overall Market | % Businesses      | % Bank Loans | Aggregate  | % Businesses           | % Bank Loans | Aggregate   | % Businesses         | % Bank Loans | Aggregate   | % Businesses        | % Bank Loans | Aggregate   | % Businesses                | % Bank Loans | Aggregate      |  |
| Duluth MSA 2017-2018  | 20                              | 7,316        | 100.0        | 2,224          | 10.5              | 40.0         | 9.5        | 14.4                   | 5.0          | 13.6        | 42.0                 | 40.0         | 42.1        | 33.0                | 15.0         | 34.8        | 0.0                         | --           | 0.0            |  |
| <b>Total</b>  | <b>20</b>                       | <b>7,316</b> | <b>100.0</b> | <b>2,224</b>   | <b>10.5</b>       | <b>40.0</b>  | <b>9.5</b> | <b>14.4</b>            | <b>5.0</b>   | <b>13.6</b> | <b>42.0</b>          | <b>40.0</b>  | <b>42.1</b> | <b>33.0</b>         | <b>15.0</b>  | <b>34.8</b> | <b>0.0</b>                  | <b>--</b>    | <b>0.0</b>     |  |

*Source: 2018 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0*

| <b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues</b> |                                 |              |              |                |                                 |              |             |                                |              |  | <b>2016</b>  |
|--|---------------------------------|--------------|--------------|----------------|---------------------------------|--------------|-------------|--------------------------------|--------------|--|--------------|
| Assessment Area:   | Total Loans to Small Businesses |              |              |                | Businesses with Revenues <= 1MM |              |             | Businesses with Revenues > 1MM |              | Businesses with Revenues Not Available |              |
|  | #                               | \$           | % of Total   | Overall Market | % Businesses                    | % Bank Loans | Aggregate   | % Businesses                   | % Bank Loans | % Businesses                           | % Bank Loans |
| Duluth MSA 2016  | 20                              | 5,339        | 100.0        | 2,178          | 80.1                            | 55.0         | 49.5        | 6.2                            | 45.0         | 13.7                                   | --           |
| <b>Total</b>   | <b>20</b>                       | <b>5,339</b> | <b>100.0</b> | <b>2,178</b>   | <b>80.1</b>                     | <b>55.0</b>  | <b>49.5</b> | <b>6.2</b>                     | <b>45.0</b>  | <b>13.7</b>                            | <b>--</b>    |

*Source: 2016 D&B Data; 01/01/2016 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0*

| <b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues</b> |                                 |              |              |                |                                 |              |             |                                |              |  | <b>2017-18</b> |
|--|---------------------------------|--------------|--------------|----------------|---------------------------------|--------------|-------------|--------------------------------|--------------|--|----------------|
| Assessment Area:   | Total Loans to Small Businesses |              |              |                | Businesses with Revenues <= 1MM |              |             | Businesses with Revenues > 1MM |              | Businesses with Revenues Not Available |                |
|  | #                               | \$           | % of Total   | Overall Market | % Businesses                    | % Bank Loans | Aggregate   | % Businesses                   | % Bank Loans | % Businesses                           | % Bank Loans   |
| Duluth MSA 2017-2018   | 20                              | 7,316        | 100.0        | 2,224          | 79.8                            | 75.0         | 56.2        | 6.1                            | 25.0         | 14.1                                   | --             |
| <b>Total</b>   | <b>20</b>                       | <b>7,316</b> | <b>100.0</b> | <b>2,224</b>   | <b>79.8</b>                     | <b>75.0</b>  | <b>56.2</b> | <b>6.1</b>                     | <b>25.0</b>  | <b>14.1</b>                            | <b>--</b>      |

*Source: 2018 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0*