



PUBLIC DISCLOSURE

September 22, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Landmark Community Bank, National Association
Charter Number 23193

711 Sixth Ave NE
Isanti, MN 55040

Office of the Comptroller of the Currency

222 South 9th Street
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, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The major factors supporting this rating include:

- The bank’s average loan-to-deposit (LTD) ratio is reasonable.
- The geographic distribution of commercial loans reflects excellent dispersion throughout the bank’s assessment area (AA).
- The majority of commercial loan originations are made inside the AA.
- Lending to businesses of different sizes reflects reasonable penetration in the AA.

SCOPE OF EXAMINATION

We assessed Landmark Community Bank’s (LCB) records in meeting the credit needs of the community, including low- and moderate-income neighborhoods, consistent with the provisions set forth in the Community Reinvestment Act (CRA) for the period beginning September 30, 2008 and ending September 22, 2014. In order to determine management’s lending performance, we selected a primary product based on the dollar amount and number of loan originations for the period beginning January 1, 2012 and ending December 31, 2013.

We determined LCB’s primary loan product to be commercial loans. We selected a random sample of commercial loans in order to evaluate lending within the assessment area, borrower distribution, and geographic distribution. We used 2010 census information for demographic comparison purposes. The table below illustrates the number and dollar volume of loans originated and purchased during this period.

Loan Originations and Purchases in 2012 and 2013		
<i>Loan Type</i>	<i>Volume by #</i>	<i>Volume by \$</i>
Commercial	64.17%	72.15%
Residential RE	10.42%	14.37%
Consumer	25.41%	13.49%

Source: Bank loan origination report for 2012 and 2013

DESCRIPTION OF INSTITUTION

LCB is an intrastate bank, headquartered in Isanti, MN with total assets of \$86 million as of June 30, 2014. The bank has a two-tiered holding company structure, with Johnson Holding, Inc. the top tier, and East Central Holdings, Inc., the second tier. Along with the two holding companies, LCB has one other affiliate entity, Landmark Insurance Agency, Inc.; the entity is currently not conducting business activity. The bank’s main office in Isanti is approximately 50 miles north of the Minneapolis-St. Paul metropolitan area. In addition to the main location, the bank has full-service branches in Ramsey, MN and in White Bear Township, MN, both second-tier northern suburbs of Minneapolis and St. Paul. LCB has no deposit taking ATMs.

LCB is a full service bank offering a variety of loan and deposit products. LCB's business focus is commercial, commercial real estate, and residential real estate lending. As of June 30, 2014, the bank's loan portfolio totaled \$64 million or 74.9 percent of total assets and the bank's investment portfolio totaled \$6 million or 9.4 percent of total assets. Tier one capital plus the allowance for loan and lease losses totals \$5.9 million as of June 30, 2014. The distribution of loans at that time period is as follows:

Loan Portfolio Composition	\$000	%
Commercial	\$41,526	64.79%
Residential Real-Estate	\$16,543	25.81%
Consumer	\$3,786	5.91%
Agricultural	\$2,236	3.49%
Total Loans	\$64,091	100.00%

Source: June 30, 2014 Call Report

On November 21, 2013, the OCC and the Board entered into a consent order for unsafe or unsound practices. The consent order cited weak risk management policies, procedures, and practices surrounding operations. The Board has committed to correcting such weaknesses. The last CRA evaluation dated September 21, 2008, resulted in a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA(S)

LCB's AA consists of five whole counties, including Anoka, Hennepin, Isanti, Ramsey, and Washington, which are part of the Minneapolis-St. Paul Metropolitan Statistical Area (MSA). The AA includes a mix of high-, moderate-, and low-density suburban areas as well as tracts of rural, undeveloped land. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income Census Tracts (CTs). The following table demonstrates the demographic and economic characteristics of the AA.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE (Minneapolis-St. Paul MSA AA)	
Population	
Number of Families	552,306
Number of Households	897,567
% of Low-Income Families	21.42%
% of Moderate-Income Families	17.91%
% of Middle-Income Families	22.50%
% of Upper-Income Families	38.17%
Geographies*	
Number of Census Tracts	577
% Low-Income Census Tracts	11.27%
% Moderate-Income Census Tracts	23.22%
% Middle-Income Census Tracts	40.90%
% Upper-Income Census Tracts	23.92%
Median Family Income (MFI)	
2010 MFI for AA	\$80,925
2013 HUD-Adjusted MFI	\$82,300
Economic Indicators	
2013 Unemployment Rate	4.80%
2010 Median Housing Value	\$256,773
% of Households Below Poverty Level	10.21%

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

**For 0.69 percent of tracts income designation NA*

Overall, economic conditions in the designated AA are strong. According to the U.S. Department of Labor, the 2013 annual unemployment rate for the Minneapolis-St. Paul MSA was 4.8 percent. The unemployment rate is lower for the Minneapolis/St. Paul MSA when compared to Minnesota's statewide unemployment rate of 5.1 percent for the same time period. The 2013 annual unemployment rate for Isanti County was 6.0 percent. Isanti County's unemployment rate is higher when compared to the overall Minneapolis-St. Paul MSA and therefore overall economic conditions are less favorable in Isanti County.

The economy of the AA varies widely given the geographic area covered and the AA's location within the Minneapolis/St. Paul MSA. Major employers within the AA include Target Corporation, Allina Health System, Fairview Health Systems, Wells Fargo Company, University of Minnesota, 3M Corporation, Health Partners, U.S. Bank Corporation, United Health Group, and SuperValu, Inc.

Bank competition in the AA is strong. According to the June 30, 2013 FDIC deposit market share report; there are 106 deposit-taking institutions in the five county AA. In

the AA LCB is 52nd among the 106 deposit-taking institutions. Competing banks include small community banks headquartered in the area as well as branch locations of large regional and national banks. Within LCB’s AA, Wells Fargo Bank, has 53.54 percent of market share and U.S. Bank Corporation has 32.01 percent. Competition also includes non-bank institutions such as credit unions, finance companies, and mortgage companies.

We contacted a community development organization in the AA to gain a better understanding of the local economy, area credit needs, and involvement of local financial institutions. The representative indicated the primary credit need within the community is affordable family housing. The contact indicated that local financial institutions are adequately meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

LCB’s net LTD ratio is reasonable given the bank’s size, financial condition, and AA credit needs. LCB’s quarterly LTD ratio averaged 79.56 percent over the 22 quarters from September 30, 2008 through June 30, 2014. This ratio ranged from a quarterly low of 71.31 percent in the second quarter 2012 to a quarterly high of 90.91 percent in the first quarter 2009.

LCB’s average LTD ratio ranks fourth among five similarly situated banks. The following table depicts the average LTD ratios of similarly situated banks defined as banks located in the AA with total assets between \$65 million to \$110 million.

Loan-to-deposit Ratio Institution	Assets as of 6/30/14 (\$000s)	Average LTD Ratio (%)
Cambridge State Bank	\$65 million	87.00%
Flagship Bank Minnesota	\$99 million	86.51%
Community Pride Bank	\$92 million	83.53%
Landmark Community Bank	\$86 million	79.56%
Lake Community Bank	\$110 million	76.25%
Farmers State Bank of Hamel	\$108 million	42.50%

Source: June 30, 2014 call report

Lending in Assessment Area

LCB originates a majority of its commercial loans to borrowers located within its designated AA. The bank originated 85 percent by number and 81 percent by dollar amount of loans to borrowers located within its AA. The following table shows commercial loans originated within the designated AA by number and dollar volume.

Lending in Minneapolis-St. Paul MSA AA										
	Number of Loans					Dollars of Loans (000s)				
Loan Type	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Loans	17	85.00%	3	15.00%	20	\$3,432	81.00%	\$828	19.00%	\$4,260
Totals	17	85.00%	3	15.00%	20	\$3,432	81.00%	\$828	19.00%	\$4,260

Source: Commercial loan sample

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

LCB’s overall distribution of commercial loans reflects a reasonable penetration among businesses of different sizes. Although LCB’s performance exceeds the percentage of businesses with revenues of one million dollars or less, we also considered the large percentage of businesses in the AA for which revenue information is unknown or unavailable. The following table compares the bank’s commercial lending activity to the demographics within the AA.

Borrower Distribution of Loans to Businesses in the Minneapolis-St. Paul MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	72.51%	5.36%	22.13%	100%
% of Bank Loans in AA by #	85.00%	10.00%	5.00%	100%
% of Bank Loans in AA by \$	82.56%	14.53%	2.91%	100%

Source: Loan sample; Dunn and Bradstreet Data (2013)

Geographic Distribution of Loans

The distribution of commercial loans reflects overall excellent dispersion throughout the bank’s AA. LCB’s lending to businesses in low-income and moderate-income tracts exceeded the comparator of AA businesses located in those tracts. The following tables shows the bank’s performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses in Minneapolis-St. Paul 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
Commercial*	6.61%	10.00%	19.05%	30.00%	42.01%	40.00%	32.30	20.00%

Source: Loan Sample; US Census Data

*For 0.03% of area businesses the CT designation is N/A

Responses to Complaints

LCB has not had any CRA-related complaints since its last CRA evaluation dated September 29, 2008.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's (bank), CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.