



## **PUBLIC DISCLOSURE**

September 21, 2020

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

Woodlands National Bank  
Charter Number: 23926

122 Main Street  
Hinckley, MN 55037

Office of the Comptroller of the Currency  
222 South 9<sup>th</sup> 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, 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 **Outstanding**

**The lending test is rated: Outstanding**

The major factors that support this rating include:

- The distribution of loans among individuals of different income levels is excellent.
- The distribution of loans throughout different geographies is excellent.
- A majority of the bank's loans are inside its assessment area (AA).
- The bank's loan-to-deposit (LTD) ratio is reasonable.
- The bank exhibits excellent responsiveness to community development (CD) needs through community development loans and adequate responsiveness through qualified investments, and community development services. Community development activity had a positive impact on the overall CRA rating.

### Loan-to-Deposit Ratio

Woodlands National Bank's (WNB) LTD ratio is reasonable given the bank's size, financial condition, and credit needs of the AAs. The bank's LTD ratio averaged 70.2 percent over the 24 quarters since the previous CRA evaluation. The LTD ratio ranged from a high of 80.3 percent in the second quarter of 2014 to a low of 59.4 percent in the third quarter of 2016. The following table shows WNB's average LTD ratio compared to four similarly situated financial institutions. Similarly situated institutions include institutions operating in or near the bank's AAs with similar asset size.

<b>Institution</b>	<b>Assets as of 12/31/19</b>	<b>Average LTD Ratio (%)</b>
Commerce Bank, Geneva, MN	210,248	102.5
Flagship Bank Minnesota, Wayzata, MN	239,153	86.3
<b>Woodlands National Bank, Hinckley, MN</b>	<b>207,944</b>	<b>70.2</b>
The First National Bank of Milaca, Milaca, MN	213,384	68.0
First Bank Elk River, Elk River, MN	287,848	67.8

Source: Call Report Data from January 1, 2014 through December 31, 2019.

### Lending in Assessment Area

A majority of the bank's loans are inside its AAs. The bank originated and purchased 59 percent of its total loans by number and 37 percent by dollar volume inside the bank's AA during the evaluation period. We analyzed 60 consumer loans and 60 business loans originated between January 1, 2017 and December 31, 2019. Business loans skewed the percentage of loans outside of the AAs by dollar volume due to a few, larger loans. The majority of consumer loans by dollar volume were inside the bank's AAs. Consumer loans received more weight in the analysis due to overall lending volume. This analysis is performed at the bank, rather than the AA level.

<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		
	#	%	#	%		\$	%	\$	%	
Small Business	33	55%	27	45%	60	2,701	36%	4,738	64%	7,439
Consumer	38	63%	22	37%	60	172	69%	77	31%	249
Total	71	59%	49	41%	120	2,873	37%	4,815	63%	7,688

## Description of Institution

WNB is a minority-owned \$208 million institution as of December 31, 2019 and headquartered in Hinckley, Minnesota (MN). WNB is wholly-owned by Mille Lacs Bancorporation, Inc. (MLB), a one-bank holding company, headquartered in Onamia, MN. MLB is wholly-owned by the Mille Lacs Band of the Ojibwe Indians of Minnesota. As of June 30, 2020, MLB had total assets of \$35 million. WNB did not have merger or acquisition activity during the evaluation period. WNB does not operate any subsidiaries and did not elect to have affiliate activity considered in this evaluation.

WNB is a single-state institution with seven full-service branches and eight cash dispensing ATMs in operation during the evaluation period. See Description of Operations in the MN Non-MSA for additional branch and ATM information. For CRA purposes, WNB operates only within the State of MN. The MN rating area consists of the Minneapolis Metropolitan Statistical Area (MSA), MN Non-MSA, and Duluth MSA.

WNB is a full-service commercial bank offering a variety of loan and deposit products. The bank's primary focus is consumer and business lending. The bank offers a variety of traditional banking products and services, such as various checking and savings accounts, certificates of deposit, and consumer and commercial lending products. Available consumer lending products include overdraft protection, home mortgage loans (i.e. single family homes, condos, 1-4 family investment properties, second homes, home construction, home equity lines of credit) and installment loans (i.e. land, vehicle, vehicle refinance in the case of improved credit or lower interest rates, and other secured and unsecured personal loans). Available commercial products include commercial real estate, revolving lines of credit, and equipment loans. Flexible lending programs include the Fannie Mae Home Affordable Refinance Program, HUD Section 184 Indian Home Loan Guarantee Program, and USDA Rural Development mortgage loans and WNB serves as a Small Business Administration Preferred Lender. The bank also offers various cash management services and prepaid cards.

As of December 31, 2019, net loans and leases represent 60 percent of total assets. The loan portfolio is comprised of 78 percent business loans, 14 percent home mortgage loans, eight percent consumer loans, and one percent farm loans, based on dollar volume. Tier one capital was \$25 million or 12 percent of total assets at the end of the evaluation period.

There are no known financial, legal, or other factors that impede WNB's ability to help meet the credit needs of its AAs. WNB received an Outstanding rating at the last CRA examination dated February 18, 2014.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

The evaluation period for this examination is January 1, 2017 to December 31, 2019. We reviewed a sample of business loans and consumer loans originated in the Minneapolis MSA AA, MN-Non MSA AA, and Duluth MSA AA during the evaluation period. These products were selected based on an analysis of the bank's lending activity and the level of originations during the evaluation period. We also reviewed all CD loans, donations, and services submitted by management as part of our examination.

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), which took effect on January 1, 2017.

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

With an evaluation period end date of December 31, 2019, qualifying activities performed in response to the significant impact the coronavirus pandemic has had on economies across the United States is not addressed in this evaluation. Bank qualifying activities will be appropriately considered in the subsequent evaluation.

### **Selection of Areas for Full-Scope Review**

A full-scope review was completed for each of the bank's AAs within the State of Minnesota, the bank's only rating area. For purposes of this evaluation, bank delineated assessment areas located within the same MSA or a Non-MSA within the same state are combined and evaluated as a single AA. Refer to the "Scope" section under the Minnesota State Rating for details regarding how full-scope AAs were selected. Refer to Appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

### **Ratings**

The bank's overall rating is based solely on the State of MN rating, as it is the bank's only rating area.

Consumer loans and business loans were selected as primary products. Consumer loans received more weight in the Lending Test analysis as they comprise the substantial majority of the bank's originations by number during the evaluation period.

Consumer loans represent 88 percent of loan originations by number and 14 percent by dollar volume. Business loans represent seven percent of loan originations by number and 60 percent by dollar volume. Home mortgage loans and farm loans were not included in our analysis given the limited volume.

## **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:** Outstanding

**The Lending Test is rated:** Outstanding

The major factors that support this rating include:

- The bank exhibits an excellent geographic distribution of loans in the State of MN. There were no gaps identified within the bank's lending to low- or moderate-income census tracts (CTs).
- The bank exhibits an excellent distribution of loans to individuals of different income levels in the State of MN.
- The bank exhibits excellent responsiveness to community development needs in the State of MN through CD loans and adequate responsiveness through qualified investments and CD services. Community development activity had a positive impact on the State of MN rating.
- The bank did not receive any CRA related complaints during the evaluation period.

### Description of Institution's Operations in Minnesota

#### Minneapolis MSA

The Minneapolis MSA AA consists of Mille Lacs County, Sherburne County, and five census tracts (CTs) in the Phillips Neighborhood in south Minneapolis, Hennepin County. WNB operated four full-service branches in the Minneapolis MSA during the evaluation period. Branch locations in the Minneapolis MSA account for 57 percent of the bank's branch network. Two branches are located in Onamia, MN, both in a moderate-income CT; one branch is located in Minneapolis, MN, in a low-income CT; and one is located in Zimmerman, MN, in a middle-income CT. Five non-deposit taking ATMs are located in the Minneapolis MSA, one in each branch and an additional ATM located at the Grand Casino Mille Lacs in Onamia, MN.

The June 30, 2019 FDIC Deposit Market Share Report indicated that WNB had \$148 million or 81.5 percent of its deposits in the Minneapolis MSA AA. WNB ranks 30th of 76 deposit-taking institutions in the AA with deposit market share of 0.14 percent. The leaders of the market are Wells Fargo Bank NA and U.S. Bank NA with a combined market share of 74 percent.

WNB's primary business focus in the Minneapolis MSA AA are consumer loans and business loans. Consumer loans comprised 86 percent by number and 11 percent by dollar volume of all loans originated within the Minneapolis MSA AA. Business loans comprised eight percent by number and 64 percent by dollar volume of all loans originated in the Minneapolis MSA AA.

We completed one community contact in the Minneapolis MSA AA as part of this examination. The contact is located in Minneapolis, Hennepin County and serves the Minneapolis-metro area. This organization assists local residents with affordable housing needs. The contact stated that while the

local economy is diverse and strong with lower unemployment, 3.9 percent, than surrounding areas, there is a significant shortage of affordable housing. While residential real estate was not identified as a primary product during this exam, WNB did originate affordable housing loans in the Minneapolis MSA AA as part of their community development activity.

The following tables provide information on the demographic composition of the Minneapolis MSA AA.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: WNB Minneapolis MSA AA - 2019</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	23	17.4	34.8	43.5	4.3	0.0
Population by Geography	137,154	11.7	25.5	59.0	3.8	0.0
Housing Units by Geography	53,183	11.5	30.0	55.3	3.1	0.0
Owner-Occupied Units by Geography	33,684	3.2	23.9	68.4	4.5	0.0
Occupied Rental Units by Geography	14,070	32.1	35.0	32.3	0.6	0.0
Vacant Units by Geography	5,429	9.8	55.1	33.9	1.2	0.0
Businesses by Geography	9,837	11.0	23.4	61.8	3.8	0.0
Farms by Geography	469	0.9	22.0	75.3	1.9	0.0
Family Distribution by Income Level	33,669	26.9	21.1	23.4	28.6	0.0
Household Distribution by Income Level	47,754	28.3	17.1	20.1	34.5	0.0
Median Family Income MSA - 33460 Minneapolis-St. Paul-Bloomington, MN- WI MSA		\$84,589	Median Housing Value			\$171,752
			Median Gross Rent			\$803
			Families Below Poverty Level			10.4%
<i>Source: 2015 ACS and 2019 D&amp;B Data</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

### MN Non MSA

The MN Non-MSA AA consists of Pine County. WNB operated two full-service branches in the MN Non-MSA AA during the evaluation period. Branch locations in the MN Non-MSA account for 29 percent of the bank's branch network. One branch is located in Hinckley, MN, in a moderate-income CT and one is located in Sturgeon Lake, MN, in a middle-income CT. Two non-deposit taking ATMs are located in the MN Non-MSA, one in the Hinckley branch and one at the Grand Casino Hinckley.

The June 30, 2019 FDIC Deposit Market Share Report indicated that WNB had \$25 million or 14 percent of its deposits in the MN Non-MSA AA. WNB ranks fifth of six deposit-taking institutions in the AA with deposit market share of 8 percent. The leaders of the market are Northview Bank and Frandsen Bank and Trust with a combined market share of 63 percent.



WNB's primary business focus in the MN Non-MSA AA are consumer loans and business loans. Consumer loans comprised 91 percent by number and 32 percent by dollar volume of all loans originated within the MN Non-MSA AA. Business loans comprised five percent by number and 37 percent by dollar volume of all loans originated in the MN Non-MSA AA.

We completed one community contact in the MN Non-MSA AA as part of this examination. The contact is located in Pine City, MN, which is located in Pine County and serves the entire county. The organization contacted is part of the Pine County government offices. The area has a larger low- and moderate-income population with elevated unemployment at 5.5 percent, compared to statewide unemployment of 3.2 percent in 2019. Despite having a low- and moderate-income population and designated opportunity zones in the county, there are not a lot of new development opportunities in the area due to a lack of investment funds.

The following tables provide information on the demographic composition of the MN Non MSA AA.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: WNB MN Non-MSA AA - 2019</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	8	0.0	37.5	62.5	0.0	0.0
Population by Geography	29,218	0.0	47.0	53.0	0.0	0.0
Housing Units by Geography	17,228	0.0	42.9	57.1	0.0	0.0
Owner-Occupied Units by Geography	8,875	0.0	40.3	59.7	0.0	0.0
Occupied Rental Units by Geography	2,486	0.0	66.7	33.3	0.0	0.0
Vacant Units by Geography	5,867	0.0	36.7	63.3	0.0	0.0
Businesses by Geography	1,681	0.0	48.1	51.9	0.0	0.0
Farms by Geography	155	0.0	48.4	51.6	0.0	0.0
Family Distribution by Income Level	7,318	23.7	22.7	23.0	30.7	0.0
Household Distribution by Income Level	11,361	26.6	18.9	20.1	34.4	0.0
Median Family Income Non-MSAs - MN		\$63,045	Median Housing Value			\$141,779
			Median Gross Rent			\$729
			Families Below Poverty Level			10.5%
<i>Source: 2015 ACS and 2019 D&amp;B Data</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

### Duluth MSA

The Duluth MSA AA consists of Carlton County. WNB operated one full-service branch in the Duluth MSA AA during the evaluation period, accounting for 14 percent of the bank's branch network. The branch and one non-deposit taking ATM are located in Cloquet, MN.

The June 30, 2019 FDIC Deposit Market Share Report indicated that WNB had \$8 million or 4.5 percent of its deposits in the Duluth MSA AA. WNB ranks last of eight deposit-taking institutions in

the AA with deposit market share of approximately 3 percent. The leaders of the market are The First National Bank of Moose Lake and Wells Fargo Bank NA with a combined market share of 51 percent.

WNB's primary business focus in the Duluth MSA are consumer loans and business loans. Consumer loans comprised 91 percent by number and 26 percent by dollar volume of all loans originated within the Duluth MSA AA. Business loans comprised six percent by number and 43 percent by dollar volume of all loans originated in the Duluth MSA AA.

We completed one community contact in the Duluth MSA AA as part of this examination. The contact is located in Cloquet, MN, which is located in Carlton County and serves the City of Cloquet. This organization supports business retention and expansion and enables community rehabilitation and redevelopment. The contact stated the economy is stable; but commercial real estate investment opportunities are prevalent and booming due to lower purchase and financing costs due to current economic conditions. The contact also stated that additional affordable multifamily units are needed, but the area does have a high level of entry level homes. The contact specifically noted WNB as being involved in prior development/rehabilitation projects and community involvement. One performance context factor considered during the exam was elevated unemployment in the AA, at 4.5 percent compared to statewide unemployment of 3.2 percent in 2019.

The following tables provide information on the demographic composition of the Duluth MSA AA.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: WNB Duluth MSA AA - 2019</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	7	0.0	0.0	85.7	14.3	0.0
Population by Geography	35,443	0.0	0.0	85.4	14.6	0.0
Housing Units by Geography	15,759	0.0	0.0	88.1	11.9	0.0
Owner-Occupied Units by Geography	10,540	0.0	0.0	84.2	15.8	0.0
Occupied Rental Units by Geography	2,858	0.0	0.0	95.0	5.0	0.0
Vacant Units by Geography	2,361	0.0	0.0	97.2	2.8	0.0
Businesses by Geography	2,098	0.0	0.0	86.2	13.8	0.0
Farms by Geography	87	0.0	0.0	82.8	17.2	0.0
Family Distribution by Income Level	8,881	17.5	17.9	24.4	40.2	0.0
Household Distribution by Income Level	13,398	22.3	14.0	18.5	45.2	0.0
Median Family Income MSA - 20260 Duluth, MN-WI MSA		\$64,033	Median Housing Value			\$154,018
			Median Gross Rent			\$671
			Families Below Poverty Level			8.2%
<i>Source: 2015 ACS and 2019 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## Scope of Evaluation in Minnesota

A full-scope review was completed for each of the bank's AAs within the State of Minnesota, the bank's only rating area. Since the last CRA review, Mille Lacs County became part of the Minneapolis MSA, rather than the MN Non-MSA. A limited scope review was completed for the Duluth MSA AA at the last CRA evaluation. Therefore, full-scope reviews were warranted for each AA. Refer to Appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

## LENDING TEST

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

## Conclusions for Areas Receiving Full-Scope Reviews

Based on full-scope reviews, the bank's lending performance in the Minneapolis MSA AA, MN Non MSA AA, and Duluth MSA AA is excellent.

## Distribution of Loans by Income Level of the Geography

The bank exhibits excellent geographic distribution of loans in the State of Minnesota, based only on the bank's performance in the Minneapolis MSA AA and MN Non-MSA AA. The Duluth MSA AA was not included in our analysis as it did not contain any low- or moderate-income CTs during the evaluation period.

### *Consumer Loans*

The bank exhibits excellent geographic distribution of consumer loans in the State of Minnesota. Refer to Table U in the State of Minnesota section of Appendix D for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations and purchases.

### Minneapolis MSA

The distribution of consumer loans to geographies of different income levels in the Minneapolis MSA is excellent. WNB originated 81.7 percent of consumer loans within moderate-income geographies during the evaluation period, significantly exceeding the demographic comparator. WNB originated 8.3 percent of consumer loans within low-income geographies, somewhat lower than the demographic comparator. More weight was given to moderate-income CTs as they comprise 35 percent of AA CTs, compared to low-income CTs, which total 17 percent.

### MN Non-MSA

The distribution of consumer loans to geographies of different income levels in the MN Non-MSA AA is excellent. WNB originated 50 percent of consumer loans within moderate-income geographies during the evaluation period, exceeding the demographic comparator. There were not any low-income CTs within the AA during the evaluation period; therefore, low-income CTs were not considered in our analysis.

***Small Loans to Businesses***

The bank exhibits excellent geographic distribution of loans to businesses in the State of Minnesota. Refer to Table Q in the State of MN section of Appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of loans to small businesses.

**Minneapolis MSA**

The distribution of loans to businesses in CTs of different income levels in the Minneapolis MSA AA is excellent. WNB originated 45 percent of loans to businesses located within moderate-income geographies during the evaluation period, significantly exceeding both the demographic and aggregate comparators. WNB originated ten percent of loans to businesses located within low-income geographies, exceeding the aggregate comparator and near to the demographic comparator. More weight was given to moderate-income CTs as they comprise 35 percent of AA CTs, compared to low-income CTs, which total 17 percent.

**MN Non-MSA**

The distribution of loans to businesses in CTs of different income levels in the MN Non-MSA AA is excellent. WNB originated 55 percent of loans to businesses located within moderate-income geographies during the evaluation period, significantly exceeding both the demographic and aggregate comparators. There were not any low-income CTs within the AA during the evaluation period; therefore, low-income CTs were not considered in our analysis.

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

The bank exhibits an excellent distribution of loans to individuals of different income levels and businesses of different sizes.

***Consumer Loans***

The bank exhibits an excellent distribution of consumer loans to individuals of different income levels. Refer to Table V in the State of MN section of Appendix D for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

**Minneapolis MSA**

The borrower distribution of consumer loans to borrowers of different income levels in the Minneapolis MSA AA is excellent. WNB originated 55 percent of consumer loans to low-income borrowers and 35 percent to moderate-income borrowers during the evaluation period, significantly exceeding both demographic comparators.

**MN Non-MSA**

The borrower distribution of consumer loans to borrowers of different income levels in the MN Non-MSA AA is excellent. WNB originated 40 percent of consumer loans to low-income borrowers and 35 percent to moderate-income borrowers during the evaluation period, significantly exceeding both demographic comparators.

### Duluth MSA

The borrower distribution of consumer loans to borrowers of different income levels in the Duluth MSA AA is excellent. WNB originated 35 percent of consumer loans to low-income borrowers and 55 percent to moderate-income borrowers during the evaluation period, significantly exceeding both demographic comparators.

### *Small Loans to Businesses*

The bank exhibits a reasonable distribution of loans to businesses of different sizes. Refer to Table R in the State of MN section of Appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of loans to small businesses.

### Minneapolis MSA

The distribution of loans to businesses of different sizes in the Minneapolis MSA AA is reasonable. WNB originated 75 percent of loans to small businesses during the evaluation period, significantly exceeding the aggregate comparator and near to the demographic comparator.

### MN Non-MSA

The distribution of loans to businesses of different sizes in the MN Non-MSA AA is reasonable. WNB originated 70 percent of loans to small businesses during the evaluation period, significantly exceeding the aggregate comparator, but somewhat lower than the demographic comparator.

### Duluth MSA

The distribution of loans to businesses of different sizes in the Duluth MSA AA is reasonable. WNB originated 75 percent of loans to small businesses during the evaluation period, significantly exceeding the aggregate comparator and near to the demographic comparator.

### **Responses to Complaints**

WNB did not receive any CRA related complaints during the evaluation period.

## COMMUNITY DEVELOPMENT

Based on full-scope reviews, the bank exhibits adequate responsiveness to community development needs in the state through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas. Performance related to community development activities had a positive effect on the bank's rating in the state.

### Number and Amount of Community Development Loans

The bank exhibits excellent responsiveness to CD lending needs in the state. The CD Loans Table, shown below, sets forth the information and data used to evaluate the bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

<i>Community Development Loans</i>				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
Minneapolis MSA	5	100	1,334	100

### Minneapolis MSA

Management originated a total of five CD loans totaling \$1.3 million or 6.5 percent of allocated capital during the evaluation period, all of which supported organizations that provided affordable housing or specific affordable housing projects in the AA. Allocated capital is determined based on the percentage of deposits located in the AA.

### Number and Amount of Qualified Investments

The bank exhibits adequate responsiveness to qualified investment needs in the state. The Qualified Investments Table, shown below, sets forth the information and data used to evaluate the bank's level of qualified investments. The table includes all qualified investments, including CD donations.

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Duluth MSA	0	0	5	1	5	13	1	6	0	0
MN Non MSA	0	0	11	2	11	29	2	11	0	0
Minneapolis MSA	0	0	22	13	22	58	13	84	0	0

\* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

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\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

Minneapolis MSA

Qualified investments totaled approximately \$13 thousand during the evaluation period, consisting entirely of donations. During the evaluation period, management provided 22 donations to 13 qualified CD organizations in the AA. Five donations totaling \$10 thousand supported organizations that promote economic development in the AA. Remaining donations supported organizations providing community services to the AA. Management did not purchase any qualified investments during the evaluation period and did not have any prior period investments outstanding in the Minneapolis MSA AA.

MN Non-MSA

Qualified investments totaled approximately \$2 thousand during the evaluation period, consisting entirely of donations. During the evaluation period, management provided 11 donations to nine qualified CD organizations in the AA. Ten donations supported organizations providing community services to the AA and one donation supported an organization that promotes economic development. Management did not purchase any qualified investments during the evaluation period and did not have any prior period investments outstanding in the MN Non-MSA AA.

Duluth MSA

Qualified investments totaled approximately \$1 thousand during the evaluation period, consisting entirely of donations. During the evaluation period, management provided five donations to five qualified CD organizations in the AA. Four donations supported organizations provided community services to the AA and one donation supported an organization that promotes economic development. Management did not purchase any qualified investments during the evaluation period and did not have any prior period investments outstanding in the Duluth MSA AA.

**Extent to Which the Bank Provides Community Development Services**

The bank exhibits adequate responsiveness to CD service needs in the state.

Minneapolis MSA

During the evaluation period, four employees provided 27 hours to six qualified CD organizations benefitting the Minneapolis MSA AA. All service hours were provided to organizations that provide community services to LMI individuals. Employees participated in fundraising planning and event organization to benefit low- and moderate-income children, families, and elderly individuals in the AA.

MN Non MSA

During the evaluation period, one employee provided seven hours to a qualified CD organization promoting economic development in the MN Non-MSA AA. The employee participated in chamber of commerce activities in a rural area of MN, benefitting a moderate-income CT.

Duluth MSA

During the evaluation period, two employees provided ten hours to two qualified CD organizations benefitting the Duluth MSA AA. One employee contributed six hours towards economic development by participating in chamber of commerce activities in a rural area of the AA. Another employee

contributed four hours to a community service organization that provides employment services and vocational training to low- and moderate-income individuals.



## 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>	01/01/17 to 12/31/19	
<b>Bank Products Reviewed:</b>	Business and consumer loans Community development loans, qualified investments, community development services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
NA		
<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>
<b>Minnesota</b>		
Minneapolis MSA	Full-scope	Mille Lacs County, Sherburne County, and a portion of Hennepin County (CTs 59.02, 1060, 1258, 1259, and 1260 only)
MN Non-MSA	Full-scope	Pine County
Duluth MSA	Full-scope	Carlton County

## Appendix B: Summary of State Ratings

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RATINGS	
Overall Bank:	Lending Test Rating
Woodlands National Bank	Outstanding
State:	
Minnesota	Outstanding

## 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 (Aggt.):** 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 Development (CD):** 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; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**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.

**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, 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-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.

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

**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. 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 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 U. Assessment Area Distribution of Consumer 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 households in those geographies.
- Table V. Assessment Area Distribution of Consumer 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 households by income level in each MMSA/assessment area.

<b>Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography</b>																				<b>2017-19</b>
Assessment Area:	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	20	1,728	25.4	434	0.0	0.0	0.0	0.0	0.0	0.0	86.2	90.0	91.5	13.8	10.0	33.5	0.0	0.0	0.0	
MN Non-MSA	20	1,095	16.1	351	0.0	0.0	0.0	48.1	55.0	46.2	51.9	45.0	53.8	0.0	0.0	17.6	0.0	0.0	0.0	
Minneapolis MSA	20	3,981	58.5	2,237	11.0	10.0	9.5	23.4	45.0	16.7	61.8	45.0	70.0	3.8	0.0	30.7	0.0	0.0	0.0	
<b>Total</b>	<b>60</b>	<b>6,804</b>	<b>100</b>	<b>3,022</b>																

*Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2018 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>2017-19</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	20	1,728	25.4	434	83.6	75.0	61.1	3.7	25.0	12.7	0.0	
MN Non-MSA	20	1,095	16.1	351	85.2	70.0	51.0	3.7	25.0	11.0	5.0	
Minneapolis MSA	20	3,981	58.5	2,237	88.0	75.0	53.6	4.6	20.0	7.4	5.0	
<b>Total</b>	<b>60</b>	<b>6,804</b>	<b>100</b>	<b>3,022</b>								

*Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0*

Table U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography													2017-19	
Assessment Area:	Total Consumer Loans			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts		
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
Duluth MSA	20	87	20.9	0.0	0.0	0.0	0.0	86.5	95.0	13.5	5.0	0.0	0.0	
MN Non-MSA	20	157	37.7	0.0	0.0	46.0	50.0	54.0	50.0	0.0	0.0	0.0	0.0	
Minneapolis MSA	60	172	41.4	11.7	8.3	27.2	81.7	57.7	10.0	3.4	0.0	0.0	0.0	
<b>Total</b>	<b>100</b>	<b>416</b>	<b>100</b>											

Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data,  
Due to rounding, totals may not equal 100.0

Table V: Assessment Area Distribution of Consumer Loans by Income Category of the Borrower													2017-19	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income		
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
Duluth MSA	20	87	29.4	22.3	35.0	14.0	55.0	18.5	5.0	45.2	5.0	0.0	0.0	
MN Non-MSA	20	157	53.0	26.6	40.0	18.9	35.0	20.1	20.0	34.4	5.0	0.0	0.0	
Minneapolis MSA	20	52	17.6	28.3	55.0	17.1	35.0	20.1	10.0	34.5	0.0	0.0	0.0	
<b>Total</b>	<b>60</b>	<b>296</b>	<b>100</b>											

Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data,  
Due to rounding, totals may not equal 100.0