



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**September 29, 2008**

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

Landmark Community Bank, National Association  
Charter Number 23193

29 West Main Street  
Isanti, MN 55040

Office of the Comptroller of the Currency

Minneapolis North Field Office  
222 South Ninth 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.**

Landmark Community Bank, NA (LCB) is responsive to the credit needs of its community including low- and moderate-income neighborhoods.

- The majority of the bank's loans were originated to customers within their assessment area.
- The bank's average loan-to-deposit ratio is more than reasonable.
- The distribution of loans to borrowers reflects a reasonable penetration among families of different income levels and businesses of different sizes.

**SCOPE OF EXAMINATION**

We assessed the record of Landmark Community Bank 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 June 27, 2003 and ending September 15, 2008. In order to determine the bank's lending performance, we selected primary products based on the dollar amount and number of loan originations for the period beginning January 1, 2006 and ending September 15, 2008.

We determined commercial and residential real estate loans are the bank's primary loan products. We selected a random sample from each of the primary products in order to evaluate lending within the assessment area, borrower distribution and geographic distribution. We used 2000 census information for demographic comparison purposes.

We were unable to use the bank's HMDA data for our lending analysis of residential real estate loans. HMDA data was deemed unreliable during an onsite data integrity examination and we used our own loan sample data to complete the lending analysis. Bank management agreed to take corrective measures to ensure accurate reporting of HMDA data going forward.

**DESCRIPTION OF INSTITUTION**

Landmark Community Bank is a \$118 million National Bank chartered in Isanti, MN. The bank's main office and one limited-service branch are located in Isanti, which is approximately 50 miles north of the Minneapolis/St. Paul metropolitan area. In addition, 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. The bank's only deposit-taking ATM is located at its Ramsey branch location.

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. According to the June 30, 2008 Report of Condition, the bank's \$89 million

loan portfolio represented 75% of total assets and consisted of 67% commercial and commercial real estate loans, 28% residential real estate loans, 2% consumer loans, and 3% all other loans. This distribution of outstanding loan balances is consistent with the distribution by loan type of loan originations during the assessment period (January 1, 2006 through June 30, 2008).

LCB is 100% owned by Johnson Holdings Inc., a one-bank holding company headquartered in Ramsey, MN. There are no financial, legal or other factors that impede the bank's ability to meet its CRA obligations. LCB received a "Satisfactory" rating at its June 26, 2003 CRA evaluation.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area consists of four whole and adjacent counties in East-Central Minnesota. This includes Anoka, Isanti, Ramsey, and Washington counties, all of which are part of the Minneapolis/St. Paul Metropolitan Statistical Area (MSA). The assessment area includes a mix of high-, moderate-, and low-density suburban areas as well as tracts of rural, undeveloped land.

According to 2000 U.S. Census Bureau data, the assessment area includes 271 census tracts with a total population of 1,041,536 people. Of the 271 census tracts, 10 are low-income (4%), 64 are moderate-income (24%), 143 are middle-income (53%), 51 are upper-income (19%), and 3 do not have income information available (1%). The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

Year 2000 U.S. Census Bureau data reports a total of 264,398 families in the assessment area. Of these families, 18.08% are low-income, 19.75% are moderate-income, 27.23% are middle-income and 34.94% are upper-income families. This distribution is based on the Department of Housing and Urban Development's 2007 updated median family income for the MSA of \$77,600. The 2000 U.S. Census Bureau data indicates that 6.52% of households and 4.80% of families in the assessment area are living below the poverty level.

The economy of the assessment area varies widely given the geographic area covered and the assessment area's location within the Minneapolis/St. Paul MSA. Major economies within the assessment area include service, retail, manufacturing, research and development, health care and medical instruments, and government industries. The entire Minneapolis/St. Paul MSA is home to 19 Fortune 500 companies. The MSA is home to the University of Minnesota and several other public/private universities and colleges.

The local economy has experienced a slowdown due to the larger economic pressures

related to residential real estate and higher energy costs. According to the Minnesota Department of Employment and Economic Development, unemployment within the assessment area is in line with the MSA at 5.7% and remains slightly lower than the state of Minnesota (5.8%) and national unemployment (6.1%) rates. According to census data, the 2006 updated weighted average median housing value for the assessment area was \$229,900, though it is noted that housing values in general are currently declining given an oversupply of new and existing units. According to a community contact, concerns exist with the increasing level of foreclosures in the area and the number of foreclosures is expected to increase in the coming months as the weakening economy continues to negatively impact the area.

Competition for loans and deposits is strong as there are several financial institutions located in the bank's assessment area. The Federal Deposit Insurance Corporation lists 72 deposit-taking financial institutions in the assessment area. Competing banks include small community banks headquartered in the area as well as branch locations of large regional and national banks. Competition also includes non-bank institutions such as credit unions, finance companies, and mortgage companies.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

LCB's net loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and the assessment area's credit needs. The bank's quarterly net loan-to-deposit ratio averaged 93% and ranged from 82% to 103% over the 21 quarters from June 30, 2003 through June 30, 2008. LCB's net quarterly loan-to-deposit ratio was 86% as of June 30, 2008.

LCB's quarterly net loan-to-deposit ratio is comparable to other community banks of similar size serving the counties included in the assessment area. A total of nine other financial institutions with total assets ranging from \$79 million to \$201 million are chartered within the bank's assessment area. LCB ranks fifth among similarly-situated banks within the assessment area. The other nine banks had average quarterly net loan-to-deposit ratios averaging 92% and ranging from 72% to 103% over the 21 quarters from June 30, 2003 through June 30, 2008.

LCB sells residential real estate loans on the secondary market. While this lending activity assists in LCB's efforts to meet local credit needs, the volume of brokered and sold loans are not reflected in the quarterly loan-to-deposit ratio.

### **Lending in Assessment Area**

LCB originates a majority of its loans within the assessment area. Based on a random sample of 60 residential real estate loans and the first 20 commercial loans originated between January 1, 2006 and September 15, 2008, the bank originated 61% of loans by number and 54% of loans by dollar within the assessment area.

<b>Lending in the Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	37	61.7%	23	38.3%	60	4,568	61.7%	2,840	38.3%	7,408
Commercial	12	60.0%	8	40.0%	20	1,117	35.8%	2,003	64.2%	3,120
Totals	49	61.3%	31	38.8%	80	5,685	54.0%	4,843	46.0%	10,528

Source: Bank Records

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

LCB’s distribution of loans to borrowers of different incomes and businesses of different sizes is reasonable. To assess the bank’s performance, examiners selected a sample of 60 residential real estate loans and 60 commercial loans originated within the assessment area between January 1, 2006 and September 15, 2008. Income information was unavailable in eight of the residential real estate files sampled.

The bank’s residential real estate lending performance exceeds the demographics of the assessment area for total low- and moderate-income borrowers. Over the assessment period, lending to low-income families of 9.6% of loans sampled is near the assessment area demographic of 18.1%. Lending performance to moderate-income families of 32.7% of sampled loans substantially exceeds the assessment area demographic of 19.8%.

<b>Borrower Distribution of Residential Real Estate Loans</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential RE	18.1%	9.6%	19.8%	32.7%	27.2%	23.1%	34.9%	34.6%

Source: Bank Records; 2000 U.S. Census Data

The bank’s business lending performance exceeds the demographics of the assessment area. Although a significant portion of business revenue is unreported or unknown, the majority of businesses within the assessment area generate annual revenues of less than \$1 million. Based on our sample, the bank originated 71.7% of its loans by number and 82.9% by dollar to businesses in the assessment area with revenues less than \$1 million. The gross annual business revenues of sampled loans ranged from \$12 thousand to \$8 million.

<b>Borrower Distribution of Loans to Businesses</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	68.1%	5.8%	26.1%	100%
% of Bank Loans in AA by #	71.7%	28.3%		100%
% of Bank Loans in AA by \$	82.9%	17.1%		100%

Source: Bank Records; 2007 Business Demographic Data; Dunn and Bradstreet data

## Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion of loan originations across the bank’s assessment area. To assess the bank’s performance, examiners selected a sample of 60 residential real estate loans and 60 commercial loans originated in the assessment area between January 1, 2006 and September 15, 2008.

LCB’s residential real estate lending meets the demographic distribution. While no residential real estate loans sampled were located in the 10 low-income tracts, only 1.3% of total owner-occupied housing is located within these low-income tracts. Residential real estate lending in moderate-income tracts was 13.3% by number compared to the demographic of 16% of owner-occupied housing within the assessment area.

Geographic Distribution of Residential Real Estate Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential RE Loans	1.3%	0.0%	16.0%	13.3%	61.2%	80.0%	21.6%	6.7%

Source: Bank Records; 2000 U.S. Census data

Business Lending in low- and moderate-income tracts is significantly lower than the demographic distribution. Business lending in low-income tracts of 3.3% by number meets the demographic of 3.3%. However, lending to businesses located in moderate-income tracts was only 8.3% compared to a demographic of 23.2%.

The conspicuous gaps in geographic distribution are primarily caused by the bank and its branches’ location in middle-income tracts. The majority of low- and moderate-income tracts within the assessment area are located in Ramsey county and encompass the city of St. Paul, MN. The bank’s nearest branch is located in a northern Ramsey county suburb. Local competition within these low- and moderate-income tracts includes the headquarters or branch locations of many large financial institutions directly located within the city of St. Paul, MN.

<b>Geographic Distribution of Loans to Businesses</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial Loans	3.3%	3.3%	23.2%	8.3%	55.8%	83.3%	17.8%	5.0%

*Source: Bank Records; 2007 Business Demographic Data*

**Responses to Complaints**

No CRA related complaints have been reported since the last CRA examination dated June 26, 2003.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.