



**Comptroller of the Currency
Administrator of National Banks**

PUBLIC DISCLOSURE

December 10, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**BNC National Bank of Minnesota
Charter Number 22973**

**333 South Seventh Street, Suite 200
Minneapolis, MN 55402**

Office of the Comptroller of the Currency

**Minneapolis Duty Station
920 Second Ave. South, Suite 800
Minneapolis, MN 55402**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **BNC National Bank of Minnesota** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 10, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

The bank's loan-to-deposit ratio is more than reasonable, with the majority of loans being made within its assessment area. Lending to small businesses is good with a reasonable geographic dispersion of loans throughout the assessment area.

The following table indicates the performance level of **BNC National Bank of Minnesota** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>BNC National Bank of Minnesota</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints have been received		

DESCRIPTION OF INSTITUTION

BNC National Bank of Minnesota (BNC) is a newly chartered \$35 million bank which opened in January, 1996. BNC has one office with an attached proprietary ATM located in downtown Minneapolis, Minnesota. The bank's primary lending focus is small business lending, with commercial and commercial real estate representing 89% of the loan portfolio. Approximately one-third (by dollar volume) of the bank's loans are purchased from other financial institutions. There are no financial or legal impediments limiting the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF BNC NATIONAL BANK OF MINNESOTA'S ASSESSMENT AREA

BNC's assessment area consists of the 11 Minnesota counties in the Minneapolis/St. Paul Metropolitan Statistical Area (MSA). This area includes the counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

Based on 1990 Census data, the population of the assessment area is approximately 2,455,818. The assessment area contains 640 census tracts, of which 8% are designated as low-income and 16% are moderate-income. The Department of Housing and Urban Development's (HUD) 1995 MSA Median Family Income for the MSA is \$54,600.

Common credit needs throughout the assessment area consists of loans to small businesses and instalment and residential loans to consumers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank's average quarterly loan-to-deposit ratio of 391% for its last 2 quarters of operation is more than reasonable given the bank's size, financial condition, and lending opportunities in the assessment area. In addition, BNC has originated and sold approximately \$21 million of loans.

Lending in Assessment Area

The bank originates a majority of its loans to borrowers located inside of its assessment area. We reviewed all outstanding loans as of November 22, 1996. Our review of these 228 lending relationships, totaling \$33.6 million, revealed that 76% of the bank's loans

by number and 48% by dollar volume were extended to borrowers located inside of the bank's assessment area.

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

BNC has a reasonable distribution of loans to businesses of different revenue sizes. We sampled 25 commercial loans (11% by number) totaling \$4.6 million (14% by volume). As can be seen from the table below, the results of our sample show that 64% of commercial loans (by number) were to borrowers with annual revenues of less than \$1 million.

Annual Revenues	Commercial Borrowers
Less than \$250,000	16%
\$250,000-\$500,000	32%
\$500,000-\$1,000,000	16%
Greater than \$1,000,000	36%

Due to the bank's limited amount of consumer lending, a review of lending to borrowers by income level would not have been meaningful. Thus, we did not conduct such a review.

Geographic Distribution of Loans

The geographic distribution of loans represents a reasonable dispersion throughout the assessment area. We identified several loans extended to businesses located in low- and moderate-income areas and did not identify any areas where management was arbitrarily withholding credit.

Record of Compliance with Antidiscrimination Laws

BNC complies with all applicable antidiscrimination laws and regulations. We found no evidence of apparent disparate treatment during our fair lending review.